

**Form 2A  
Listing Statement**



**ZeU Crypto Networks Inc.**  
(the "Corporation" or "ZeU")

**Application for Listing of the Common Shares of ZeU  
on the Canadian Securities Exchange**

**December 17, 2019**

*No securities regulatory authority or the Canadian Securities Exchange has expressed an opinion about the securities which are the subject of this application.*

## Item 1: Table of Contents and Glossary

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### Table of Contents

Item 1: Table of Contents and Glossary.....	- 1 -
Item 2: Corporate Structure.....	- 7 -
Item 3: General Development of the Business.....	- 8 -
Item 4: Narrative Description of the Business .....	- 10 -
Item 5: Selected Consolidated Financial Information.....	- 19 -
Item 6: Management’s Discussion and Analysis .....	- 21 -
Item 7: Market for Securities .....	- 21 -
Item 8: Consolidated Capitalization.....	- 21 -
Item 9: Options to Purchase Securities.....	- 22 -
Item 10: Description of the Securities.....	- 23 -
Item 11: Escrowed Securities.....	- 24 -
Item 12: Principal Shareholders .....	- 24 -
Item 13: Directors and Officers.....	- 24 -
Item 14: Capitalization.....	- 30 -
Item 15: Executive Compensation .....	- 33 -
Item 16: Indebtedness of Directors and Executive Officers.....	- 35 -
Item 17: Risk Factors .....	- 35 -
Item 18: Promoters.....	- 40 -
Item 19: Legal Proceedings.....	- 41 -
Item 20: Interest of Management and Others in Material Transactions.....	- 41 -
Item 21: Auditors, Transfer Agents and Registrars.....	- 41 -
Item 22: Material Contracts.....	- 41 -
Item 23: Interest of Experts.....	- 42 -
Item 24: Other Material Facts .....	- 42 -
Item 25: Financial Statements.....	- 42 -
Item 34: Certificates and Consents.....	- 43 -

## Glossary

Unless otherwise indicated or the context otherwise indicates, the following definitions are used in this Listing Statement. Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the policies of the Canadian Securities Exchange and applicable securities laws. In the event of a conflict between a term defined in this Glossary and a term defined in the policies of the Canadian Securities Exchange, the definition of the Canadian Securities Exchange will govern.

**“10% Debentures”** means the unsecured convertible debentures issued July 5, 2018, bearing interest 10% annual interest with a maturity date of July 5, 2020, convertible into ZeU Shares at a price of \$1.00 (the **“10% Debenture Conversions Price”**) at the option of the holder at any time until maturity. Upon the occurrence of a Liquidity Event, ZeU is entitled to require the holders of 10% Debenture to convert up to 25% of the principal amount outstanding, together with any accrued and unpaid interest owing thereon, into ZeU Shares at the 10% Debenture Conversions Price;

**“10% Debenture Conversion”** means the conversion of 25% of the outstanding amount plus accrued interest as of the Listing Date into ZeU Shares pursuant to the terms and conditions of the 10% Debentures;

**“10% Debenture Offering”** means ZeU’s 10% Debentures offering completed on July 5, 2018, for an aggregate principal amount of \$4,783,692 of which \$3,708,692 was subscribed in consideration of digital assets;

**“10% Debenture Debt Settlement”** means the debt settlement of \$550,000 principal amount of 10% Debentures plus accrued interest of \$76,548 as of November 25, 2019, in consideration of the issuance of an aggregate of 626,548 ZeU Shares pursuant to the terms and conditions of the 10% Debenture Debt Settlement Agreements;

**“10% Debenture Debt Settlement Agreements”** means the shares for debt agreements between ZeU and certain debenture holders dated November 25, 2019, pursuant to which ZeU completed the 10% Debenture Shares for Debt;

**“12% Debentures”** means the unsecured convertible debentures issued November 12, 2019, bearing interest 12% annual interest with a maturity date of May 12, 2022, convertible into ZeU Shares at a price (the **“12% Debenture Conversion Price”**) equal to the greater of: (i) \$1.50, and (ii) if the date of any conversion occurs after a Liquidity Event, the 10-day volume-weighted average trading price of the ZeU Shares, immediately prior to the applicable conversion date,. Upon the occurrence of a Liquidity Event, ZeU is entitled to require the holders of 12% Debenture to convert up to 50% of the principal amount outstanding, together with any accrued and unpaid interest owing thereon, into ZeU Shares at the 12% Debenture Conversions Price. ZeU is also entitled to redeem the 12% Debentures at any time, including on the maturity date, in cash, in digital assets for the pro rata nominal amount of digital assets subscribed or in ZeU shares at the 12% Conversion Price.

**“12% Debenture Conversion”** means the conversion of 50% of the outstanding amount plus accrued interest as of the Listing Date into ZeU Shares pursuant to the terms and conditions of the 12% Debentures;

“**12% Debenture Offering**” means ZeU’s 12% Debentures offering completed on November 12, 2019, for an aggregate principal amount of \$7,824,000 subscribed in consideration of digital assets;

“**Arrangement**” means the transactions completed December 16, 2019, by SX and ZeU pursuant to the Arrangement Agreement;

“**Arrangement Agreement**” means the arrangement agreement between the SX and ZeU dated May 30, 2018, pursuant to which SX, among other things, distributed 11,249,825 ZeU Shares to the SX Shareholders as of the Record Distribution Date;

“**Arrangement Effective Date**” means December 16, 2019;

“**Blockchain**” a system in which a record of actions, transactions or permutations are maintained across several computers that are linked in a peer-to-peer network in an immutable transactions ledger;

“**Blockchain Technology**” means all the Intellectual Property related to the Blockchain and smart contract technologies of the ZeU Business, the whole as more fully described in *Item 4 - Narrative Description of the Business*;

“**Board**” means the Board of Directors of ZeU;

“**CBCA**” means the *Canada Business Corporations Act*;

“**Circular**” means the management information circular of ZeU dated June 7, 2018, furnished in connection with the solicitation of proxies used at the Meeting;

“**Computershare**” means Computershare Investor Services Inc.;

“**Court**” means the Superior Court of Quebec;

“**cryptocurrency**” means a digital currency, unlike fiat or physical currency, which is based on mathematics alone and is produced by solving mathematical problems based on cryptography;

“**CSE**” or the “**Exchange**” means the Canadian Stock Exchange;

“**Debt Settlement**” means the debt settlement of \$135,469 of accounts payable and accrued liabilities, in consideration of the issuance of an aggregate 135,469 ZeU Shares pursuant to the terms and conditions of the Debt Settlement Agreements;

“**Debt Settlement Agreements**” means the shares for debt agreements between ZeU and certain creditors dated November 25, 2019, pursuant to which ZeU completed the Shares for Debt;

“**Final Exchange Bulletin**” means the CSE bulletin issued following the submission of all required documentation and that evidences the final CSE acceptance of the listing of the ZeU Share on the CSE;

“**Final Order**” means the final order of the Court approving the Arrangement;

“**Intellectual Property**” means all the intellectual property rights owned by ZeU or which ZeU is in the process of securing as at the date of this Listing Statement in connection with, but not limited thereto, the Blockchain Technology, as more fully described in *Item 6 - Narrative Description of the Business*;

“**Interim Order**” means the order of the Court providing for, among other things, the calling and holding of the Meeting, as such order may be amended, supplemented or varied by the Court which was rendered on June 5, 2018;

“**KAM**” means Kamari, a cryptocurrency token issued on the Ethereum platform

“**Liquidity Event**” means a transaction pursuant to which ZeU becomes a "reporting issuer" under applicable Canadian Securities Laws and the ZeU Shares or the common shares of any resulting issuer would be listed and posted for trading on an recognized exchange, which may include, without limitation, an initial public offering, a reverse take-over or a merger with existing a reporting issuer;

“**Listing**” means the listing of the Zeu Shares of ZeU for trading on the CSE;

“**Listing Date**” means the date on which the Zeu Shares are listed for trading on the CSE;

“**Listing Statement**” means this Form 2A Listing Statement including all appendices hereto.

“**Meeting**” means the special meeting of the Shareholders held on July 5, 2018 at 11:00 a.m. for the purposes set out in the Circular;

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*;

“**NI 54-101**” means National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*;

“**NI 58-101**” means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*;

“**Record Distribution Date**” means August 7, 2018;

“**SEDAR**” means System for Electronic Document Analysis and Retrieval, accessible online at [www.sedar.com](http://www.sedar.com);

“**Shareholders**” means the holders of Zeu Shares;

“**SX**” means St-Georges Eco-Mining Corp., a CBCA corporation;

“**SX Shareholders**” means the holders of SX Shares;

“**SX Shares**” means the common shares without par value in the authorized share structure of SX, as currently constituted and the common shares in the authorized share structure of SX to be created in accordance with the Arrangement Agreement and which will have attached thereto the same rights and privileges as the common shares in the authorized share structure of SX immediately prior to the Effective Time;

“**Tax Act**” means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1 as amended, including the regulations promulgated thereunder;

“**Tiande**” means collectively Beijing Tiande Technologies Limited and Qingdao Tiande Technologies Limited;

“**Tiande Licence**” means an exclusive license agreement between Tiande and SX dated December 29, 2017 to use Tiande’s Blockchain proprietary technologies, patents and know-how to develop and commercialize novel mineral commodity production chain control, tracking and trading exchanges worldwide at the exclusion of China and its territories, in consideration for a royalty of 8% of the gross revenues derived from the Tiande License

“**Tiande Licence Agreement**” means an assignment agreement effective January 14, 2018, between ZeU and SX, pursuant to which SX transferred the Tiande Licence and \$496,432.16 to ZeU in consideration of the issuance of 20,000,000 ZeU Shares;

“**United States**” or “**U.S.**” means the United States of America and any territory or possession thereof, any state of the United States, and the District of Columbia;

“**Voluntary Resale Restriction Agreement**” means the orderly sale agreement effective November 12, 2019, pursuant to which the digital assets forming the 12% Debentures consideration are subjected to the following voluntary transfer restrictions: (i) in any one-month period, transfer, directly or indirectly, is limited to 1/30th of the total number of KAM forming the 12% Debenture consideration; and (ii) in any given day, any sale on an exchange is limited to 5% of the total volume of KAM traded, without the prior written consent of Kamari Limited;

“**ZeU**” or “**Corporation**” means ZeU Crypto Networks Inc., a CBCA corporation;

“**ZeU Business**” means the business of ZeU upon completion of the Arrangement, being the selling, licensing, researching, developing, marketing, promoting and servicing the Blockchain Technology; and

“**ZeU Shares**” means the common shares without par value in the authorized share structure of ZeU, as currently constituted and the common shares in the authorized share structure of ZeU to be created in accordance with the Arrangement Agreement and which will have attached thereto the same rights and privileges as the common shares in the authorized share structure of ZeU immediately prior to the Effective Time.

## Notice to Reader

No person is authorized to give any information or to make any representation not contained in this Listing Statement and, if given or made, such information or representation should not be relied upon as having been authorized. This Listing Statement does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

Unless otherwise noted, all information in this Listing Statement is provided as of December 17, 2019.

NEITHER THE CANADIAN SECURITIES EXCHANGE NOR ANY SECURITIES REGULATORY AUTHORITY HAS IN ANY WAY PASSED UPON THE MERITS OF THE TRANSACTIONS DESCRIBED IN THIS LISTING STATEMENT.

### Caution Regarding Forward Looking Information

This Listing Statement contains “forward-looking information” within the meaning of Canadian securities legislation and “forward-looking statements” within the meaning of applicable securities legislation, including the *United States Private Securities Litigation Reform Act of 1995* (collectively, “**forward-looking statements**”). These forward-looking statements are made as of the date of this Listing Statement or as of the date of the applicable document from which they are incorporated by reference.

Forward-looking statements relate to future events or future performance and reflect the expectations or beliefs of management of ZeU regarding future events, and include, but are not limited to:

- information with respect to future financial and operating performance;
- adequacy of financial resources;
- changes in national and local government legislation, taxation, controls, regulations and political or economic developments;
- operating or technical difficulties in connection with the ZeU Business and, or Blockchain Technology;
- ability to secure and maintain rights over the Intellectual Property in Canada and the U.S.;
- marketability of Blockchain Technology products over time;
- development and competition within the Blockchain Technology industry;

- ZeU’s operations, investment strategies and profitability may be adversely affected by competition from other technology companies;
- ZeU may never pay any dividends;
- forward-looking information attributed to third party industry sources; and
- statements related to expected executive compensation.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management of ZeU made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. ZeU believes that the assumptions and expectations reflected in such forward-looking information are reasonable. Assumptions have been made regarding, among other things: the ability to carry on development activities, ZeU’s ability to secure the Intellectual Property and the ability to obtain financing as and when required and on reasonable terms. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of ZeU, that could influence actual results include, but are not limited to: development and operating risks; financing risks; capital requirements and liquidity; reliance on management and dependence on key personnel; government regulations; competition; intellectual property and other factors beyond the control of ZeU. See Item 19 – “Risk Factors”.

These forward-looking statements are based on the reasonable beliefs, expectations and opinions of management of ZeU as of the date of this Listing Statement. Although ZeU has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. ZeU does not undertake to update any forward-looking information, except as, and to the extent required by, applicable securities laws.

## **Item 2: Corporate Structure**

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### Name, address and incorporation

ZeU Crypto Networks Inc. was incorporated on January 4, 2018 under the CBCA as a wholly owned subsidiary of SX, and its head and registered office is located at 230 Notre-Dame Street W., Montreal, QC, H2Y 1T3.

ZeU is a reporting issuer in British Columbia, Alberta and Ontario.



## Intercorporate relationships

ZeU has no subsidiaries:

<b>ZeU Crypto Networks Inc.</b> (Canada)
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On the Arrangement Effective Date, ZeU ceased to be a wholly-owned subsidiary of SX, upon the distribution of 11,249,825 of the 20,000,000 ZeU Shares then held by SX to the SX Shareholders pursuant to the Arrangement. See Item 3 – “General Narrative Description of the Business” for a summary of the Arrangement.

### **Item 3: General Development of the Business**

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#### **3.1 General Development of the Business**

Since incorporation ZeU’s principal activity has been to develop its Blockchain Technology and review and investigate potential business opportunities in the Blockchain field for possible acquisition.

ZeU was formed on January 4, 2018 as a wholly owned subsidiary of SX, to leverage Blockchain Technology opportunities, partly developed by Dr. Wei-Tek Tsai, a former director of SX.

It was initially intended, that ZeU would use and build upon the Tiande Licence acquired along with an investment of \$496,432, pursuant to the Tiande Licence Agreement, as well as develop new Blockchain Technology in order to market Blockchain products for the mining and commodities industries.

Further to the Tiande Licence, Zeu and Tiande continued to discuss and agreed that all the Tiande Blockchain Technology should be acquired by ZeU. On January 14, 2018, ZeU entered into a non-binding letter of intent, amended on February 8, 2018, to acquire all of the Blockchain and smart contract technologies assets of Tiande. On February 23, 2018, ZeU entered into a definitive asset purchase agreement with Tiande. On August 13, 2018, ZeU received a termination notice from Tiande, accompanied by a request to negotiate a new agreement. The revised financial demands of Tiande rendered the transaction commercially impossible for ZeU.

On May 22, 2018, SX announced that it intended to “spin-out” its subsidiary ZeU by way of the Arrangement. The transaction was undertaken in order to allow SX to focus its efforts on its core mining, metallurgical processes and commodities management technologies related activities, while seeking to maximize shareholder value of the Blockchain Technology by ZeU by placing them in a separate public company. At the Meeting on July 5, 2018, the SX Shareholders voted to approve the Arrangement, and the Final Order by the Court was granted on July 10, 2018. On the Arrangement Effective Date, the SX Shareholders of record on the Distribution Record Date, were distributed an aggregate of 11,249,825 ZeU Shares, representing one (1) ZeU Shares for approximately every eight (8) SX Shares held as of the Distribution Record Date, and SX retained 8,750,175 ZeU Shares.

On July 5, 2018, ZeU closed its 10% Debentures Offering for an aggregate principal amounts of \$4,783,692. The 10% Debentures issued pursuant to the Debentures Offering have a maturity date of July 5, 2020, and the principal amount of the 10% Debentures is convertible into ZeU Shares prior to the maturity date at a price of \$1.00 per share (the "**10% Debenture Conversion Price**"). The Listing of the ZeU Shares will be deemed a Liquidity Event as defined in the 10% Debenture certificate, and as a result of which, ZeU will be entitled to convert up to 25% of the principal amount of 10% Debenture outstanding, together with any accrued and unpaid interest owing thereon, into ZeU Shares at the 10% Debenture Conversion Price.

On February 4, 2019, ZeU executed an arm's length asset purchase agreement (the "**VN3T APA**") with VN3T Technologies Inc. ("**VN3T**"), a private company based in Montreal and Gibraltar developing, managing and marketing a decentralized data marketplace and secured development services, to acquire intellectual property of VN3T's in consideration of: (i) the issuance of a \$150,000 debenture (the "**VN3T Debenture**") of ZeU maturing 2 years from its issuance and convertible into ZeU Shares at a price equal to the 5-day volume weighted average price ("**VWAP**") of the ZeU Shares, subject to a minimum price per share of \$1.85. ZeU; and (ii) a service agreement with VN3T for a gross amount of \$60,000 to assist with the development of certain aspects of the intellectual property.

On March 8, 2019, ZeU agreed to licence its Blockchain Technology, including its patent pending Blockchain random number generator, to a joint venture (the "**St. James JV**") to be formed with St. James House PLC ("**St. James**"), a UK licensed gaming operator (LSE: SJH), for the establishment of a Blockchain lottery with its main license in Malta. The St. James JV will combine St. James' expertise in regulated lottery management and administration with the ZeU's Blockchain Technology. St. James will act as the lottery operator and hold a 45% interest in the St. James JV, ZeU and SX will each hold 19.9%, and the balance will be held by independent investors.

On March 9, ZeU retained the services of Cassiopeia Services Ltd., a UK based communication and investors awareness firm specialized in Blockchain out of London UK. Cassiopeia Services Ltd. is thriving in the booming Blockchain and cryptocurrency world with multiple clients working on innovative projects powered by new technologies in different industries.

On March 29, 2019, ZeU was retained to develop the global Blockchain infrastructure and data mining components of the KinectHub initiative of Kinect Corporation ("**Kinect**"). KinectHub is a large infrastructure project using state-of-the-art technology such as Blockchain, distributed storage, anonymity solution and privacy insurances to bring healthcare to third world countries.

On September 10, 2019, ZeU settled \$95,785 10% Debenture principal amount with a debenture holder in consideration of 100 Ether coins.

On November 12, 2019, ZeU executed a joint venture agreement with Kamari Limited ("**Kamari**"), a private company of Malta, for the joint development and deployment of lotteries and gaming offering in Africa ("**JVCo**"), pursuant to which: (i) both parties agreed to invest up to Euro 50,000, (ii) ZeU agreed, among other things, to grant JVCo a non-exclusive licence to its technologies in exchange for a 30% interest in JV Co., and Kamari agreed to provide JV Co. with support in accessing online lottery markets exchange for a 70% interest in JV Co.

On November 12, 2019, ZeU also closed its 12% Debentures Offering for an aggregate principal amounts of \$7,840,000. The 12% Debentures issued pursuant to the Debentures Offering have a maturity date of May 12, 2022, and the principal amount of the 12% Debentures is convertible into ZeU Shares prior to the maturity date at a price (the “**12% Debenture Conversion Price**”) equal to the greater of: (i) \$1.50, and (ii) if the date of any conversion occurs after a Liquidity Event as defined in the 12% Debenture certificate, the 10-day volume-weighted average trading price of the ZeU Shares, immediately prior to the applicable conversion date,. The Listing of the Zeu Shares will be deemed a Liquidity Event as defined in the 12% Debenture certificate, and as a result of which, ZeU will be entitled to convert up to 50% of the principal amount of 12% Debenture outstanding, together with any accrued and unpaid interest owing thereon, into ZeU Shares at the 12% Debenture Conversion Price.

On November 25, 2019, ZeU entered into: (i) shares for debt agreements to settle debts of \$626,548 representing \$550,000 10% Debenture principal amount together with \$76,548 in accrued interest (the “**10% Debenture Debt Settlement**”); and (ii) shares for debt agreements to settle debts of \$135,469 representing accounts payable and accrued liabilities (the “**Debt Settlement**”)

Additional information pertaining to ZeU including financial information, is contained in the various disclosure documents of ZeU and SX filed with applicable securities commissions and made available through the Internet under ZeU and SX’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

### **3.2 Significant Acquisitions or Dispositions**

ZeU has not completed any material acquisitions or dispositions aside from the following:

On February 4, 2018, ZeU entered into the Tiande Licence Agreement, as amended; and

On May 30, 2018, ZeU entered into the Arrangement Agreement.

### **3.3 Trends, Commitments, Events or Uncertainties**

Except as may be disclosed elsewhere in this Listing Statement, ZeU is not aware of any trend, commitment, event or uncertainty presently known to management and reasonably expected to have a material effect on ZeU’s business, financial condition, or results of operations.

## **Item 4: Narrative Description of the Business**

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### **4.1 Description of the Business**

ZeU’s primary objective is to focus on the growth of the ZeU Business, being the selling, licensing, researching, developing, marketing and promoting and servicing of the next generation of Blockchain applications relying on its Blockchain Technology. ZeU intends to capitalize on the mass adoption of distributed ledger technology, works with solutions across diverse industries, and focuses on the challenges of big data, security, transparency, and tokenomics.

In addition to the software codes of the Blockchain applications being developed, research results, and the Tiande Licence, ZeU has filed and is in the process of obtaining the following patents in the United States:

Title	Application Type	Application Number	Filing Date
System and Method for Augmenting Database Applications with Blockchain Technology	Provisional	62/775,201	04-DEC-2018
A Method for Generating Random Numbers in Blockchain Smart Contracts	Provisional	62/794,336	18-JAN-2019
Blockchain-Based Secure Email System	Provisional	62/812,615	01-MAR-2019
Distributed Blockchain Transaction System	Provisional	62/883,531	06-AUG-2019
A Method and System for a Decentralized Transactional Communication Protocol	Provisional	62/888,091	16-AUG-2019
Biocrypt Digital Wallet	PCT	PCT/CA2019/000142	11-OCT-2019
System and Method for Blockchain Based Backup and Recovery	Provisional	62/928,703	31-OCT-2019
System and Method for Augmenting Database Applications with Blockchain Technology	PCT		
Method and System for Converting Database Applications with Blockchain Applications	Provisional	62/940,620	29-NOV-2019

, (collectively the “**Blockchain Technology**”).

ZeU leverages its Blockchain Technology, including its multiple chain consensus architecture to integrate its features into market opportunities such as the distributed email. Running double or multiple chain-type trading algorithms allows for easier expansion, extension, and fault-tolerance across multiple distributed networks. Each ledger is managing its own self-consistency; the consistency between multiple ledgers does not need to be managed by a central authority. Alternatively, it is maintained and parallelized using a trust-less distributed mechanism. This, as a whole, contributes to improving drastically the efficiency and network operation speed.

These architectures can accommodate Blockchain and/or inter-chains participants. They can be stand-alone or in a group of organizations. The infrastructure supports a double-chain structure which separates two main ledgers, trading records and balance accounts. This structure enables a cross-chain effect which considerably upgrades the efficiency by balancing the consensus-based quality between the ledgers. Transactions may occur at a very high rate with a relatively low consensus threshold (2-4 confirmation), and balance accounts are supported by a stronger one with a settlement mechanism.

The protocol supports a core algorithm to enable cross-chain transactions between multiple participants. This algorithm is not centralized and the consistency of the network (ledgers) is maintained at any point in time.

### ***Random Number Generator***

ZeU is patenting a method for generating fair and effective random numbers for smart contracts technology (the “**ZeU RNG**”) under the patent application “A Method for Generating Random Numbers in Blockchain Smart Contracts”. This method effectively avoids the pitfalls of previous methods, which mainly fall into the category of loss of speed or guessable results. ZeU’s random number generator can achieve verifiable and non-tamperable random number generation. With

sufficient motivation, miners can attempt to manipulate block information. Based on this knowledge, ZeU has designed its method based on the concept that miners aren't trustworthy, therefore, the number of miners in the blockchain is limited. The ZeU RNG goal is to create a verifiable, fair random number generation is achievable as long as at least one of the parties to the smart contract is credible and that this party does not misuse the confidential information. After the last disclosure of the random number, we can use the verification signature submitted by all parties to confirm that the random number calculation process is credible.

### ***Blockchain-Based Secure Email***

Mula mail (“**Mula Mail**”) is a distributed, end-to-end encrypted email service provider which offers a secure alternative email solution. It will be a freemium email, allowing users to opt out of marketing campaigns for a low monthly fee. However, users who engage with the marketing campaigns will receive vouchers that can be redeemed against products and services.

Being a native blockchain application, Mula Mail will encompass all the benefits of blockchain including exceptional privacy with end-to-end encryption and the security of the immutability inherent in blockchain. This will make Mula Mail attractive to entities where chain-of-custody is a consideration; this includes attorneys, bankers, stock brokers, real estate agents, etc. Mula Mail will also be spam-free as a sender cannot access a user's inbox without the user's permission.

### ***SaaS for Big Data***

ZeU SaaS platform (the “**SaaS Big Data Platform**”) is a turnkey solution for clients to leverage the monetizable value of their data using our related services such as secure hosting, tokenization, audit trails, point of access, POA security, data mining sandbox, algorithm sandbox, etc. It is designed to match the specific needs of our clients' industries in the healthcare sector and aims to offer ever new options and services.

The SaaS components are used as microservices and are exposed using a RESTful API, administration panel, and software documentation online. It features:

- Secure distributed data hosting
- Medical data processing
- Point-of-Access for data
- Data access & transfer security
- Data anonymization & pseudonymization
- High-performance search engine
- Public/private blockchain protocol
  - tokenization
  - smart contracts
  - consensus
- Interoperability between ledgers

### ***ZeU Social Networking Application***

ZeU's social networking application (the “**ZeU SNA**”) is a short-term application development, which will enable ZeU to leverage data science and promotional functionalities into a simple and gamified environment.

The concept is based on a geo-localized mobile application, which will bring people together for social events, such as a drink at a bistro. It can be used as a way to meet new people, signal your intention to be with friends, and benefit from exclusive promotions. The experience will be gamified by curated marketing campaigns and users can earn loyalty points from participating brands or establishments for drinks or activities.

### ***Moving Forward***

The potential of the ZeU Technology and its ecosystem are still at their infancy. ZeU must balance the needs for short-, mid- and long-term objectives in relation to revenue and expansion.

In this regard, each component of the short-term strategy is being developed with a data-driven approach, which will demonstrate benefits over time and well position ZeU for expansion. The success of any single component is measured by the number of acquired partners and clients such as what has been done with the ZeU RNG integration, Mula Mail, and the SaaS Big Data Platform.

The business development approach is simple, it is to start with paying client which will fit into the short-, mid- or long-term strategy. Every component is always developed in a generic way that will protect ZeU intellectual property ownership and enable the ZeU Technology to be integrated into evermore market opportunities.

### ***Blockchain***

Blockchain is an innovative technology that delivers the potential for a powerful new form of transactional trust. It is considered by a growing number of people to be to be the most important technology-driven innovation since the introduction of the Internet. Blockchain is an algorithm and distributed data structure for managing data without a central administrator among people who know nothing about one another. Originally designed for the crypto-currency Bitcoin, the Blockchain architecture was driven by a radical rejection of traditional money and bank-controlled payments. Beyond, Bitcoin and cryptocurrencies in general, the potential of Blockchain itself, as a data-transfer and processing technology, is enormous and extends well beyond the financial services sector.

Blockchain monitors and verifies transactions by calling upon a decentralized network of volunteer-run nodes to, in effect, vote on the order in which transactions occur. The network's algorithm ensures that each transaction is unique.

### ***What is Blockchain technology?***

The Blockchain is a decentralized distributed digital ledger. It is a database that exists in multiple copies across multiple computers with no single, centralized database or server. Transactions on the Blockchain are “signed” digitally, using asymmetric cryptography. Asymmetric cryptography involves public and private keys that are related mathematically, but due to the complexity of the mathematics these are computationally infeasible to guess. Computers participating in a Blockchain use an automated process to validate the format of the transaction record to be included in the next block. Once this “consensus” is reached, the information is recorded in a block.

New blocks are created by the process of “mining”, which validates new transactions and adds them to the Blockchain. To mine new blocks the miners applies computing power to solve for a

unique hash based on encryption, by solving the hash for the block, the miner competes for the cryptocurrency reward. The successful rewarding is also known as “proof of work” and verifies the data within the block and is therefore appended to the chain. The difficulty of the math has increased exponentially, as is the computational power needed to solve it, hence the proof of work concept. Most mining operations are comprised of vast farms of pooled computing resources.

Because transactions within the Blockchain can be traced to the authorized originator, an audit trail is automatically created. Since transactions are permanent, auditors, regulators, and others could gain unprecedented insight into the state of accounts, which includes not only the most recent transaction but also a complete record of all transactions.

### **(a) Business Objectives**

ZeU expects to accomplish the following business objectives over the 12-month period following the Listing Date:

- Integration of the ZeU RNG in business initiatives in Malta and the United Kingdom in connection with the St. James JV;
- Development of distributed email for the Mula Mail as follows:
  - Deploy email webclient;
  - POC messaging; and
  - Client acquisition.
- Development of the SaaS EHR – EHR & VSEKUR features for the SaaS Big Data Platform, and delivery of the EHR feature; and
- Launch of the ZeU SNA.

ZeU has been careful not to enter into risky long-term agreements with suppliers, licenses, or agreements. ZeU has focused on short-term agreements to accomplish the stated business objectives. ZeU has, at this stage, focused on developing patents and technology that can be rapidly commercialized resulting in the products and services stated above. ZeU has also focused on an ecosystem and recycling approach, developing technology that can be used in multiple applications should one application developed with a partner perform at a substandard level.

The current business objectives are to develop monetizable components in the short- and mid-term such as the ZeU RNG, the ZeU SNA, and the Mula Email in order to leverage these into a holistic data-driven strategy.

This strategy will enable ZeU to capitalize on its product adoption to create a strong value knowledge. This knowledge will be leveraged in many initiatives such as a marketplace and activity-based applications to create direct value for both our B2C and B2B clients.

The first six month are aimed at creating revenue on the short-term deliverables. This will enable us to withstand mid-term development. The rest of the initial two year period will be dedicated to

building the backbone of the strategy, and incorporating a certain number of short-term initiatives in order to grow organically and develop a strong position amongst the big data players

**(b) Milestones**

To achieve the business objectives set out in subsection 4.1(a) above, the following milestones must be met by ZeU:

<b>Business Objective</b>	<b>Milestone that must occur for Business Objective to be accomplished</b>	<b>Anticipated time to achieve Business Objective</b>	<b>Estimated cost to achieve Business Objective</b>
<b>ZeU RNG</b>	Demonstrative functional product and subsequent Maltese license plus integration into an API for integration with partners	5 months	\$90,000
<b>Mula Mail</b>	Packaging development for distributed email, Phase 1 includes email web client, webclient API for integration with partners and testnet POC for POT child tokens.	6 months	\$180,000
<b>SaaS Big Data Platform</b>	Development of function HER demo including impartation to VSEKUR HER distributed hosting and access-control plus development of testnet tokenization model of healthcare.	6 months	\$180,000
<b>ZeU SNA</b>	Mobile app production beta including core app API, mobile client cross platform, testnet POC for app specific POT child tokens.	2 months	\$20,000

**(c) Funds Available**

The following table represents the approximate available funds of ZeU and the estimated principal purpose of those funds over a 12-month period:

	<b>Amount</b>
<b>Available Funds of the Resulting Issuer</b>	\$5,578,295 <sup>(1)</sup>
Research and Development	\$496,250
Business Development and Marketing	\$194,000
General and administrative costs estimated for operating 12 months	\$436,250 <sup>(2)</sup>
10% Debenture Repayment	\$3,724,116
Total Unallocated	\$727,679
<b>Total</b>	<b>\$5,578,295</b>

**Notes:**

- (1) Funds available as of November 30, 2019.
- (2) This amount includes: \$236,250 for the management and selling team and support staff; \$103,500 for public company compliance costs, including legal, audit and tax; and \$96,500 for office and overhead costs.



ZeU expects to generate additional working capital coming from licensing and development contracts income.

**(d) Principal Products**

ZeU's principal products are still in development and they include as at the date of this Listing Statement, the ZeU NRG, Mula mail, SaaS Big Data Platform and the ZeU SNA.

**(e) Production, Sales and Marketing**

ZeU does not have any production operations or facilities. ZeU requires programmers, developers, and visionaries with extensive experience in Blockchain and artificial intelligence.

ZeU RNG relies on ZeU in-house patents combined with business initiatives from partners and affiliates.

The Mula Mail email is highly dependent on collaborating in-house patents with external knowledge. Specific to the email, to be successful, the mail system must have longevity and develop a reputation for quality marketing campaigns. While there are other Blockchain emails, the Mula Mail system is pairing Blockchain email with marketing campaigns, this is a differentiator. The email system must partner with quality brands to offer campaigns and discounts unavailable through other avenues. Through the collaborating with quality brands offering unique discounts, the email system will be distinguished from competitors.

The SaaS Big Data Platform requires affiliation with reliable brands to ensure the trust of governments and NGOs for the successful deployment of the service. The ZeU Technology is an important advantage to accomplish this goal.

ZeU SNA requires the building of a trustworthy brand name to ensure membership and use of the site. ZeU Technology will also be an important differentiator.

A combination of direct sales and uses of various sales platforms approach will be used for the initial launch of the ZeU products.

ZeU will employ a targeted framework methodology to find the best traction channels depending on market conditions. These channels include: digital marketing, viral marketing, public relations, search engine marketing and optimization, social and display advertising, content marketing including blogs, affiliate programs, trade shows, speaking events, community building, and business development to create strategic alliances and partnerships.

More specifically, the ZeU RNG is targeting a niche market of highly secure password generation needed for banking/financial industry, gaming industry, and academic/pharmaceutical research industries, ZeU will pursue its current business initiative in Malta and London. The Mula Mail's principal markets are industries requiring immutable emails (attorneys, banks, brokers, agents) (pay model) and middle class internet users (freemium model). The SaaS Big Data Platform will initially target the healthcare industry. The ZeU SNA will rely on existing social network to gain traction.

ZeU plans to take strategic equity or debt positions in the offering of its subcontractors or technology and commercial partners to acquire exclusive rights to software modules or priority

access to technologies or specific markets. The company will not act as an investment issuer. All investments or loans will be subordinated to the development strategy of the company

#### **(f) Competitive Conditions**

Blockchain is generating a multitude of new businesses with a massive potential market. It has sparked the interests of industries and governments as a way to cut expenditures while improving the value of their services. The numbers speaks for themselves:

- 90% of government agencies plan to invest in blockchain technology. (Source: [BTCManager](#))
- 55% of healthcare applications will have adopted blockchain for commercial deployment by 2025 (Source: [Statista](#))
- 90% of European and North American banks had investigated the use of blockchain in 2018 (Source: [Law Technology Today](#)) due to the estimated 30% savings on infrastructure costs (Source: [CoinJournal](#))
- The projected revenue for the blockchain technology market is \$20B by 2024. (Source: [Cision](#))

While the average consumer associates Blockchain with Bitcoin, the applications of the technology are much further-reaching. In the next few years, Blockchain will be entwined in daily life much as the internet is today. Accordingly, companies from IBM to the latest start up are looking for their piece of the pie.

ZeU's competitors are generally focused on creating stand-alone products centered on a coin or token. ZeU focuses on an ecosystem with integrated products and services.

ZeU does not have direct competitors, but it has competitors in business areas it is targeting.

The field of Blockchain innovation is vast, it is difficult at this stage to complete a comprehensive competitive analysis.

ZeU RNG is a true random number generator. Competitors work with pseudo-randomness or quasi-randomness which weakens the security of the random number.

Three companies have similar products to ZeU's distributed email system, Mula Mail:

**Cryptamail** is a Blockchain email system built upon the NxtCoin. Cryptamail is primarily a Blockchain email system plus a peer-to-peer marketplace for users to exchange, buy, and sell. With a block speed of one minute (compared to mere seconds with Bitcoin or Ethereum), this email will not be highly scalable for a large number of users, nor is the plan to profitability clearly evident. It has been in development since 2014 without having launched. It appears as though this email was merely an entry system to obtain potential user information for their coin.

**Prometheus** is Blockchain email system focused on creating a user identity suitable so that the user is in control of the sale of their data. (Why is this important? Google sold Gmail user data to Uber without the user seeing any benefit other than a free email account.) In this, the email system

is simply a means to an end; however, this requires that each mailbox be built on a single, verifiable identity and does not allow users to main multiple mailboxes for separate purposes (business, personal, etc.). In addition to the mailbox, users will receive cloud storage space for documents, also backed by the security of Blockchain technology. Their path to profitability is centered on free and paid accounts, and advertising revenue.

**JohnMcAfee's SwiftMail** is a Blockchain email built on SwiftCoin. SwiftMail, while solid in concept, seems to have run into some problems with its namesake and SwiftCoin has proceeded without him. The path to profitability is built around the user's SwiftCoin account with the Blockchain email being an addition to a payment account, similar to WeChat Pay. The WeChat Pay concept has proven successful in Asia with limited penetration into the western market.

Traditional free email systems generally take a wide approach to marketing to their users either through the use of banners on their website or by including sponsored emails in the user's inbox. Determination of which brands a user interacts which is generally based on cookies located in the computer's memory. However, cookies are a poor indicator of a user's interests as they might have looked up a product on a one-time only basis or if the computer is shared by multiple persons, the interests might be those of someone else who has access to the computer. ZeU's Mula Mail is looking to obtain permission from users to deploy marketing campaigns specific to their areas of interest so that the marketing is more targeted, allowing a more interactive experience for the user and a better targeted market for the brand.

The SaaS Big Data Platform is competing with similar services on the market; however, ZeU is currently uniquely associated with Kinect Inc., which already services India and parts of Africa.

ZeU SNA is native Blockchain application allowing for greater security against the hacking of messaging and profile information. Competitors still work on systems with less security leaving them vulnerable to data hacks.

### ***Competitive Advantage***

The Blockchain market is becoming increasingly competitive as blockchain has become the current darling of the fintech industry. Increasingly, companies are attempting to develop blockchain applications or link their existing products to the blockchain as a marketing gimmick much as food products cycle through being low-fat, low-sugar, and low-carb. However, not all products are best suited for blockchain and many of these attempts are developed with throw-away technology while waiting for the next tech darling to come along.

ZeU takes a different approach. ZeU is developing technologies that can be implemented and recycled throughout various applications all native to blockchain. This ensures the longevity of both ZeU and the technology. ZeU takes a component-based approach by first considering the ability to overlap our technologies through various products and through various life-cycles. ZeU is focused on creating an ecosystem where component technologies co-exist and interact with each other in a natural and organic way. Furthermore, using an ecosystem approach will encourage developers to create and improve upon technologies that will comfortably interact with existing technologies within the ecosystem.

As a company, ZeU takes a flexible, modular approach to developing technologies. Where possible, each technology starts with a patent. From that patent, a team is built to develop the

technology from theoretical to commercialized applications. While teams are independent of each other, collaboration and idea sharing is highly encouraged to create the best possible outcomes. This philosophy is reflected in ZeU’s logo, the octopus, where each tentacle represents a different team but all teams are working for the same centralized body.

**(g) Lending Operations**

ZeU does not have any lending operations.

**(h) Bankruptcy or Receivership Proceedings**

ZeU is not undergoing any bankruptcy or receivership proceedings.

**(i) Social or Environmental Policies**

Due to the nature of the business, ZeU does not require social or environmental policies.

**Item 5: Selected Consolidated Financial Information**

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**5.1 Annual Information**

The following table sets out selected financial data of ZeU derived from the financial statements of ZeU for the year ended December 31, 2018 (audited) and the three months interim period ended September 30, 2019, attached hereto as Schedule “A”. This information has been prepared in accordance with IFRS and is expressed in Canadian dollars.

As 2018 was the first year of existence of ZeU, there is not data from previous years against which to compare the financial data below.

	<b>Year Ended December 31, 2018 (\$)</b>	<b>Nine Months Ended September 30, 2019 (\$)</b>
<b>Operating Data:</b>		
Revenue	-	-
Net Loss	(4,412,060)	(5,681,980)
Basic and diluted loss per share <sup>1</sup>	(0.01)	(0.06)
<b>Balance Sheet Data:</b>		
Total Assets	1,247,185	868,853
Total liabilities	5,163,050	6,054,638

**Note:**

(1) Basic and diluted loss per share has been calculated using the weighted average number of shares outstanding.

During the year ended December 31, 2018, ZeU received the equivalent of \$3,708,692 through the receipt of 3,936 Ethereum coins, a type of a cryptocurrency on the issuance of 10% Debentures. The Ethereum coins were received in four tranches and were valued at the date the coins were received based on the available market price as per CoinmarketCap.com and were converted into Canadian Dollars at the Bank of Canada exchange rate at the date of each of the transactions. A summary of the Ethereum coin transactions is as follows:

Date of transaction	Number of Coins	Price per Coinmarket Cap.com for Ethereum Coins	USD	FX - BOC	Canadian \$
5/25/2018	1,500	586.73	880,095	1.3001	1,144,212
5/24/2018	300	601.76	180,528	1.2891	232,719
5/18/2018	136	694.37	94,434	1.288	121,631
3/5/2018	2,000	853.68	1,707,360	1.2977	2,215,641
Difference					(5,511)
<b>Total</b>	<b>3,936</b>		<b>2,862,417</b>		<b>3,708,692</b>

Subsequent to receiving these Ethereum coins ZeU did not buy or sell any of the coins it received in consideration for the issuance of the 10% Debentures as the market price of Ethereum coins continued to decline through to December 31, 2018. As at December 31, 2018 the market price of Ethereum Coins had declined to Canadian \$179.21 or USD 131.37. ZeU recorded an impairment of the coins of \$3,003,301 related to the 3,936 Ethereum coins held as at December 31, 2018 to reflect the Ethereum coins at their fair market value based on the market price of \$179.21, which was derived from the CoinmarketCap.com website and corroborated with other Cryptocurrency websites such as Coingecko.com and Coindesk.com.

On November 12, 2019, ZeU received the equivalent of \$7,840,000 through the receipt of 20,000,000 KAM, a type of a cryptocurrency, on the issuance of 12% Debentures. The KAM were received in one tranche and were valued at the date the coins were received based on the available market price as per CoinmarketCap.com and were converted into Canadian Dollars at the Bank of Canada exchange rate at the date of the transactions. Due to voluntary restrictions on the sale or transfer of the coins pursuant to the Voluntary Resale Restriction Agreement, a portion of the coins value has been allocated to long-term assets.

ZeU holds all crypto currencies in an array of cold wallets physically maintained in the safety box of the company's bank branch. ZeU's cold wallets have redundant passwords and key and require a two-person authorization to transact. Any two of the CFO, the CEO and the Corporate Secretary have to input their passwords and key to access the cold wallet. The recovery seeds are in 3 parts in separated safety box with the Bank and 2 of the 3 authorised person are required with physical key to have access to the missing recovery seeds password to complete the chain. There is no custodian to the exception of the crypto exchange used when portion of the currencies are being sold. Each time a disposition needs to be completed, they are transferred to an exchange wallet and money is wired the same day.

ZeU is not currently specifically insured against the risk of cyber-theft or hacking attacks, but intends to follow market's best practice and adopt suitable standard for its level of operations.

## 5.2 Quarterly Information

Quarterly financial information for interim periods preceding the date of this Listing Statement have been omitted as ZeU was incorporated on January 4, 2018 and has limited activity in 2018.

## 5.3 Dividend Policy

No dividends on ZeU Shares have been paid to date. ZeU does not have a formal dividend policy. ZeU will retain any future earnings for use in its business and does not expect to pay dividends its shares in the foreseeable future. Any decision to pay dividends will be made by the Board of Directors on the basis of the earnings, financial requirements and other conditions existing at such time.

#### 5.4 Foreign GAAP

The financial information required in this Listing Statement has not been presented on the basis of IFRS.

#### Item 6: Management’s Discussion and Analysis

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ZeU’s MD&A for the year ended December 31, 2018 and the three months ended September 30, 2019 are attached to this Listing Statement as Schedule “B”. The MD&A should be read in conjunction with the financial statements for the corresponding period attached hereto as Schedule “A”.

#### Item 7: Market for Securities

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ZeU is a reporting issuer reporting issuer in British Columbia, Alberta and Ontario, and the ZeU Shares are not listed or posted for trading on any stock exchange. No public market exists for the ZeU Shares. ZeU Shares will be listed and posted for trading on the CSE, subject to compliance with the CSE’s listing requirements, under the trading symbol “ZEU”.

#### Item 8: Consolidated Capitalization

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The following table sets forth the capitalization of ZeU as of December 31, 2018, based on ZeU’s audited financial statements, and as of the date of this Listing Statement based on estimates made by management.

Designation of Security	Amount Authorized	Amount Outstanding as at December 31, 2019	Outstanding as at the date of this Listing Statement
Common Shares	Unlimited	20,000,000	22,453,079
Debentures	-	\$4,783,692 <sup>(1)</sup>	\$11,077,430 <sup>(2)</sup>

**Notes:**

- (1) On July 5, 2018, ZeU closed its 10% Debentures offering for an aggregate principal amount of \$4,783,692 with a maturity date of July 5, 2020 and convertible into ZeU Shares at a price of \$1.00 per share.
- (2) Includes: (i) a convertible debenture of \$150,000 issued pursuant to the VN3T APA. The debenture come to maturity on May 1, 2019 and is convertible into ZeU Shares at a price equal to the 5-day VWAP of the ZeU shares, subject to a minimum of \$1.85 per share; (ii) \$4,137,907 of 10% Debentures; and (iii) \$7,824,000 of 12% Debentures.

In addition to the information set out in the capitalization table above, the following table sets out the diluted share capital of ZeU after giving effect to the Listing:

	<b>Anticipated Shares Outstanding as of the Listing Date</b>
ZeU Shares issued and outstanding prior to the Listing Date	20,762,017
ZeU Shares issued pursuant to 10% Debenture Conversion	1,034,477 <sup>(1)</sup>
ZeU Shares issued pursuant to 12% Debenture Conversion	2,608,000 <sup>(1)</sup>
<b>Total Number of Resulting Issuer Shares (non-diluted)</b>	<b>24,404,494</b>
Reserved for issuance pursuant to ZeU 10% Debentures	3,103,430 <sup>(1)</sup>
Reserved for issuance pursuant to ZeU 12% Debentures	2,608,000 <sup>(1)(2)</sup>
Reserved for issuance pursuant to the VN3T debentures	81,081 <sup>(3)</sup>
Reserved for issuance pursuant to ZeU 10% Stock Option plan	2,440,449
<b>Total Number of Resulting Issuer Shares Reserved for Issuance</b>	<b>8,232,961</b>
<b>Total Number of Resulting Issuer Shares (fully-diluted)</b>	<b>32,637,454</b>

**Notes:**

- (1) Excludes any ZeU Shares, which could be issuable on the conversion of the 10% Debentures and 12% Debentures interest.
- (2) Assumes conversion at the floor price of \$1.50 per share.
- (3) Assumes conversion at the floor price of \$1.85 per share.

## **Item 9: Options to Purchase Securities**

There are no options of ZeU issued or outstanding as of the date of this Listing Statement. ZeU adopted a 10% rolling stock option plan (the “**ZeU Plan**”). The following is a brief description of the principal terms of the Plan:

Number of Shares Reserved: The number of ZeU Shares which may be issued pursuant to options granted under the ZeU Plan shall equal to 10% of the issued and outstanding shares of ZeU from time to time at the date of grant.

Maximum Issuance: The number of shares subject to each option is determined by the ZeU Board provided that the ZeU Plan, together with all other previously established or proposed share compensation arrangements may not, during any 12 month period, result in: (a) the number of options granted to any one person exceeding 5% of the issued shares of the Issuer; or (b) the number of options granted to any one consultant exceeding 2% of the issued shares of the Issuer; or (c) the number of options granted to all persons retained to provide investor relations activities of a number of shares exceeding 2% of the issued shares of the Issuer.

Maximum Term of Options: The options may be exercisable for a period of up to ten years, (subject to extension where the expiry date falls within a “blackout period”).

Exercise Price: The exercise price of options granted under the Plan is determined by the ZeU Board, provided that it is not less than the price permitted by the CSE or, if the shares are no longer listed on the CSE, then such other exchange or quotation system on which the ZeU Shares are listed or quoted for trading.

**Vesting:** Subject to the discretion of the ZeU Board to apply vesting to the grant of any option under the ZeU Plan, the options granted to an optionee under this plan will fully vest on the date of grant of such options. Options granted to consultants performing investor relations activities will vest in accordance with the policies of the CSE.

**Termination:** Any options granted to any Optionee who is a director, employee, consultant or Management Company Employee must expire within a reasonable period following the date the Optionee ceases to be in that role (in general, the Exchange considers anything not exceeding 12 months to be a reasonable period for these purposes).

**Administration:** The ZeU Plan is administered by the ZeU Board or by a committee appointed by the ZeU Board.

## **Item 10: Description of the Securities**

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### **10.1 Description of the Securities**

The Issuer will be authorized to issue an unlimited number of Zeu Shares without par value, of which 20,762,017 are currently issued and outstanding. See Item 8 “Consolidated Capitalization” above.

The authorized capital of ZeU consists of an unlimited number of Class A Common, Class B Common, Class C Common, Class A Special, Class B Special, Class C Special Shares and Class D Special shares with no par value. Only the Zeu Shares (Class A Common Shares) are to become listed to the CSE pursuant to this Listing Statement.

### **10.2 Debt Securities**

On July 5, 2017, ZeU closed its 10% Debentures offering for an aggregate principal amount of \$4,783,692, on May 1, 2019, a \$150,000 debenture was issued to VN3T, and on November 12, 2019, ZeU closed its 12% Debentures offering for an aggregate principal amount of \$7,824,000, see Item 4 “General Development of the Business”.

### **10.3 Other Securities**

Not applicable.

### **10.4 Prior Sales**

The following table summarizes the issuances of ZeU Shares since inception:

<b>Date of Issue</b>	<b>Description</b>	<b>Number of zeU Shares</b>	<b>Price per Security</b>	<b>Total Issue Price</b>
February 4 , 2018	Asset Acquisition	20,000,000 <sup>(1)</sup>	\$0.0248	\$496,433
November 25, 2019	Debt Settlement	762,017 <sup>(2)</sup>	1.00	\$762,017

Notes:

(1) Issued to SX pursuant to the Tiande License Agreement.



- (2) Issued pursuant to the Debt Settlement Agreements and 10% Debenture Debt Settlement, including 11,498 ZeU Shares to Mark Billings, and 324,795 to Frank Dumas, both officer and director of ZeU.

## Item 11: Escrowed Securities

Pursuant to the policies of the CSE, an escrow agreement will be entered into prior to the closing of the Listing Date among Computershare, ZeU, and SX (the “Escrow Agreement”). The following table shows the ZeU Shares that are subject to the Escrow Agreement:

Designation of class	Number of Resulting Issuer Shares held in escrow	Percentage of class <sup>(1)</sup>
Common Shares	12,830,343 <sup>(2)</sup>	52.57%

**Note:**

- (1) Based on 24,404,494 issued and outstanding ZeU Shares after giving effect to the Listing and the 10% Debenture Conversion and 12% Debenture Conversion (excluding the interest conversion).
- (2) 8,750,175 held by SX, 2,608,000 held by Kamari Limited, 421,788 by Mark Billings, CFO of ZeU, 915,364 by Frank Dumas, President and CEO of ZeU, and 135,017 by Neha Tally, Secretary of ZeU.

## Item 12: Principal Shareholders

To the knowledge of the directors and officers, as of the date of this Listing Statement, the following person beneficially own, directly or indirectly, or exercise control or direction over ZeU Shares carrying more than 10% of voting rights attached to all outstanding ZeU Shares.

Shareholder Name	Number of Zeu Shares Held as of Date of the Listing Statement	Percentage of Issued and Outstanding Zeu Shares as of Date of this Listing Statement
St-Georges Eco-Mining Corp.	8,750,175	42.15%

To the knowledge of ZeU, there is no voting trust or similar agreement, subject to which more than 10% of any class of voting securities of ZeU is held, or is to be held.

## Item 13: Directors and Officers

The following table provides the names, jurisdictions of residence, position and principal occupations of the individuals who are proposed to be the directors and executive officers of ZeU, as well as the number and the percentage of issued and outstanding ZeU Shares to be beneficially owned, or controlled or directed, directly or indirectly, by such persons as at the listing Date.

Name, province, country, position held <sup>(1)</sup>	Principal occupation for past five years	Date appointed as a Director <sup>(2)</sup>	ZeU Shares beneficially owned or controlled <sup>(3)</sup>	Percentage held as at the date of this Listing Statement <sup>(4)</sup>
Mark Billings <sup>(5)</sup> , Montreal, Quebec, Canada, Chief Financial Officer (CFO) and Director	Chairman of the Board of Directors of St-Georges Eco-Mining Corp. (since 2009); and President, Auxico Resources Canada Inc. (since April 2016).	January 4, 2018	421,788	2.03%
Frank Dumas, Montreal, Quebec, Canada, President, Chief Executive Officer (CEO) and Director	President and CEO of ZeU Crypto Networks Inc. (since 2018); President and CEO of St-Georges Eco-Mining Corp (since 2014); and Owner of Dumasbancorp (since 2004)	January 4, 2018	915,364	4.41%
Neha Tally, Montreal, Quebec, Canada, Corporate Secretary and Director	Corporate Secretary and Director of ZeU Crypto Networks Inc. (since 2018); Corporate Secretary of St-Georges Eco-Mining Corp (since 2013); Marketing Director of Earth Alive Clean Technologies (2017-2018); and Strategic Management Consultant of Dumasbancorp (2011-2017)	January 4, 2018	135,017	0.65%
Timothy Razzall <sup>(5)</sup> , London, United Kingdom, Director	Owner of Argonaut Associates (since 1994). House of Lords (UK) (since 1997)	March 25, 2019	Nil	Nil
Jean-Philippe Beaudet <sup>(5)</sup> , Montreal, Quebec, Canada, Chief Technology Officer (CTO) and Director	Director and CTO of ZeU Crypto Networks Inc. (since 2019); President, Chairman, and Co-Founder of VSEKUR (since 2019); President and CTO of VN3T (since 2017); and President (formerly Vice-President) of S3R3NITY (since 2013).	February 4, 2019	Nil	Nil

Name, province, country, position held <sup>(1)</sup>	Principal occupation for past five years	Date appointed as a Director <sup>(2)</sup>	ZeU Shares beneficially owned or controlled <sup>(3)</sup>	Percentage held as at the date of this Listing Statement <sup>(4)</sup>
Fenglian (Frances) Xu London, UK Director	Chief Scientist of Aladdin Blockchain Technologies (since 2018); CEO and Founder of Data Health Intelligent (since 2018); Chief Scientist of Elemental Concept (2018); and Software Architect (formerly Senior Software Engineer, Technical Solutions Architect, Technical Team Lead, and Software Engineer) of IBM (2006-2018)	March 18, 2019	Nil	Nil

**Notes:**

- (1) The information as to place of residence, principal occupation and ZeU Shares beneficially owned or over which a director or officer exercises control or direction has been confirmed by the respective directors individually.
- (2) Each director's term of office will expire at the next Annual General Meeting of the Shareholders of ZeU.
- (3) Amount estimated by each holder based on the distribution ratio of ZeU Shares under the Arrangement. Final exact numbers will be available on SEDI upon the delivery of the certificate by Computershare.
- (4) Based on 20,762,017 ZeU Shares being the number of issued and outstanding ZeU Shares as at the date of this Listing Statement.
- (5) Members of the audit committee.

Directors of ZeU hold office until the conclusion of each annual general meeting. Officers are appointed by the Board and serve at the pleasure of the Board.

***Biographical Information***

Biographical information for the ZeU directors and officers is summarized below:

**Mark Billings, Chief Financial Officer, Director**

Mark Billings is the Chief Financial Officer and a Director of ZeU. He presently serves as Chairman of the Board of Directors of St-Georges Eco-Mining Corp. and as President of Auxico Resources Canada Inc., both of which are listed on the Canadian Securities Exchange.

Since 2006, Mark has served as CEO, President, CFO and Director of a number of publicly traded companies in the mining and technology industries, raising funds for these companies and listing them on Canadian exchanges.

Previously, from 2000 to 2004, he served as Chief Financial Officer for a leading Internet gaming company. From 2004 to 2006, he was Vice-President of Corporate Finance with Desjardins Securities Inc., where he led a number of public and private financings and took companies public on the Canadian exchanges.

Mark has a Bachelor of Arts (Highest Honours) in Political Science from Carleton University in Ottawa, Ontario; an MBA with distinction from the Harvard Business School; and a Chartered Financial Analyst (CFA) designation.

ZeU is a principal occupation of this officer and director.

### **Frank Dumas, President, Chief Executive Officer, Director**

Frank Dumas was initially attracted to technology as a way to make free long distance calls in the '80s. A cheap and defective military laptop computer create the conditions for Mr. Dumas to diligently set out to learn everything he could about machine culture. He discovered an affinity for distributed computer networks and encryption in the 1990s. He worked on encryption and data compression with Steathwall Cryptologic, Softrain and Rhythm Networks. Seeing the opportunities to help finance tech-oriented resource companies and fundamental tech developers, he ventured into merchant banking. Geophysics and new mining exploration technology later led him into the mining business where he spent almost fifteen years. He has since returned to software development attracted by a renewed interest for distributed applications generated by the emergence of blockchain ledgers technology. He holds a bachelor's degree in International Relations, a Master's degree in Public Administration. He is currently the President and CEO of ZeU Crypto Networks. Mr. Dumas holds a MPA (2000) from the École nationale d'administration publique.

ZeU is a principal occupation of this officer and director.

### **Neha Tally, Corporate Secretary, Director**

Neha Tally has engaged in consulting with junior mining companies for Dumasbancorp ULC since 2011. Ms. Tally has been the Corporate Secretary for St-Georges Eco-Mining Corp. since 2013, and its subsidiaries ZeU Crypto Networks Inc. and Kings of the North Corp. She was previously the Marketing Director for Earth Alive Clean Technologies (CSE: EAC) and worked at Barclays Bank International Banking Division in Mauritius. She holds a Bachelor degree in Economics from Concordia University and an MBA from John Molson School of Business.

ZeU is a principal occupation of this officer and director.

### **Timothy Razzall, Director**

Lord Razzall, CBE has over 35 years' corporate finance experience and has developed a reputation for his expertise in multinational and cross border transactions. Lord Razzall studied at Oxford University and qualified as a solicitor in 1969. He was awarded the CBE in 1993 and became a life peer in 1997. He sits in the House of Lords, currently sits on the Consolidation Bills Joint Committee, and was the Liberal Democrat Lords Spokesperson (Civil Service and Public Sector Reform) (2015-2016). He holds directorships in a number of SMEs, in a wide range of industries including in particular, financial services, property and mining.

ZeU is a principal occupation of this director.

### **Jean-Philippe Beaudet, Chief Technology Officer, Director**

Jean-Philippe Beaudet is an experienced gaming developer. Mr. Beaudet worked and researched natural language processing for Luminary, a private American research lab. He cultivated an interest in machine learning and decentralized technology which led him to co-found S3R3NITY Technologies, a technology incubator from which he launched numerous start-ups. He was an early enthusiast of blockchain technology and contributed to major projects such as a Bitcoin brokerage platform and a marketing data analytics tool for financial institutions. Seeing the opportunity to marry blockchain technology with artificial intelligence to meet the needs for a decentralized data market he founded VN3T. He is also the President and Chairman of VSEKUR. He is an advisor on multiple blockchain initiatives and a regular conference speaker.

ZeU is a principal occupation of this officer and director.

### **Fenglian (Frances) Xu, Director**

Fenglian (Frances) Xu is a highly experienced thought leader and innovator with over 20 years of IT experience across various industries, including academic research in medical image processing, financial services, mobile networks and the health industry. Dr. Xu is currently a director of Data Health Intelligent and consulting as the Chief Scientist for the Aladdin Healthcare Technologies. She was instrumental in the delivery of the Hyperledger Composer Solution during her 12-year tenure at IBM. She has a portfolio of data management, business analytics and machine learning experience. Dr. Xu holds a Ph.D (1997) in Computer Science from the University of Southampton, UK, and a BS (1989) in Computer and Applied Mathematics from the Xi'an Jiaotong University, China.

ZeU is a principal occupation of this director.

### ***Non-Compliance or Non-Disclosure Agreements***

#### ***Board Committees***

As of the date of this Listing Statement, the board of directors of ZeU has one committee, the Audit Committee. The Audit Committee is comprised of Mark Billings, Lord Timothy Razzall, and Jean-Philippe Beaudet, the two latter are considered independent of ZeU for the purposes of National Instrument 52-110 Audit Committees. ZeU is a “venture issuer”, as defined in NI 51-102, and ZeU is relying on the exemption contained in section 6.1 of NI 52-110, which exempts ZeU from the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations).

#### ***Corporate Cease Trade Orders or Bankruptcies***

Mark Billings is presently a director of Manganese X Energy Corp. (TSX-V: MN) (“**Manganese X**”) (formerly, Sunset Cove Mining Inc., TSX-V: SSM, or “**Sunset Cove**”), which was issued a cease trade order (“**CTO**”) by the British Columbia Securities Commission (“**BCSC**”) on August 26, 2015 as a result of Sunset Cove’s incapacity to file its annual audited financial statements, management’s discussion and analysis and CEO and CFO certificates by the filing deadline of July 30, 2015, as prescribed by National Instrument 51-102 – Continuous Disclosure Obligations, due

to a lack of funding to pay for the costs associated with the audit. This CTO was lifted by the BCSC on June 1, 2016 as Sunset Cove had met all of its continuous disclosure requirements.

To the best of ZeU's knowledge, no director or executive officer of ZeU is, at the date hereof, or within the ten years prior to the date hereof, has been, a director or officer of any company (including ZeU) that, while that person was acting in that capacity:

- was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemptions under securities legislation, that was in effect, for a period of more than 30 consecutive days; or
- was subject to a cease trade order or similar order or an order that denied the relevant company access to any exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the best of ZeU's knowledge, no director or officer of ZeU is, at the date hereof, or within the ten years prior to the date hereof, has been, a director or officer of any company (including ZeU) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### ***Individual Bankruptcies***

No director, officer, promoter or principal shareholder of ZeU is, or has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

### ***Penalties or Sanctions***

No director or officer of ZeU has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by any securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would be likely to be considered important to a reasonable investor making an investment decision.

### ***Conflicts of Interest***

Certain directors and officers of ZeU currently, or may in the future, act as directors or officers of other companies and, consequently, it is possible that a conflict may arise between their duties as a director or officer of ZeU and their duties as a director or officer of any other such company.

There is no guarantee that while performing their duties for ZeU, the directors or officers of ZeU will not be in situations that could give rise to conflicts of interest. There is no guarantee that these

conflicts will be resolved in favour of ZeU. The directors and officers of ZeU are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors and officers of conflicts of interest and the fact that ZeU will rely upon such laws in respect of any director's or officer's conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts must be disclosed by such directors or officers in accordance with the CBCA, and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

#### **Item 14: Capitalization**

In addition to the information set out in the capitalization table above at Item 8 "Consolidated Capitalization", the following table sets out the fully diluted share capital of ZeU on the Listing Date.

##### **14.1 Class of Securities**

<b><u>Issued Capital</u></b>	<b>Number of Securities (non-diluted)</b>	<b>Number of Securities (fully-diluted)</b>	<b>% of Issued (non-diluted)</b>	<b>% of Issued (fully diluted)</b>
<u>Public Float</u>				
Total outstanding (A)	24,404,494	32,637,454		
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	12,830,343 <sup>(1)(2)</sup>	12,830,343 <sup>(1)(2)</sup>	52.57%	39.31%
<b>Total Public Float (A-B)</b>	11,574,151	19,807,111	47.43%	60.69%
<u>Freely-Tradeable Float</u>	8,750,175 <sup>(3)</sup>	8,750,175 <sup>(3)</sup>	35.85%	26.81%
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)				
<b>Total Tradeable Float (A-C)</b>	15,654,319	23,887,279	100%	100%

##### **Notes:**

- (1) 8,750,175 held by SX, 2,608,000 held by Kamari Limited, 421,788 by Mark Billings, CFO of ZeU, 915,364 by Frank Dumas, President and CEO of ZeU, and 135,017 by Neha Tally, Secretary of ZeU.
- (2) Amount estimated based on the distribution of ZeU Shares under the Arrangement. Final exact numbers will be available on SEDI upon the delivery of the certificate by Computershare.

(3) Control block held by SX.

***Public Securityholders (Registered)***

**Class of Security**

<b><u>Size of Holding</u></b>	<b><u>Number of holders</u></b>	<b><u>Total number of securities</u></b>
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities		
2,000 – 2,999 securities		
3,000 – 3,999 securities		
4,000 – 4,999 securities		
5,000 or more securities	18	2,628,369
	18	2,628,369

***Public Securityholders (Beneficial)***

**Class of Security**

<b><u>Size of Holding</u></b>	<b><u>Number of holders</u></b>	<b><u>Total number of securities</u></b>
1 – 99 securities	364	16,962
100 – 499 securities	591	150,029
500 – 999 securities	298	211,117
1,000 – 1,999 securities	236	337,639
2,000 – 2,999 securities	139	353,774
3,000 – 3,999 securities	52	178,574
4,000 – 4,999 securities	51	225,442



5,000 or more securities	298	8,393,040
	<u>2,049</u>	<u>9,815,246</u>

***Non-Public Securityholders (Registered)***

**Class of Security**

<b><u>Size of Holding</u></b>	<b><u>Number of holders</u></b>	<b><u>Total number of securities</u></b>
1 – 99 securities	_____	_____
100 – 499 securities	_____	_____
500 – 999 securities	_____	_____
1,000 – 1,999 securities	_____	_____
2,000 – 2,999 securities	_____	_____
3,000 – 3,999 securities	_____	_____
4,000 – 4,999 securities	_____	_____
5,000 or more securities	5	11,960,879
	<u>5</u>	<u>11,960,879</u>

**14.2 Convertible Securities**

The following are details for any securities convertible or exchangeable into common shares of the Resulting Issuer:

<b>Description of Security (include conversion / exercise terms, including conversion / exercise price)</b>	<b>Number of convertible / exchangeable securities outstanding</b>	<b>Maximum number of listed securities issuable upon conversion / exercise</b>
10% Debentures (Maturity date of July 5, 2020 convertible into a ZeU Share at a price of \$1.00)	\$3,103,430	3,103,430 ZeU Shares <sup>(1)(2)</sup>
12% Debentures (Maturity date of May 12, 2022, convertible into a ZeU Share at a price of \$1.50)	\$3,912,000	2,608,000 ZeU Shares <sup>(3)</sup>
V3NT Debenture	\$150,000	81,081 ZeU Shares <sup>(4)</sup>

(Maturity May 1, 2021 convertible into ZeU Shares of ZeU at a price equal to the 5-day VWAP of the shares on the CSE at the time, subject to a minimum price of \$1.85 per share)		
Options (Maturity date of March 9, 2024, exercisable into a ZeU Share at a price of \$1.25)	50,000	50,000 ZeU Shares

**Notes:**

- (1) Excludes any ZeU Shares, which could be issuable on the conversion of the 10% Debentures and 12% Debentures interest.
- (2) Assumes conversion at the floor price of \$1.00 per share.
- (3) Assumes conversion at the floor price of \$1.50 per share.
- (4) Assumes conversion at the floor price of \$1.85 per share.

### 14.3 Other Securities

Other than the ZeU Shares available for issuance under the ZeU Plan, (as further described in section 9 – Options to Purchase Securities) there are no listed securities reserved for issuance that are not included in Section 14.2 “Convertible Securities”.

### Item 15: Executive Compensation

The following table, prepared in accordance with Form 51-102F6, sets forth all annual and long term compensation for services in all capacities to ZeU for the period from incorporation until September 30, 2019 of ZeU in respect of each of the individuals comprised of each Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) who acted in such capacity for all or any portion of the most recently completed financial year, and each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, (other than the CEO and the CFO) whose total compensation was, individually, more than \$150,000 for the financial year and any individual who would have satisfied these criteria but for the fact that individual was neither an executive officer of ZeU, nor acting in a similar capacity, for the period from incorporation until September 30, 2019 (collectively the “Named Executive Officers” or “NEOs”).

NEO Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-term Incentive Plans			
Frank Dumas President and CEO	2019	Nil	Nil	Nil	Nil	Nil	Nil	\$290,000	\$290,000
Mark Billings CFO	2019	Nil	Nil	Nil	Nil	Nil	Nil	\$36,497	\$36,497

## **Compensation Discussion and Analysis**

ZeU does not have in place any formal objectives, criteria or analysis for determining or assessing the compensation of its executive officers and Directors, nor does it have a compensation committee.

ZeU is aware of the challenges that it faces in its present stage of development and the financial limitations of being a start-up technology company. Corporate performance and level of activity has been a consideration in determining compensation. As ZeU's business and operations grow in size and complexity, it is anticipated that it will establish a compensation committee with formal objectives and policies, including specific performance goals or benchmarks as such relate to executive compensation, that will review compensation practices of companies of similar size and stage of development to ensure the compensation paid is competitive within the company's industry.

The compensation of ZeU's officers and directors is based on an incentive philosophy with the intent that all efforts will be directed toward a common objective of creating shareholder value. The compensation strategy is to attract talent and experience with focused leadership in the operations, financing, and management of the company with the objective of maximizing the value of the company. The officers and board of directors each have defined skills and experience that are essential to a start-up company in the ZeU technology sector.

### ***Elements of Executive Compensation***

Currently Executive Compensation at ZeU is an annual base salary.

### ***Compensation Policies and Risk Management***

ZeU currently does not have Compensation Policies and Compensation Risk Management procedures.

### ***Hedging of Economic Risks in ZeU's Securities***

ZeU currently does not have methods or policies to hedge economic risks in its securities.

### **Option-based, Outstanding Option-Based and Share-based Awards**

ZeU has adopted the ZeU Plan. As of the date hereof, no option have been granted to NEOs.

### **Compensation Governance**

Compensation governance is conducted by ZeU board of directors.

### **Pension Plan Benefits**

ZeU does not currently have pension plan benefits.

## Termination and Change of Control Benefits

The ZeU Plan and employment agreements currently guide termination and change of control benefits.

### *Resulting Issuer.*

To the extent determined as of the date of this Listing Statement, the following table sets forth the anticipated compensation to be paid to each of the NEOs for the 12 month period after giving effect to the Listing:

NEO Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-term Incentive Plans			
Frank Dumas President and CEO	2019	\$200,000	Nil	Nil	Nil	Nil	Nil	Nil	\$200,000
Mark Billings CFO	2019	\$85,000	Nil	Nil	Nil	Nil	Nil	Nil	\$85,000
Jean-Philippe Beaudet CTO	2019	\$108,000	Nil	Nil	Nil	Nil	Nil	Nil	\$108,000

## **Item 16: Indebtedness of Directors and Executive Officers**

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No director or executive officer of ZeU, no associate of any such director or executive officer (including companies controlled by them), no employee of ZeU or any of its subsidiaries, and no former executive officer, director or employee of ZeU or any of its subsidiaries, is indebted to ZeU (other than for “routine indebtedness” as defined under applicable securities legislation) or is indebted to another entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by ZeU.

## **Item 17: Risk Factors**

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Readers should consider the risk factors set out below and other information included in this Listing Statement. The risks and uncertainties described below are not the only ones ZeU may face. Additional risks and uncertainties, including those that ZeU is not aware of or that it currently deems immaterial, may adversely affect ZeU’s business. Risk factors set out below are disclosed in order of seriousness, with the most serious set out first.

### *Limited Operating History*

ZeU has no history of operations in the Blockchain business and must be considered a start-up. As such, ZeU is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, and lack of revenues.

### *Market Price of the ZeU Shares*

The ZeU Shares will be listed and posted for trading on the CSE. Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors included macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. If an active market for the ZeU Shares does not develop, the liquidity of an investor's investment may be limited and the price of the ZeU Shares may decline.

As a result of any of these factors, the market price of the ZeU Shares at any given point in time may not accurately reflect the long-term value of ZeU.

### ***Dilution***

ZeU will require additional funds in respect of the further development of ZeU's business. If ZeU raises funds by issuing additional equity securities, such financing will dilute the equity interests of its shareholders.

### ***Future Sales of Shares by Existing Shareholders***

Sales of a large number of the ZeU Shares in the public markets, or the potential for such sales, could decrease the trading price of the ZeU Shares and could impair ZeU's ability to raise capital through future sales of the ZeU Shares. ZeU may from time to time have previously issued securities at an effective price per share which will be lower than the market price of the ZeU Shares. Accordingly, certain shareholders of ZeU may have an investment profit in the ZeU Shares that they may seek to liquidate.

### ***Attraction and Retention of Key Personnel Including Directors***

ZeU will have a small management team and the loss of a key individual or inability to attract suitably qualified staff could have a material adverse impact on the business of ZeU. ZeU may also encounter difficulties in obtaining and maintaining suitably qualified staff. The success of ZeU depends on the ability of management to interpret market data correctly and to interpret and respond to economic, market and other conditions in order to locate and adopt appropriate opportunities. No assurance can be given that individuals with the required skills will continue employment with ZeU or that replacement personnel with comparable skills can be found. ZeU will be dependent on the services of key executives, including the directors of ZeU and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of ZeU, the loss of these persons or ZeU's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations.

### ***Growth Management***

ZeU may have difficulty identifying or acquiring suitable acquisition targets and maintaining the organic growth which is a significant aspect of its business model. If it is unable to manage growth, ZeU may be unable to achieve its expansion strategy, which could adversely impact its earnings per share and its revenue and profits.

### ***Failure to Innovate***

ZeU's success depends upon its ability to design, develop, test, market, license and support new software products and enhancements of current products on a timely basis in response to both competitive threats and marketplace demands. In addition, software products and enhancements must remain compatible with the other software products and systems used by its customers. If new industry standards emerge that ZeU does not anticipate or adapt to, its software products could be rendered obsolete and, as a result, its business and operating results, as well as its ability to compete in the marketplace, would be materially harmed.

### ***Disruption of its Information Technology Systems***

ZeU relies on information technology in virtually all aspects of its business. A significant disruption or failure of its information technology systems could result in service interruptions, safety failures, security violations, regulatory compliance failures, and inability to protect information and assets against intruders, and other operational difficulties. Attacks perpetrated against its information systems could result in loss of assets and critical information and exposes it to remediation costs and reputational damage. Although ZeU has taken steps intended to mitigate these risks, including business continuity planning, disaster recovery planning and business impact analysis, a significant disruption or cyber intrusion could lead to misappropriation of assets or data corruption and could adversely affect its results of operations, financial condition and liquidity. Additionally, if ZeU is unable to acquire or implement new technology, it may suffer a competitive disadvantage, which could also have an adverse effect on its results of operations, financial condition and liquidity.

Cyber-attacks could further adversely affect ZeU's ability to operate facilities, information technology and business systems, or compromise confidential customer and employee information. Political, economic, social or financial market instability or damage to or interference with its operation assets, or its customers or suppliers may result in business interruptions, lost revenue, higher commodity prices, disruption in fuel supplies, lower energy consumption, unstable markets, increased security and repair or other costs, any of which may materially affect its consolidated financial results. Furthermore, instability in the financial markets as a result of terrorism, sustained or significant cyber-attacks, or war could also materially adversely affect the Issuer's ability to raise capital.

### ***Dependence on Internet Infrastructure; Risk of System Failures, Security Risks and Rapid***

#### ***Technological Change***

The success as a developer of Blockchain platforms will depend by and large upon the continued development of a stable public infrastructure, with the necessary speed, data capacity and security, and the timely development of complementary products such as high-speed modems for providing reliable internet access and services. Blockchain has experienced, and is expected to continue to experience significant growth in the number of users, amount of content and bandwidth availability. It cannot be assured that the associated infrastructure will continue to be able to support the demands placed upon it by this continued growth or that the performance or reliability of the technology will not be adversely affected by this continued growth.

### ***Risk of Weaknesses or Exploitable Breakthroughs in the Field of Cryptography***

Advances in cryptography, or technical advances such as the development of quantum computers, could present risks to Blockchain and ZeU's products and services, which could result in the theft or loss of data.

### ***Risk of Theft and Hacking***

Hackers or other groups or organizations may attempt to interfere with ZeU's products and services or the availability of it any number of ways, including without limitation denial of service attacks, Sybil attacks, spoofing, smurfing, malware ZeU's products and services attacks, or consensus-based attacks.

### ***Dividends***

ZeU currently intends to retain future earnings to finance the operation, development and expansion of its business. ZeU does not anticipate paying cash dividends on the ZeU Shares in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of the Board and will depend on ZeU's financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that the Board may consider relevant. Accordingly, investors will only see a return on their investment if the value of the ZeU Shares appreciates.

### ***Discretion in the Use of Available Funds***

Management will have broad discretion concerning the use of the available funds of ZeU as well as the timing of their expenditures. As a result, shareholders and investors will be relying on the judgment of management of ZeU on completion of the Arrangement for the application of the available funds of ZeU. Management may use the available funds in ways that an investor may not consider desirable. The results and the effectiveness of the application of the available funds are uncertain. If the available funds are not applied effectively, ZeU's results of operations may suffer.

### ***Potential Conflicts of Interest***

Some of the proposed directors and officers of ZeU are engaged and will continue to be engaged as directors and officers of ZeU in the search for additional business opportunities on behalf of other corporations, and situations may arise where these directors and officers will be in direct competition with ZeU. Some of the proposed directors and officers of ZeU are or may become directors or officers of other companies engaged in other business ventures.

Conflicts of interest, if any, which arise may be subject to and be governed by procedures prescribed by the CBCA which require a director or officer of a corporation who is a party to or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with ZeU to disclose his interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the CBCA. Any decision made by any of such directors and officers involving ZeU should be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of ZeU and its shareholders.

### ***Risks related to insurance***

ZeU may become subject to liability for risks against which it cannot insure or against which it may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for ZeU's usual business activities. Payment of liabilities for which it does not carry insurance may have a material adverse effect on its financial position and operations. ZeU intends to insure its operations in accordance with technology industry practice. However, given the novelty of cryptocurrency mining and associated businesses, such insurance may not be available, uneconomical for ZeU, or the nature or level may be insufficient to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on ZeU.

### ***Additional Capital***

From time to time, ZeU may require additional financing in order to carry out its acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause ZeU to forfeit its interest in certain properties, miss certain acquisition opportunities, delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties, and reduce or terminate its operations. If ZeU's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or be available on favourable terms.

### ***Customer Base and Market Acceptance***

Although ZeU believes that its services will offer advantages over competitive companies and products, no assurance can be given that their services will attain a degree of market acceptance on a sustained basis or that it will generate revenues sufficient for sustained profitable operations.

### ***Competition***

If ZeU fails to compete effectively against larger, more established companies with greater resources, then its business may suffer. Competition in the market for ZeU services is intense. Factors affecting competition include financial resources, research and development capabilities, and technological and market expertise and resources. Many of these companies will have financial, technical, and marketing resources greater than ZeU's. In addition, ZeU may be unaware of technologies or technologies that may be developed in the future that could adversely affect its perceived technical and competitive advantage.

### ***Failure to Protect its Intellectual Property***

Failure to protect ZeU's intellectual property could harm its ability to compete effectively. ZeU is highly dependent on its ability to protect its proprietary technology. ZeU intends to rely on a combination of copyright, trademark and trade secret laws, as well as non-disclosure agreements and other contractual provisions to establish and maintain its proprietary rights. ZeU intends to protect its rights vigorously. However, there can be no assurance that these measures will, in all cases, be successful. Enforcement of the ZeU's intellectual property rights may be difficult, particularly in some nations outside of North America in which the ZeU may seek to market its products. While U.S. and Canadian copyright laws, international conventions and international treaties may provide meaningful protection against unauthorized duplication of software, the laws of some foreign jurisdictions may not protect proprietary rights to the same extent as the laws of



Canada or of the United States. The absence of internationally harmonized intellectual property laws makes it more difficult to ensure consistent protection of the ZeU's proprietary rights. Software piracy has been, and is expected to be, a persistent problem for the software industry, and piracy of the ZeU's products represents a loss of revenue to the ZeU. Despite the precautions ZeU may take, unauthorized third parties, including its competitors, may be able to: (i) copy certain portions of its products; or (ii) reverse engineer or obtain and use information that ZeU regards as proprietary. Also, ZeU's competitors could independently develop technologies that are perceived to be substantially equivalent or superior to ZeU's technologies. ZeU's competitive position may be materially adversely affected by its possible inability to effectively protect its intellectual property.

### ***Intellectual Property Infringement***

Other companies may claim that ZeU has infringed their intellectual property, which could materially increase costs and materially harm ZeU's ability to generate future revenue and profits. Claims of infringement are becoming increasingly common as the software industry develops and as related legal protections, including patents are applied to software products. Although ZeU does not believe that its products infringe on the rights of third parties, third parties may assert infringement claims against ZeU in the future. Such litigation could be disruptive to ZeU's ability to generate revenue or enter into new market opportunities and may result in significantly increased costs as a result of ZeU's efforts to defend against those claims or its attempt to license the patents or rework its products to ensure they comply with judicial decisions. Any of the foregoing could have a significant adverse impact on ZeU's business and operating results as well as its ability to generate future revenue and profits. The loss of licenses to use third-party software or the lack of support or enhancement of such software could materially adversely affect ZeU's business. ZeU could also be forced to do one or more of the following: (i) stop selling, incorporating or using its products that use the challenged intellectual property; (ii) obtain from the owner of the infringed intellectual property right a license to sell or use the relevant technology, which license may not be available on reasonable terms, or at all; (iii) redesign those products that use allegedly infringing technology which may be costly or time-consuming; or (iv) refund license fees and other amounts received, and make payments of additional amounts in damages or settlement payments, for allegedly infringing technology or products.

### ***Future Litigation***

ZeU may be subject to litigation arising out of its operations, although there currently are no such lawsuits. Damages claimed under such litigation may be material or may be indeterminate, and the outcome of such litigation may materially impact ZeU's business, results of operations, or financial condition. While ZeU will assess the merits of any lawsuit and defend itself accordingly, it may be required to incur significant expense or devote significant financial resources to defending itself against such litigation. In addition, the adverse publicity surrounding such claims may have a material adverse effect on ZeU's business.

### **Item 18: Promoters**

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Other than certain of its directors and officers, there is no person who is or who has been, between the date of incorporation of ZeU and the date of the Listing Statement, a "promoter" of ZeU as defined under applicable Canadian Securities Laws.

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**Item 19: Legal Proceedings**

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ZeU is and has not been a party to, nor is or was any of its property the subject of, any legal proceedings since the beginning of the most recently completed financial year, and to ZeU's knowledge, no legal proceedings involving ZeU are anticipated.

ZeU is not subject to any penalties or sanctions imposed by a court relating to provincial and territorial securities legislation or any settlement agreements entered into before a court relating to provincial or territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this Listing Statement.

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**Item 20: Interest of Management and Others in Material Transactions**

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Except as otherwise disclosed herein, none of the proposed directors or executive officers of ZeU, any person who will beneficially own, directly or indirectly, shares carrying more than 10% of the voting rights attached to all Zeu Shares outstanding, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, in any transaction of ZeU within the last three years before the date of the Listing Statement which has or is reasonably expected to materially affect ZeU.

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**Item 21: Auditors, Transfer Agents and Registrars**

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***Auditor***

Dale Matheson Carr-Hilton Labonté LLP  
Chartered Professional Accountants  
1500 – 1140 West Pender Street  
Vancouver, British Columbia  
V6E 4G1

***Transfer Agent and Registrar***

Computershare Investor Services Inc.  
500 Boulevard Robert-Bourassa,  
Montréal, QC H3A 3S8

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**Item 22: Material Contracts**

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Except for contracts made in the ordinary course of business, the following will be the only material contracts of ZeU entered into between the date of its incorporation and the date of the Listing Statement and that are still in effect:

- the Arrangement Agreement;
- the VN3T APA; and
- the Tiande Licence Agreement.

Copies of all such material contracts will be available under the ZeU profile on SEDAR at [www.sedar.com](http://www.sedar.com).

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**Item 23: Interest of Experts**

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No person or corporation whose profession or business gives authority to a statement made by the person or corporation and who is named as having prepared or certified a part of this Listing Statement or as having prepared or certified a report or valuation described or included in this Listing Statement holds any beneficial interest, direct or indirect, in any securities or property of ZeU or of an Associate or Affiliate of ZeU and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of ZeU or of an Associate or Affiliate of ZeU and no such person is a promoter of ZeU or an Associate or Affiliate of ZeU.

The auditors of ZeU are independent of ZeU, in accordance with the rules of professional conduct of the the Chartered Professional Accountant Order of Quebec.

**Item 24: Other Material Facts**

There are no other material facts in respect of the ZeU, which are not disclosed elsewhere in this Listing Statement.

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**Item 25: Financial Statements**

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The annual financial statements of ZeU for the annual period ended December 31, 2018 and the three month period ended September 30, 2019, together with the notes thereto and the auditor's report thereon, as well as the management's discussion and analysis ("MD&A") thereon, are attached as Schedules "A" and "B" respectively.

**Item 34: Certificates and Consents**

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**Certificate of ZeU Crypto Networks Inc.**

Pursuant to a resolution duly passed by its Board of Directors, ZeU Crypto Networks Inc., hereby applies for the listing of the above mentioned securities on the Exchange. The foregoing contains full, true and plain disclosure of all material information relating to ZeU Crypto Networks Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated December 17, 2019.

*(signed) Frank Dumas*

\_\_\_\_\_  
**Frank Dumas**  
President and Chief Executive Officer

*(signed) Mark Billings*

\_\_\_\_\_  
**Mark Billings**  
Chief Financial Officer

*(signed) Neha Tally*

\_\_\_\_\_  
**Neha Tally**  
Director

*(signed) Timothy Razzall*

\_\_\_\_\_  
**Timothy Razzall**  
Director

**SCHEDULE A**

**Annual Financial Statements for the year ended December 31, 2018**

**and**

**the nine months period ended September 30, 2019**

**ZeU Crypto Networks Inc.**

**Financial Statements**

**Incorporation**

**from January 4, 2018 to December 31, 2018**

**(Expressed in Canadian Dollars)**



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the directors of ZeU Crypto Networks Inc.

### Opinion

We have audited the financial statements of ZeU Crypto Networks Inc. (the "Company"), which comprise the statement of financial position as at December 31, 2018, and the statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows from January 4, 2018 to December 31, 2018 and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the period from January 4, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards.

### 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 *Auditor's Responsibilities for the Audit of the 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 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.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company incurred a loss of \$4,412,060 from January 4, 2018 to December 31, 2018. These conditions, along with other matters as set forth in Note 1, 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. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC  
May 1, 2019



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**ZeU Crypto Networks Inc.**  
**Statement of Financial Position**  
**As at**

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	December 31, 2018
<b>Assets</b>	\$
<b>Current assets</b>	
Cash	541,795
Digital assets (Note 5)	705,390
<b>Total current assets</b>	<u>1,247,185</u>
<b>Total assets</b>	<u>1,247,185</u>
<b>Liabilities and Shareholders' Deficiency</b>	
<b>Current liabilities</b>	
Accounts payable and accrued liabilities (Notes 8 and 14)	515,735
Loan from shareholders (Note 14)	223,596
<b>Total current liabilities</b>	<u>739,331</u>
<b>Long-Term Liabilities</b>	
Derivative liability (note 9)	478,991
Convertible debentures (Note 9)	3,944,728
<b>Total liabilities</b>	<u>5,163,050</u>
<b>Shareholders' deficiency</b>	
Common shares (Note 10)	496,195
Deficit	(4,412,060)
<b>Total shareholders' deficiency</b>	<u>(3,915,865)</u>
<b>Total liabilities and shareholders' deficiency</b>	<u>1,247,185</u>

*signed "Frank Dumas"*

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Frank Dumas  
President and Chief Executive Officer

*signed "Mark Billings"*

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Mark Billings  
Chief Financial Officer

The accompanying notes are an integral part of these financial statements

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**ZeU Crypto Networks Inc.**  
**Statement of Loss and Comprehensive Loss**  
**From Incorporation on January 4, 2018 to December 31, 2018**

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	December 31, 2018 \$
<b>Operating expenses</b>	
Research and development expense (Notes 7 and 14)	517,960
Accretion expense (Note 9)	117,145
Interest on convertible debentures (Note 9)	235,908
Compensation expense (Note 9)	68,750
Consulting fees (Note 14)	19,182
Listing & filing fees	51,732
Management fees (Note 14)	350,250
Office	895
Audit & Accounting	25,000
Lawyer fees	21,196
Travel	740
Total operating expenses	<u>(1,408,758)</u>
<b>Unrealized loss on digital assets (Note 5)</b>	<u>(3,003,302)</u>
<b>Loss and comprehensive loss for the year</b>	<u>(4,412,060)</u>
Loss per share – basic and diluted	\$ ( 0.22)
Weighted average number of common shares outstanding – basic and diluted	20,000,000

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The accompanying notes are an integral part of these financial statements

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**ZeU Crypto Networks Inc.**  
**Statement of Changes in Shareholders' Deficiency**  
**From Incorporation on January 4, 2018 to December 31, 2018**

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	<b>Number of Common Shares</b>	<b>Common Shares</b>	<b>Deficit</b>	<b>Total Shareholders' Equity</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at January 4, 2018</b>	-	-	-	-
Shares issued for cash and license assignment (note 10)	20,000,000	496,433	-	496,433
Share issue costs	-	(238)	-	(238)
Net loss for the year	-	-	(4,412,060)	(4,412,060)
<b>Balance as at December 31, 2018</b>	<b>20,000,000</b>	<b>496,195</b>	<b>(4,412,060)</b>	<b>(3,915,865)</b>

The accompanying notes are an integral part of these financial statements

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**ZeU Crypto Networks Inc.**  
**Statement of Cash Flows**  
**From Incorporation on January 4, 2018 to December 31, 2018**

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	December 31, 2018
	\$
<b>Operating activities</b>	
Net loss and comprehensive loss for the year	(4,412,060)
Non-cash items	
Accretion expenses	117,145
Interest on convertible debentures	235,908
Compensation expenses	68,750
Unrealized loss on digital assets	3,003,302
	<u>(986,955)</u>
Net changes in working capital items	
Accounts payable and accrued liabilities	503,423
<b>Net cash used in operating activities</b>	<u>(483,532)</u>
<b>Financing activities</b>	
Shares issued for cash and license	496,433
Convertible debenture, cash	529,132
Share issue costs	(238)
<b>Net cash provided by financing activities</b>	<u>1,025,327</u>
<b>Cash, end of year</b>	<u>541,795</u>

The accompanying notes are an integral part of these financial statements

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# **ZeU Crypto Networks Inc.**

## **Notes to Financial Statements**

**December 31, 2018**

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### **1. Corporate Information and Going Concern of Operations**

ZeU Crypto Networks Inc. (“the Company”) was incorporated under the Canada Business Corporations Act on January 4, 2018. The address of the Company’s corporate office and principal place of business is 230 Rue Notre-Dame West, Montreal, H2Y 1T3, Canada, and it operates as a subsidiary of St-Georges Eco-Mining Corp. (“St-Georges”).

The principal activities of the Company are block-chain technology development.

In May 2018, St-Georges signed an Arrangement Agreement providing for the spin-out of the Company with the intent of listing the Company on the Canadian Securities Exchange (“CSE”).

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. During the period ended December 31, 2018, the Company did not achieve profitable operations, had no revenues, incurred a loss for the year of \$4,412,060 and had working capital of \$507,854 with long term debt of \$4,423,719. As such, the Company’s ability to continue as a going concern depends on its ability to successfully raise additional financing. If additional capital is not raised, the going concern basis may not be appropriate with the result that the Company may have to realize its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts different from those stated in the financial information. No adjustments for such circumstances have been made in the financial information. These conditions, indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern

### **2. Basis of Presentation**

#### **Statement of Compliance**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretation committee (“IFRIC”) applicable to the preparation of these financial statements.

The financial statements of the Company were authorized for issue by the Board of Directors on May 1, 2019.

#### **Basis of Measurement**

The financial statements have been prepared on an historical cost basis except for certain assets and liabilities measured at fair value as required under specific IFRS pronouncements. These financial statements are presented in Canadian dollars unless otherwise noted.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

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# ZeU Crypto Networks Inc.

## Notes to Financial Statements

December 31, 2018

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### 3. Summary of Significant Accounting Policies

The accounting policies are set out below.

#### **Functional currency**

The functional currency of the Company has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company's production and operating costs, financing and related transactions. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency. The functional and presentation currency of the Company is the Canadian Dollar.

#### **Classification of digital currencies as current assets**

The Company's determination to classify its holding of digital currencies as current assets is based on management's assessment that its digital currencies held can be considered to be commodities, the availability of liquid markets to which the Company may sell a portion of its holdings and that the Company is considering selling its digital currencies in the near future to generate a profit from price fluctuations.

The digital currencies are recorded on the statements of financial position at their fair value and re-measured at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of traditional currencies are included in profit and loss.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the mining and strategic selling of digital currencies and management has exercised significant judgement in determining appropriate accounting treatment for the recognition of income from digital currency. Management has examined various factors surrounding the substance of the Company's operations, including the stage of development of blockchain and the reliability of the measurement of the digital currency received.

#### **Financial Instruments**

##### *Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Cash, account payable, loan from shareholders are classified as amortized cost. Derivative liabilities are classified as FVTPL.

##### *Measurement*

##### Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

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**ZeU Crypto Networks Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

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**3. Summary of Significant Accounting Policies (continued)**

**Financial Instruments (continued)**

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

Impairment of financial assets at amortized costs

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

*Derecognition*

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

*Other financial liabilities*

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. This category includes accounts payable, due to a company controlled by a director and convertible debentures.

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**ZeU Crypto Networks Inc.**  
**Notes to Financial Statements**  
December 31, 2018

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**3. Summary of Significant Accounting Policies (continued)**

**Financial Instruments (continued)**

*Derecognition of financial liabilities*

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

**Digital assets**

The digital assets are traded in active markets and may be resold in the near future, generating a profit from the fluctuations in prices or margins. As a result, the Company has determined that its holding of digital assets should be accounted for under IAS 2, Inventories. Under IAS 2, digital assets are measured at fair value less cost to sell, with changes in fair value recognized in profit or loss.

**Convertible debentures**

Convertible debentures are recorded at amortized cost and accounted for as a hybrid financial instrument with separate debt and derivative liability components. The derivative liability is recorded at fair value and deducted from the principal of the debt to arrive at the net principal to be accreted to face value over the life of the note. The derivative liability is measured at fair value each period subsequent to initial recognition.

**Income Taxes**

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**Share Capital**

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, preferred shares, share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.



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**ZeU Crypto Networks Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

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**3. Summary of Significant Accounting Policies (continued)**

**Share-based Payments**

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

**Loss per Share**

The basic loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

The diluted earnings per common share is computed by dividing the net income applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

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# **ZeU Crypto Networks Inc.**

## **Notes to Financial Statements**

**December 31, 2018**

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### **3. Summary of Significant Accounting Policies (continued)**

#### **Application of New and Revised IFRS**

IFRS 16 - This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019. The adoption of this standard is not expected to have a significant impact on the financial statements.

### **4. Critical Accounting Judgments and Estimates**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

#### **Judgments**

##### *Income Taxes*

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

##### *Going Concern*

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. The factors are considered by management are disclosed in Note 1.

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**ZeU Crypto Networks Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

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**4. Critical Accounting Judgments and Estimates (continued)**

**Estimates**

*Digital assets – valuation*

Many digital assets are traded in active markets and are valued based upon quoted prices (less costs to sell), a portion of such digital assets may not be actively traded and are valued based upon quoted prices for similar assets or based upon unobservable inputs. These valuations require the Company to make significant estimates and assumptions. Digital assets are generally considered to be commodities or similar to commodities and are treated as inventory for financial reporting purposes. Unrealized gains and losses on digital assets are recorded as net unrealized gain (loss) on digital assets.

*Share-based Payment Transactions*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10.

**5. Digital assets**

Digital assets are typically part of a decentralized system of recording transactions and issuance of new units and rely on cryptography to secure its transactions, to control the creation of additional units, and to verify the transfer of assets.

During the year ended December 31, 2018, the Company received \$3,708,692 of digital assets in consideration for the issuance of convertible debentures (note 9). The continuity of digital currencies is as follows:

	<b>December 31, 2018</b>	<b>December 31, 2018</b>
	<b># of Ether coins</b>	<b>\$</b>
Digital assets received on issuance of convertible debentures	3,936	3,708,692
Revaluation adjustment	-	(3,003,302)
Balance December 31, 2018	<u>3,936</u>	<u>705,390</u>

As at December 31, 2018, due to a general market decrease in digital assets, the value of the assets had declined to \$705,390, and accordingly, the Company recorded an unrealized impairment charge of \$3,003,302.

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# ZeU Crypto Networks Inc.

## Notes to Financial Statements

December 31, 2018

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### 6. Blockchain

On January 14, 2018, St-Georges assigned its blockchain and smart contract technology license agreement with Qingdao Tiande Technologies Limited and cash of \$496,433 to the Company in consideration of 20,000,000 common shares (Note 10) and the assumption of the royalty obligations.

Under the terms of the License, Tiande has granted the Company an exclusive license to use Tiande's proprietary technologies, patents and know-how to develop and commercialize novel mineral commodity production chain control, tracking and trading exchanges. In consideration for the rights granted under the License, the Company shall pay to Tiande a royalty of 8% of the gross revenues derived from the Licensee.

On January 14, 2018, the Company entered into a non-binding letter of intent ("LOI") to acquire all of the Blockchain and Smart Contract Technologies assets of Tiande. Pursuant to the terms of the LOI, the proposed consideration for the Transaction is an aggregate amount of CND\$150 million payable through the issuance of 150,000,000 common shares and 75,000,000 share purchase warrants in the capital of the Company. Each warrant will entitle the holder to acquire one share at a price of CND\$1.00 for a period of three years following the date the Company completes a transaction pursuant to which its common shares will either be listed on a recognized stock exchange in North America, or will be exchanged for common shares of a reporting issuer listed on a recognized stock exchange in North America.

On February 8, 2018, the LOI amended the general terms of the LOI, which referred to Qingdao Tiande Technologies Limited instead of Qingdao.

On February 23, 2018, the Company entered into a definitive asset purchase agreement with Qingdao Tiande Technologies Limited and Beijing Tiande Technologies Limited with the intervention of Guiyan Tiande Technologies Limited to purchase all intellectual property for consideration of up to 150,000,000 common shares through the issuance of 65,000,000 common shares and 75,000,000 common share purchase warrants on the closing date. An additional 10,000,000 common shares will be issued upon satisfaction of milestone conditions. Closing of the transaction was subject to the Company completing a total financing of up to \$30,000,000 in convertible debentures.

On August 13, 2018, the Company received a termination notice, which was accompanied by a request to negotiate a new agreement. The revised financial demands by Tiande rendered the transaction commercially impossible for the Company. The Company has commenced the process of consulting with its legal advisors to seek full reimbursement and compensation of its expenses.

The Company has been working on a series of patents with the focus on technologies that can be quickly commercially deployed.

On December 21, 2018, ZeU entered into an agreement with Prego International Group AS to develop and integrate certain proprietary technologies in a Global Multi Payment and E-Money Services Platform ("Services").

Under the agreement, ZeU and Prego will share equally the costs of the Services as follows:

- Phase 1 –preface: Innovation lab: US\$675,000, including the setup cost and license fees of the full platform;
- Phase 2 –pilot operational: US\$750,000, including full system integration with "POC" testing and user testing with stress test of the platform in 60 days with a complete report; and
- Phase 3-project launched and running (upscale/internationalization), including a full platform, service ready to go, for implementation in multiple global markets.

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**ZeU Crypto Networks Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

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**7. Research and development expenses**

The Company incurred during the period ended December 31, 2018 expenditures of \$517,960 related to the development of the blockchain technology. Since the technological feasibility has not been yet achieved, all these expenditures were recognized in the statement of loss and comprehensive loss. Future expenditure on the development of the technology may meet the guidelines and could be capitalized at that time.

**8. Accounts payable and accrued liabilities**

	<b>December 31, 2018</b>
Accounts payable (Note 12)	\$ <b>254,827</b>
Accrued liabilities	<b>260,908</b>
	<hr/> <b>515,735</b> <hr/>

**9. Convertible Debentures**

On July 5, 2018, the Company closed an initial tranche of its 10% unsecured convertible debentures offering for an aggregate principal amount of \$4,783,692 of which \$3,708,692 was subscribed in consideration of digital assets, and \$550,000 was issued pursuant to signing bonus as management and consulting fees to be earned over a period of four years. Each convertible debenture issued had a maturity date of July 5, 2020 and can be convertible into common shares of the Company at the greater of \$1.00 or the price listed for each common share on an exchange. As the conversion price is variable, the Company accounted for the convertible debentures as a hybrid financial instrument with separate debt and derivative liability components. The derivative liability is recorded at fair value and deducted from the principal of the debt to arrive at the net principal which is recorded at amortised cost and will be accreted to face value over the life of the convertible note. The derivative liability is remeasured at fair value at each period subsequent to initial recognition. The fair value of the derivative liability as at December 31, 2018 was estimated to be \$478,991. The Company recognized accretion expenses for \$117,145 and interest expense of \$235,908 during the period ended December 31, 2018.

The terms of the signing bonus states that the employees must remain employees for a period of four years. If the employee resigns prior to the end of that period, they will be required to reimburse a pro rata portion of the signing bonus back to the Company. Accordingly, these convertible debentures were recognized to the extent that they vested and the compensation expenses for the period ended December 31, 2018 of \$68,750 was recorded in the statement of loss

**10. Share Capital**

**Common Shares – authorised**

The Company is authorized to issue an unlimited number of common shares, voting, participating and with no par value. The share capital of the Company consists only of fully paid common shares.

**Common Shares –issued**

On January 14, 2018, the Company issued 20,000,000 common shares to St-Georges for the license assignment agreement together with cash of \$496,433 (Note 6). The fair value of the shares of \$496,433 was determined based on the cash advanced by the shareholder to develop the blockchain technology as the assignment agreement was deemed to have a nominal value.

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**ZeU Crypto Networks Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

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**11. Income taxes**

A reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax provision is as follows:

	<b>December 31 2018</b>
	\$
Loss for the period before income tax recovery	(4,412,060)
Average statutory rate	27.00%
Income tax recovery based on statutory rates	(1,191,300)
Tax effect of:	
Permanent differences	829,500
Change in unrecognized deferred tax assets	361,800
Income tax recovery	-

Deferred income tax assets are only recognized to the extent that the realization of tax benefits is determined to be probable. As at December 31, 2018, the Company has not recognized the benefit of the following deductible temporary differences:

	<b>December 31 2018</b>
	\$
Deferred tax asset	
Losses carried forward	361,800
Unrecognized deferred tax assets	(361,800)
Total deferred tax assets	-

As at December 31, 2018, the Company has estimated non-capital losses for Canadian income tax purposes of \$1,340,000 that may be carried forward to reduce taxable income derived in future years. The Canadian non-capital losses expire in 2038.

**12. Financial Risk Management and Financial Instruments**

**Financial Risk**

The primary goals of the Company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's balance sheet from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risks through preventive controls and transferring risk to third parties.

The Company's exposure to potential loss from financial instruments is primarily due to various market risks, including interest rate, liquidity and credit risk.

*Market Risk*

Market risk is the risk of loss arising from adverse changes to market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchanges rates, and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded.

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# ZeU Crypto Networks Inc.

## Notes to Financial Statements

December 31, 2018

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### 12. Financial Risk Management and Financial Instruments (continued)

Below is a discussion of the Company's primary market risk exposures and how those exposures are currently managed.

#### *Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. To manage cash flow requirements, the Company may have to issue additional common shares or conclude private placements.

As at December 31, 2018, the Company has current liabilities of \$739,331, has cash of \$541,795 and has digital assets of \$705,390 to meet its current obligations. As a result, the Company does face some liquidity risk considering its long-term debt.

#### *Credit Risk*

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. This amount best represents the Company's maximum exposure to any potential credit risk. The risk is assessed as low.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's convertible debentures have fixed interest rates and accordingly are not subject to cash flow interest rate risk due to changes in the market rate of interest. The Company does not use financial derivatives to reduce its exposure to risk. The management of the Company considers its interest rate risk to be minimal.

#### *Fair Value Measurement*

Fair value is the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Company could currently obtain, on the market, for financial instruments with similar terms, conditions and maturities.

The carrying amount and fair value of financial instruments are considered to be a reasonable approximation of fair value because of their short-term maturities.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Derivative liability is measured using level 3 inputs. The fair value was estimated using Black-Scholes Option Pricing Model (effective interest rate of 17%, volatility 120%, risk free interest rate of 2% and 0% dividend yield)

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# **ZeU Crypto Networks Inc.**

## **Notes to Financial Statements**

**December 31, 2018**

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### **13. Capital Management**

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at December 31, 2018, the Company's shareholders' deficiency was \$4,412,060. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term.

Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. To meet these objectives, management monitors the Company's capital requirements against unrestricted net working capital and assesses additional capital requirements on specific business opportunities on a case-by-case basis.

The capital for expansion is mostly from proceeds from the issuance of common shares. The net proceeds raised will only be sufficient for a certain amount of development work on its projects, and for working capital purposes. Additional funds will be required to finance the Company's corporate objectives. The Company is not currently exposed to any externally imposed capital requirements.

### **14. Related Party Transactions**

#### **a) Related party transactions**

During the year, the Company incurred transactions with related parties including a company controlled by its Chief Architect, and Chief Executive Officer. The Company incurred during the period ended December 31, 2018, consulting fees of \$14,155 which were expensed as consulting fees and \$70,628 as research and development costs and management fees of \$350,250. Approximately 50% of management's time was devoted to research and development items, but the specific amounts could not be determined, and the amounts were expensed to management fees.

In addition the CEO received a signing bonus in the form of convertible debentures in the amount of \$250,000 which will be recognised over the vesting period of 4 years (Note 9).

#### **b) Due to Related Parties**

At December 31, 2018, included in accounts payable is \$143,329 owing to directors. These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

In addition the company is has a liability owing to its parent company St. Georges of \$223,596 as at December 31, 2018. This amount is non-interest bearing, unsecured and has no fixed terms of repayment.

### **15. Subsequent Events**

- On February 4, 2019, the Company executed an asset purchase agreement with VN3T Technologies Inc. and its subsidiaries, collectively "VN3T", an arm's length party to acquire the key IP of VN3T's decentralized data market place platform and secured development services.

Under the agreement, the Company will pay \$150,000 to VN3T for the IP by the issuance of a debenture of the Company maturing 2 years from its issuance and convertible into common shares of the Company at a price equal to the 5-day VWAP of the shares on the Canadian Stock Exchange, subject to a minimum of \$1.85. The Company agreed to retain the services of the VN3T for a gross amount of \$60,000 to assist with the development of certain aspects of the IP.

Under the agreement, VN3T also granted the Company an exclusive option to acquire the additional assets for purchase price of \$25,000 on or before May 31, 2019, which would be satisfied by the issuance of a \$25,000 debenture under the same terms and conditions.



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# ZeU Crypto Networks Inc.

## Notes to Financial Statements

December 31, 2018

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### 15. Subsequent Events (continued)

- On March 8, 2019, the Company agreed to provide its patent pending Blockchain Random Number Generator and other related blockchain technologies to St. James House PLC (LSE: SJH) (“St. James”), a UK licensed gaming operator, by the way of joint-venture for the establishment of a blockchain lottery. The agreement calls for the establishment of a new lottery joint-venture with its main license in Malta.

The Lottery Joint-Venture (“Lottery JV”) will combine St. James’ expertise in regulated lottery management and administration with the Company’s innovative blockchain based technology. St. James’ who will act as the lottery operator and hold a 45% equity interest in the Lottery JV, and the Company will hold 19%, St-Georges will hold 19.9% and the balance with independent investors.

All technology operating costs of the Lottery JV will be met by the Company, and in return the Company will charge a service fee that will not exceed 90% of the revenues from the Lottery JV. Profits generated by the Lottery JV will be distributed as a dividend to the shareholders.

In additional consideration, in excess of the 19.9% of the net profits that it will receive and of the revenues generated and of the fees that will be collected for the technology usage, the Company will receive from St. James ‘ new UK subsidiary, LottoCo, 100,000 non-voting, zero-coupon redeemable preferred shares of a par value of 2 pence (“Preferred Shares”). The Preferred Shares will be redeemable in 21 years, the redemption price of the Preferred Shares to be fixed within 3 months after the issue of the audited accounts of the Lottery JV for the second year of operations and will be based on an independent valuation report. At the discretion of the Company, the Preferred Shares may be exchanged on the basis of one Preferred Share for two ordinary shares of 1 pence each in St. James (“Ordinary Shares”), with notice to be given one day before the Preferred Shares are due to be redeemed in 21 years, i.e. a maximum of 200,000 Ordinary Shares may be issued.

- On March 9, 2019, the Company retained the services of Cassiopeia Services Ltd. (“CSL”), a UK based communication and investors awareness firm specialized in blockchain out of London UK. The Company will pay £5,000 quarterly to CSL starting March 31, 2019. The Company will also grant CSL 50,000 common share options with an exercise price of \$1.25/share and \$50,000 debentures convertible at \$1.00/share.
- On March 29, 2019, the Company was retained to develop the global blockchain infrastructure and data mining components of the KinectHub initiative of Kinect Corporation (“Kinect”). KinectHub is a large multi-million-dollar infrastructure project using state-of -the-art technology such as blockchain, distributed storage, anonymity solution and privacy insurances to bring healthcare to third world countries. The scope of work will be starting with a full use case analysis for 30 days. At the end of this period, a Statement of Work will be delivered and used as a development road-map. Kinect will issue 2,000,000 units with the same terms as their current placement offering. The Company will accrue without interest the invoices issued to Kinect up to \$600,000 CAD and has the option to convert the amount into royalties.

**ZeU Crypto Networks Inc.**

**Condensed Interim Financial Statements**

**Nine Months Ended September 30, 2019**

**(Expressed in Canadian Dollars)**

## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

MONTREAL, QUEBEC  
November 29, 2019

**ZeU Crypto Networks Inc.**  
**Condensed Interim Statements of Financial Position**  
**(Unaudited – Prepared by Management)**  
As at

	September 30, 2019	December 31, 2018
<b>Assets</b>		\$
<b>Current assets</b>		
Cash	183,022	541,795
Digital assets (Note 5)	421,597	705,390
Prepaid	44,234	-
<b>Total current assets</b>	<b>648,853</b>	1,247,185
<b>Non-Current assets</b>		
Exploration and evaluation assets (Note 6)	220,000	-
<b>Total assets</b>	<b>868,853</b>	1,247,185
<b>Liabilities and Shareholders' Deficiency</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Notes 8 and 13)	1,137,689	515,735
Loan from shareholders (Note 13)	94,580	223,596
<b>Total current liabilities</b>	<b>1,232,269</b>	739,331
<b>Long-Term Liabilities</b>		
Derivative liability (Note 9)	503,471	478,991
Convertible debentures (Note 9)	4,318,898	3,944,728
<b>Total liabilities</b>	<b>6,054,638</b>	5,163,050
<b>Shareholders' deficiency</b>		
Common shares (Note 10)	496,195	496,195
Deficit	(5,681,980)	(4,412,060)
<b>Total shareholders' deficiency</b>	<b>(5,185,785)</b>	(3,915,865)
<b>Total liabilities and shareholders' deficiency</b>	<b>868,853</b>	1,247,185

signed "Frank Dumas"  
Frank Dumas  
President and Chief Executive Officer

signed "Mark Billings"  
Mark Billings  
Chief Financial Officer

The accompanying notes are an integral part of these condensed interim financial statements

**ZeU Crypto Networks Inc.****Condensed Interim Statements of Loss and Comprehensive Loss  
(Unaudited – Prepared by Management)**

	Nine months ended September 30,		Three months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Operating expenses</b>				
Accretion expense (Note 9)	184,837	-	62,474	-
Compensation expense (Note 9)	101,947	-	34,356	-
Consulting fees (Note 13)	238,129	-	163,900	-
Interest on convertible debentures (Note 9)	364,920	122,084	123,074	122,084
Listing and filing fees	35,801	-	21,241	-
Management fees (Note 13)	223,618	-	84,370	-
Marketing and promotion	52,010	-	46,581	-
Office expenses	3,545	-	2,283	-
Professional fees	47,530	25,000	27,616	-
Research and development expense (Notes 7 and 13)	337,914	320,521	146,613	85,685
Shareholders communication	69,704	-	8,245	-
Travel expenses	23,073	-	5,445	-
<b>Total operating expenses</b>	<b>(1,683,028)</b>	<b>(467,605)</b>	<b>(726,198)</b>	<b>(207,769)</b>
<b>Other Income(expenses)</b>				
Gain(loss) on sale of marketable digital assets (Note 5)	(60,791)	-	(130,959)	-
Gain(loss) on payment with marketable digital assets (Note 5)	7,473	-	(37,484)	-
Unrealized gain(loss) on marketable digital assets (Note 5)	394,301	(2,791,801)	(228,762)	(2,791,801)
Gain(loss) on redemption of convertible debentures	72,125	-	72,125	-
<b>Loss and comprehensive loss for the period</b>	<b>(1,269,920)</b>	<b>(3,259,406)</b>	<b>(1,051,278)</b>	<b>(2,999,570)</b>
Loss per share – basic and diluted	\$ ( 0.06)	\$ ( 0.17)	\$ 0.05	\$ ( 0.15)
Weighted average number of common shares outstanding – basic and diluted	20,000,000	18,974,359	20,000,000	20,000,000

The accompanying notes are an integral part of these condensed interim financial statements

**ZeU Crypto Networks Inc.**  
**Condensed Interim Statement of Changes in Shareholders' Deficiency**  
**(Unaudited – Prepared by Management)**

	Number of Common Shares	Common Shares	Deficit	Total Shareholders' Equity
		\$	\$	\$
<b>Balance at January 4, 2018</b>	-	-	-	-
Shares issued for cash and license assignment (Note 10)	20,000,000	496,433	-	496,433
Share issue costs	-	-	-	-
Loss for the period	-	-	(3,259,406)	(3,259,406)
<b>Balance as at September 30, 2018</b>	<b>20,000,000</b>	<b>496,433</b>	<b>(3,259,406)</b>	<b>(2,762,973)</b>
Balance as at January 1, 2019	20,000,000	496,195	(4,412,060)	(3,915,865)
Loss for the period	-	-	(1,269,920)	(1,269,920)
<b>Balance as at September 30, 2019</b>	<b>20,000,000</b>	<b>496,195</b>	<b>(5,681,980)</b>	<b>(5,185,785)</b>

The accompanying notes are an integral part of these condensed interim financial statements

**ZeU Crypto Networks Inc.**  
**Condensed Interim Statement of Cash Flows**  
**For The Nine Months Ended September 30**  
**(Unaudited – Prepared by Management)**

	2019	2018
	\$	\$
<b>Operating activities</b>		
Net loss and comprehensive loss for the period	(1,269,920)	(3,259,406)
Non-cash items		
Accretion expenses	184,837	-
Interest on convertible debentures	364,920	112,084
Compensation expenses	101,947	-
Unrealized loss(gain) on marketable digital assets	(394,301)	2,791,801
Loss on disposal of marketable digital assets	53,318	-
(Gain) on redemption of convertible debentures	(72,125)	-
	<u>(1,031,324)</u>	<u>(355,521)</u>
Net changes in working capital items		
Prepaid	(44,234)	(475,000)
Accounts receivable	-	(550,500)
Accounts payable and accrued liabilities	592,297	476,845
	<u>548,063</u>	<u>(548,655)</u>
<b>Net cash used in operating activities</b>	<u>(483,261)</u>	<u>(904,176)</u>
<b>Investing activity</b>		
Technologies acquisition (Note 6)	(220,000)	-
Sale of digital assets	624,611	-
<b>Net cash provided by investing activity</b>	<u>404,611</u>	<u>-</u>
<b>Financing activities</b>		
Shares issued for cash and license assignment (Note 10)	-	496,433
Convertible debentures	(151,107)	1,485,661
Amounts advanced from related parties	(129,016)	-
<b>Net cash provided by (used in) financing activities</b>	<u>(280,123)</u>	<u>1,982,094</u>
Increase (decrease) in cash	(358,773)	1,077,918
Cash, beginning	541,795	-
<b>Cash, ending</b>	<u>183,022</u>	<u>1,077,918</u>

There were no significant non-cash transactions during the periods ended September 30, 2019 and 2018.

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# **ZeU Crypto Networks Inc.**

## **Notes to The Condensed Interim Financial Statements**

**For the nine months ended September 30, 2019 and 2018**  
**(Unaudited – Prepared by Management)**

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### **1. Corporate Information and Going Concern of Operations**

ZeU Crypto Networks Inc. (“the Company”) was incorporated under the Canada Business Corporations Act on January 4, 2018. The address of the Company’s corporate office and principal place of business is 230 Rue Notre-Dame West, Montreal, H2Y 1T3, Canada, and it operates as a subsidiary of St-Georges Eco-Mining Corp. (“St-Georges”).

The principal activities of the Company are block-chain technology development.

In May 2018, St-Georges signed an Arrangement Agreement providing for the spin-out of the Company with the intent of listing the Company on the Canadian Securities Exchange (“CSE”).

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. During the period ended September 30, 2019, the Company had working capital of \$583,416 with long term debt of \$4,822,369 and an accumulated deficit of \$5,681,980. As such, the Company’s ability to continue as a going concern depends on its ability to successfully raise additional financing. If additional capital is not raised, the going concern basis may not be appropriate with the result that the Company may have to realize its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts different from those stated in the financial information. No adjustments for such circumstances have been made in the financial information. These conditions, indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern

### **2. Basis of Presentation**

#### **Statement of Compliance**

These condensed interim financial statements of the Company for the period ended September 30, 2019 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These financial statements follow the same accounting policies and methods of application as our most recent annual financial statements, save for the adoption of IFRS 16 for the 2019 fiscal year starting on January 1, 2019. The adoption of this policy had no effect on the financial statements

The financial statements of the Company were authorized for issue by the Board of Directors on November 29, 2019.

#### **Basis of Measurement**

The financial statements have been prepared on an historical cost basis except for certain assets and liabilities measured at fair value as required under specific IFRS pronouncements. These financial statements are presented in Canadian dollars unless otherwise noted.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.



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# **ZeU Crypto Networks Inc.**

## **Notes to The Condensed Interim Financial Statements**

**For the nine months ended September 30, 2019 and 2018**  
**(Unaudited – Prepared by Management)**

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### **3. Summary of Significant Accounting Policies**

The accounting policies are set out below.

#### **Functional currency**

The functional currency of the Company has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company's production and operating costs, financing and related transactions. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency. The functional and presentation currency of the Company is the Canadian Dollar.

#### **Classification of digital currencies as current assets**

The Company's determination to classify its holding of digital currencies as current assets is based on management's assessment that its digital currencies held can be considered to be commodities, the availability of liquid markets to which the Company may sell a portion of its holdings and that the Company is considering selling its digital currencies in the near future to generate a profit from price fluctuations.

The digital currencies are recorded on the statements of financial position at their fair value and re-measured at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of traditional currencies are included in profit and loss.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the mining and strategic selling of digital currencies and management has exercised significant judgement in determining appropriate accounting treatment for the recognition of income from digital currency. Management has examined various factors surrounding the substance of the Company's operations, including the stage of development of blockchain and the reliability of the measurement of the digital currency received.

#### **Financial Instruments**

##### *Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Cash, account payable, loan from shareholders are classified as amortized cost. Derivative liabilities are classified as FVTPL.

### **3. Summary of Significant Accounting Policies (continued)**

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**ZeU Crypto Networks Inc.**  
**Notes to The Condensed Interim Financial Statements**  
For the nine months ended September 30, 2019 and 2018  
(Unaudited – Prepared by Management)

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**Financial Instruments (continued)**

*Measurement*

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

Impairment of financial assets at amortized costs

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

*Derecognition*

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

**3. Summary of Significant Accounting Policies (continued)**

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# **ZeU Crypto Networks Inc.**

## **Notes to The Condensed Interim Financial Statements**

**For the nine months ended September 30, 2019 and 2018**  
**(Unaudited – Prepared by Management)**

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### **Financial Instruments (continued)**

#### *Other financial liabilities*

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. This category includes accounts payable, due to a company controlled by a director and convertible debentures.

#### *Derecognition of financial liabilities*

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

### **Digital assets**

The digital assets are traded in active markets and may be resold in the near future, generating a profit from the fluctuations in prices or margins. As a result, the Company has determined that its holding of digital assets should be accounted for under IAS 2, Inventories. Under IAS 2, digital assets are measured at fair value less cost to sell, with changes in fair value recognized in profit or loss.

### **Convertible debentures**

Convertible debentures are recorded at amortized cost and accounted for as a hybrid financial instrument with separate debt and derivative liability components. The derivative liability is recorded at fair value and deducted from the principal of the debt to arrive at the net principal to be accreted to face value over the life of the note. The derivative liability is measured at fair value each period subsequent to initial recognition.

### **Income Taxes**

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

### **3. Summary of Significant Accounting Policies (continued)**

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**ZeU Crypto Networks Inc.**  
**Notes to The Condensed Interim Financial Statements**  
**For the nine months ended September 30, 2019 and 2018**  
**(Unaudited – Prepared by Management)**

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Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

### **Share Capital**

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, preferred shares, share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **Share-based Payments**

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

### **3. Summary of Significant Accounting Policies (continued)**

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# **ZeU Crypto Networks Inc.**

## **Notes to The Condensed Interim Financial Statements**

**For the nine months ended September 30, 2019 and 2018**  
**(Unaudited – Prepared by Management)**

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### **Loss per Share**

The basic loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

The diluted earnings per common share is computed by dividing the net income applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

#### **4. Critical Accounting Judgments and Estimates**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

#### **Judgments**

##### *Income Taxes*

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

##### *Going Concern*

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. The factors are considered by management are disclosed in Note 1.

#### **4. Critical Accounting Judgments and Estimates (continued)**

**ZeU Crypto Networks Inc.**  
**Notes to The Condensed Interim Financial Statements**  
For the nine months ended September 30, 2019 and 2018  
(Unaudited – Prepared by Management)

**Estimates**

*Digital assets – valuation*

Many digital assets are traded in active markets and are valued based upon quoted prices (less costs to sell), a portion of such digital assets may not be actively traded and are valued based upon quoted prices for similar assets or based upon unobservable inputs. These valuations require the Company to make significant estimates and assumptions. Digital assets are generally considered to be commodities or similar to commodities and are treated as inventory for financial reporting purposes. Unrealized gains and losses on digital assets are recorded as net unrealized gain (loss) on digital assets.

*Share-based Payment Transactions*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10.

**5. Digital assets**

Digital assets are typically part of a decentralized system of recording transactions and issuance of new units and rely on cryptography to secure its transactions, to control the creation of additional units, and to verify the transfer of assets.

During the year ended December 31, 2018, the Company received \$3,708,692 of digital assets in consideration for the issuance of convertible debentures (Note 9). The continuity of digital currencies is as follows:

	<b>Number of Ether Coins</b>	<b>Ether Coins \$</b>
Digital assets received on issuance of convertible debentures	3,936	3,708,692
Revaluation adjustment	-	(3,003,302)
Balance December 31, 2018	3,936	705,390
Sale of digital assets	(1,573)	(508,117)
Payments with digital assets	(608)	(169,977)
Revaluation adjustment	-	394,301
Balance September 30, 2019	1,755	421,597

During the nine months ended September 30, 2019, the Company sold 1,473 Ether coins for proceeds totalling \$423,666 (cost of \$470,147), and recorded a loss on sale of \$46,481. The Company transferred 100 Ether coins at a value of \$23,660 (cost of \$37,970) to a debenture holder for buy-back of debentures and recorded a loss on the transfer of \$14,310.

During the nine months ended September 30, 2019, the Company made payments of \$163,868 for director fees, travel expenses and prepaid expenses with 572 Ether coins (cost of \$156,496), and paid \$13,582 with 36 Ether coin (cost of \$13,481) for office expenses and research and development expenses. The Company recorded a gain on the payments of \$7,473.

**5. Digital assets (continued)**

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# **ZeU Crypto Networks Inc.**

## **Notes to The Condensed Interim Financial Statements**

**For the nine months ended September 30, 2019 and 2018**  
**(Unaudited – Prepared by Management)**

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As at September 30, 2019, the Company held 1,755 (December 31, 2018 – 3,936) Ether coins. Due to general market changes in digital assets, as at September 30, 2019, the value of the digital assets was \$421,597 and accordingly, the Company recorded an unrealized gain of \$394,301.

### **6. Blockchain**

On January 14, 2018, St-Georges assigned its blockchain and smart contract technology license agreement with Qingdao Tiande Technologies Limited and cash of \$496,433 to the Company in consideration of 20,000,000 common shares (Note 10) and the assumption of the royalty obligations.

Under the terms of the License, Tiande has granted the Company an exclusive license to use Tiande's proprietary technologies, patents and know-how to develop and commercialize novel mineral commodity production chain control, tracking and trading exchanges. In consideration for the rights granted under the License, the Company shall pay to Tiande a royalty of 8% of the gross revenues derived from the Licensee.

On January 14, 2018, the Company entered into a non-binding letter of intent ("LOI") to acquire all of the Blockchain and Smart Contract Technologies assets of Tiande. Pursuant to the terms of the LOI, the proposed consideration for the Transaction is an aggregate amount of CND\$150 million payable through the issuance of 150,000,000 common shares and 75,000,000 share purchase warrants in the capital of the Company. Each warrant will entitle the holder to acquire one share at a price of CND\$1.00 for a period of three years following the date the Company completes a transaction pursuant to which its common shares will either be listed on a recognized stock exchange in North America, or will be exchanged for common shares of a reporting issuer listed on a recognized stock exchange in North America.

On February 8, 2018, the LOI amended the general terms of the LOI, which referred to Qingdao Tiande Technologies Limited instead of Qingdao.

On February 23, 2018, the Company entered into a definitive asset purchase agreement with Qingdao Tiande Technologies Limited and Beijing Tiande Technologies Limited with the intervention of Guiyan Tiande Technologies Limited to purchase all intellectual property for consideration of up to 150,000,000 common shares through the issuance of 65,000,000 common shares and 75,000,000 common share purchase warrants on the closing date. An additional 10,000,000 common shares will be issued upon satisfaction of milestone conditions. Closing of the transaction was subject to the Company completing a total financing of up to \$30,000,000 in convertible debentures.

On August 13, 2018, the Company received a termination notice, which was accompanied by a request to negotiate a new agreement. The revised financial demands by Tiande rendered the transaction commercially impossible for the Company. The Company has commenced the process of consulting with its legal advisors to seek full reimbursement and compensation of its expenses.

The Company has been working on a series of patents with the focus on technologies that can be quickly commercially deployed.

On December 21, 2018, ZeU entered into an agreement with Prego International Group AS to develop and integrate certain proprietary technologies in a Global Multi Payment and E-Money Services Platform ("Services").

### **6. Blockchain (continued)**

Under the agreement, ZeU and Prego will share equally the costs of the Services as follows:

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# **ZeU Crypto Networks Inc.**

## **Notes to The Condensed Interim Financial Statements**

**For the nine months ended September 30, 2019 and 2018**  
**(Unaudited – Prepared by Management)**

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- Phase 1 –preface: Innovation lab: US\$675,000, including the setup cost and license fees of the full platform;
- Phase 2 –pilot operational: US\$750,000, including full system integration with “POC” testing and user testing with stress test of the platform in 60 days with a complete report; and
- Phase 3-project launched and running (upscale/internationalization), including a full platform, service ready to go, for implementation in multiple global markets.

On February 4, 2019, the Company executed an asset purchase agreement with VN3T Technologies Inc. and its subsidiaries, collectively “VN3T”, an arm’s length party to acquire the key IP of VN3T’s decentralized data market place platform and secured development services.

Under the agreement, the Company will pay \$150,000 to VN3T for the IP by the issuance of a debenture of the Company maturing 2 years from its issuance and convertible into common shares of the Company at a price equal to the 5-day VWAP of the shares on the Canadian Stock Exchange, subject to a minimum of \$1.85. The Company agreed to retain the services of the VN3T for a gross amount of \$60,000 to assist with the development of certain aspects of the IP.

Under the agreement, VN3T also granted the Company an exclusive option to acquire the additional assets for purchase price of \$25,000, which would be satisfied by the issuance of a \$25,000 debenture under the same terms and conditions.

On March 8, 2019, the Company agreed to provide its patent pending Blockchain Random Number Generator and other related blockchain technologies to St. James House PLC (LSE: SJH)(“St. James”), a UK licensed gaming operator, by the way of joint-venture for the establishment of a blockchain lottery. The agreement calls for the establishment of a new lottery joint-venture with its main license in Malta.

The Lottery Joint-Venture (“Lottery JV”) will combine St. James’ expertise in regulated lottery management and administration with the Company’s innovative blockchain based technology. St. James’ who will act as the lottery operator and hold a 45% equity interest in the Lottery JV, and the Company will hold 19%, St-Georges will hold 19.9% and the balance with independent investors.

All technology operating costs of the Lottery JV will be met by the Company, and in return the Company will charge a service fee that will not exceed 90% of the revenues from the Lottery JV. Profits generated by the Lottery JV will be distributed as a dividend to the shareholders.

In additional consideration, in excess of the 19.9% of the net profits that it will receive and of the revenues generated and of the fees that will be collected for the technology usage, the Company will receive from St. James’ new UK subsidiary, LottoCo, 100,000 non-voting, zero-coupon redeemable preferred shares of a par value of 2 pence(“Preferred Shares”). The Preferred Shares will be redeemable in 21 years, the redemption price of the Preferred Shares to be fixed within 3 months after the issue of the audited accounts of the Lottery JV for the second year of operations and will be based on an independent valuation report. At the discretion of the Company, the Preferred Shares may be exchanged on the basis of one Preferred Share for two ordinary shares of 1 pence each in St. James (“Ordinary Shares”), with notice to be given one day before the Preferred Shares are due to be redeemed in 21 years, i.e. a maximum of 200,000 Ordinary Shares may be issued.

On August 2, 2019, further to an announcement made on March 8, 2019, the Company and St. James House have executed a long form agreement for the creation of a Maltese Joint-Venture corporation that will manage the operation of a blockchain-based lottery operated by St. James and developed and maintained by the Company.

## **6. Blockchain (continued)**



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## **ZeU Crypto Networks Inc.**

### **Notes to The Condensed Interim Financial Statements**

**For the nine months ended September 30, 2019 and 2018**

**(Unaudited – Prepared by Management)**

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On March 29, 2019, the Company was retained to develop the global blockchain infrastructure and data mining components of the KinectHub initiative of Kinect Corporation (“Kinect”). KinectHub is a large multi-million-dollar infrastructure project using state-of-the-art technology such as blockchain, distributed storage, anonymity solution and privacy insurances to bring healthcare to third world countries. The scope of work will be starting with a full use case analysis for 30 days. At the end of this period, a Statement of Work will be delivered and used as a development road-map. Kinect will issue 2,000,000 units with the same terms as their current placement offering. The Company will accrue without interest the invoices issued to Kinect up to \$600,000 CAD and has the option to convert the amount into royalties.

On May 28, 2019, the Company signed a binding term sheet with Star Epigone Capital Ltd. (“Star Epigone”) of the British Virgin Islands to provide a license for the Company’s Random Number Generator to be used by Star Epigone in its online gaming product offering. Star Epigone has access to an already established clientele through its online gaming business and is planning to integrate lotteries and other gambling offerings using the Company’s technologies solutions. All development and licensing costs will be covered by Star Epigone, the operator.

The Company also entered into a binding term sheet to acquire 2,100,000 first rank preferred shares of vSekur Network Ltd. (“vSekur”). The shares have a redemption value of \$1.00 and bear a 6% annual interest. The preferred shares can be converted into common shares of vSekur at the current value of \$1 each, or at the last equity raise price. The Company will have the right to maintain its equity position with a right of first refusal in all future financing efforts of vSekur. If converted in common shares, this would represent more than 21% of the company outstanding common shares.

vSekur is already developing the patient account security component of its Healthcare SaaS. It will now become the primary provider of anonymization solutions for the different development initiatives of the Company.

The Company will issue to vSekur approximately 215,325 convertible debenture units with a minimum floor conversion of CAD \$3.25 for one year.

The transaction is planned to close within 5 days of the Company listing on a Canadian securities exchange.

In order to further accelerate the development of its blockchain healthcare SaaS solution, the Company entered into a term sheet with Pure Data Tech Corporation (“Pure”) of Hong Kong. Pure has received investment and grants in excess of £1m up to today. The company operates a turnkey solution that includes software, hardware and management services (MIS) for the healthcare industry in South-East Asia with a focus on Singapore and Malaysia. The companies will partner in certain aspects of their development. While Pure will leverage the Company’s blockchain technology, the Company will be able to integrate Pure’s machine learning IP into its Healthcare SaaS solution.

The transaction is expected to close within 5 days of the Company listing its common shares on a Canadian securities exchange.

The Company will issue 461,540 subordinated debenture units convertible at a floor price of CAD \$3.25 for a total of approximately CAD \$1,500,000 and 400,000 three years special warrants in favor of Pure at an execution price of CAD \$3.75.

Pure will issue approximately £1,000,000 worth of 1st Rank, Fixed Redeemable and Convertible Preferred Shares of Pure in favor of the Company currently representing after conversion, 42% of Pure’s common shares.

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**ZeU Crypto Networks Inc.**  
**Notes to The Condensed Interim Financial Statements**  
For the nine months ended September 30, 2019 and 2018  
(Unaudited – Prepared by Management)

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**7. Research and development expenses**

During the period ended September 30, 2019, the Company incurred expenditures of \$337,914 (2018 - \$320,521) related to the development of the blockchain technology. Since the technological feasibility has not been yet achieved, all these expenditures were recognized in the statement of loss and comprehensive loss. Future expenditure on the development of the technology may meet the guidelines and could be capitalized at that time.

**8. Accounts payable and accrued liabilities**

	September 30, 2019	December 31, 2018
	\$	\$
Accounts payable (Note 11)	518,957	254,827
Accrued liabilities	618,732	260,908
	<b>1,137,689</b>	<b>515,735</b>

**9. Convertible Debentures**

On July 5, 2018, the Company closed an initial tranche of its 10% unsecured convertible debentures offering for an aggregate principal amount of \$4,783,692 of which \$3,708,692 was subscribed in consideration of digital assets, and \$550,000 was issued pursuant to signing bonus as management and consulting fees to be earned over a period of four years. Each convertible debenture issued had a maturity date of July 5, 2020 and can be convertible into common shares of the Company at the greater of \$1.00 or the price listed for each common share on an exchange. As the conversion price is variable, the Company accounted for the convertible debentures as a hybrid financial instrument with separate debt and derivative liability components. The derivative liability is recorded at fair value and deducted from the principal of the debt to arrive at the net principal which is recorded at amortised cost and will be accreted to face value over the life of the convertible note. The derivative liability is remeasured at fair value at each period subsequent to initial recognition. The fair value of the derivative liability as at December 31, 2018 was estimated to be \$478,991. During the year ended December 31, 2018, the Company recognized accretion expenses for \$117,145 and interest expense of \$235,908.

The terms of the signing bonus states that the employees must remain employees for a period of four years. If the employee resigns prior to the end of that period, they will be required to reimburse a pro rata portion of the signing bonus back to the Company. Accordingly, these convertible debentures were recognized to the extent that they vested and the compensation expenses for the period ended September 30, 2019 of \$101,947 (2018 - \$122,084) was recorded in the statement of loss.

On September 10, 2019, the Company bought \$95,785 convertible debentures back from the debenture holder with 100 Ether coins, and recorded a gain on the redemption of \$72,125.

On February 4, 2019, under the agreement with VN3T, the Company paid \$150,000 to VN3T for the IP by the issuance of a debenture of the Company maturing 2 years from its issuance and convertible into common shares of the Company at a price equal to the 5-day VWAP of the shares on the Canadian Stock Exchange, subject to a minimum of \$1.85.

On February 25, 2019, the Company retained the services of Cassiopeia Services Ltd. (“CSL”), a UK based communication and investors awareness firm specialized in blockchain out of London UK. The Company issued \$50,000 debentures to CSL and the convertible at \$1.00 per share for 2 years.

During the period ended September 30, 2019, the Company recognized a total accretion expenses of \$184,837 (2018 - \$nil) and a total interest expenses of \$364,920 (2018 - \$122,084).

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**ZeU Crypto Networks Inc.**  
**Notes to The Condensed Interim Financial Statements**  
For the nine months ended September 30, 2019 and 2018  
(Unaudited – Prepared by Management)

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**10. Share Capital**

**Common Shares – authorised**

The Company is authorized to issue an unlimited number of common shares, voting, participating and with no par value. The share capital of the Company consists only of fully paid common shares.

**Common Shares –issued**

On January 14, 2018, the Company issued 20,000,000 common shares to St-Georges for the license assignment agreement together with cash of \$496,433 (Note 6). The fair value of the shares of \$496,433 was determined based on the cash advanced by the shareholder to develop the blockchain technology as the assignment agreement was deemed to have a nominal value.

**Options**

During the period ended September 30, 2019, the Company has 50,000 common share options outstanding with an exercise price of \$1.25 per share.

**11. Financial Risk Management and Financial Instruments**

**Financial Risk**

The primary goals of the Company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's balance sheet from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risks through preventive controls and transferring risk to third parties.

The Company's exposure to potential loss from financial instruments is primarily due to various market risks, including interest rate, liquidity and credit risk.

*Market Risk*

Market risk is the risk of loss arising from adverse changes to market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchanges rates, and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded.

Below is a discussion of the Company's primary market risk exposures and how those exposures are currently managed.

*Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. To manage cash flow requirements, the Company may have to issue additional common shares or conclude private placements.

As at September 30, 2019, the Company has current liabilities of \$1,232,269, has cash of \$183,022, and has digital assets of \$421,597 to meet its current obligations. As a result, the Company does face liquidity risk considering its long-term debt.

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# **ZeU Crypto Networks Inc.**

## **Notes to The Condensed Interim Financial Statements**

**For the nine months ended September 30, 2019 and 2018**  
**(Unaudited – Prepared by Management)**

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### **11. Financial Risk Management and Financial Instruments (continued)**

#### *Credit Risk*

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. This amount best represents the Company's maximum exposure to any potential credit risk. The risk is assessed as low.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's convertible debentures have fixed interest rates and accordingly are not subject to cash flow interest rate risk due to changes in the market rate of interest. The Company does not use financial derivatives to reduce its exposure to risk. The management of the Company considers its interest rate risk to be minimal.

#### *Fair Value Measurement*

Fair value is the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Company could currently obtain, on the market, for financial instruments with similar terms, conditions and maturities.

The carrying amount and fair value of financial instruments are considered to be a reasonable approximation of fair value because of their short-term maturities.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Derivative liability is measured using level 3 inputs. The fair value was estimated using Black-Scholes Option Pricing Model (effective interest rate of 17%, volatility 120%, risk free interest rate of 2% and 0% dividend yield)

### **12. Capital Management**

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at September 30, 2019, the Company's shareholders' deficiency was \$5,185,785. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term.

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# **ZeU Crypto Networks Inc.**

## **Notes to The Condensed Interim Financial Statements**

For the nine months ended September 30, 2019 and 2018

(Unaudited – Prepared by Management)

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### **12. Capital Management (continued)**

Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. To meet these objectives, management monitors the Company's capital requirements against unrestricted net working capital and assesses additional capital requirements on specific business opportunities on a case-by-case basis.

The capital for expansion is mostly from proceeds from the issuance of common shares. The net proceeds raised will only be sufficient for a certain amount of development work on its projects, and for working capital purposes. Additional funds will be required to finance the Company's corporate objectives. The Company is not currently exposed to any externally imposed capital requirements.

### **13. Related Party Transactions**

#### **a) Related party transactions**

During the period, the Company incurred transactions with related parties including a company controlled by its Chief Architect, Chief Technology Officer, and Chief Executive Officer. During the period ended September 30, 2019, the Company incurred consulting fees of \$301,647 (2018 - \$nil) which were expensed as research and development costs, and management fees of \$223,618 (2018 - \$nil). 50% of the CEO's time was devoted to research and development.

During the year ended December 31, 2018, related parties received signing bonuses in the form of convertible debentures for \$250,000 which are being recognised over the vesting period of 4 years (Note 9).

#### **b) Due to Related Parties**

At September 30, 2019, included in accounts payable is \$207,912 (December 31, 2018 - \$143,329) owing to directors. These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

In addition, the company has a liability owing to its parent company of \$94,580 as at September 30, 2019 (December 31, 2018 - \$223,596). This amount is non-interest bearing, unsecured and has no fixed terms of repayment.

### **14. Subsequent Events**

- On November 12, 2019, the Company completed a 12% unsecured convertible debentures financing for aggregate principal amount of \$7,824,000, subscribed in consideration of digital assets, consisting 24,000,000 Kamari("KAM"), at a deemed value of CAD\$0.326 each. Each convertible debenture shall be convertible into common shares of the Company at a price equal to the greater of (i)\$1.5, and (ii) if the date of any conversion occurs after the Company completed a transaction ("Liquidity Event") pursuant to which it will become a "reporting issuer" under applicable Canadian securities laws and the shares of the Company would be listed and posted for trading on a recognized exchange, the 10-day volume-weighted average trading price of the share of the Company, immediately prior to the applicable conversion date. The debenture issued pursuant to the offering will have a maturity date of May 12, 2022.

Upon the occurrence of a Liquidity Event, the Company will be entitled to require the holders of the convertible debentures to convert up to 50% of the principal amount outstanding, together with any accrued and unpaid interest owing thereon, into share of the Company at the conversion price.

### **14. Subsequent Events (continued)**

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**ZeU Crypto Networks Inc.**  
**Notes to The Condensed Interim Financial Statements**  
For the nine months ended September 30, 2019 and 2018  
(Unaudited – Prepared by Management)

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The KAM forming the consideration are subject to the following voluntary transfer restrictions: (i) in any one-month period, transfer, directly or indirectly, is limited to 1/30th of the total number of KAM forming the consideration; and (ii) in any given day, any sale on an exchange is limited to 5% of the total volume of KAM traded, without the prior written consent of Kamari.

The securities issued in connection with the offering are subject to the applicable statutory hold period ending March 12, 2020. Closing of the offering is subject to receipt of applicable regulatory approvals including the approval of the CSE.

- On November 12, 2019, the Company has also executed a joint venture agreement with Kamari Limited (“Kamari”) of Malta for the joint development and deployment of lotteries and gaming offering in Africa (“JV Co.”).

Under the terms of the JV Co., both parties agreed to invest up to Euro 50,000, the Company agreed among other things, to grant JV a non-exclusive licence to its technologies in exchange for a 30% interest in JV Co., and Kamari agreed to provide JV Co. with support in accessing online lottery markets exchange for a 70% interest in JV Co.

- On November 25, 2019, the Company issued 626,548 common shares upon the conversion of \$550,000 convertible debentures and \$76,548 accrued interests into common shares of the Company.
- On November 25, 2019, the Company settled \$135,469 of accounts payable and accrued liabilities through the issuance of 135,469 common shares.

**SCHEDULE B**

**Management Discussion & Analysis of ZeU**

**Since Incorporation to December 31, 2018 and  
the nine months period ended September 30, 2019**

**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2018**

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**Date prepared: May 01, 2019**

The following Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") for ZeU Crypto Networks Inc. ("Company") should be read in conjunction with the audited financial statements for the year ended December 31, 2018. Those financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All currency amounts are in Canadian dollars, unless otherwise stated.

**FORWARD-LOOKING STATEMENTS**

This MD&A contains certain forward-looking statements with respect to the Company. These forward-looking statements, by their very nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated. The Company considers the assumptions upon which these forward-looking statements are based to be reasonable, but cautions the reader that these assumptions regarding future events, many of which are beyond the Company's control, may ultimately prove to be incorrect.

**OVERVIEW**

The Company was incorporated under the Canadian Corporation Act on January 4, 2018. The Company is a subsidiary of St-Georges Eco-Mining Corp. (the "St-Georges") a publicly traded corporation listed on the Canadian Securities Exchange under the trading symbol "SX".

The Company is a private blockchain technology company that develops, markets and implements high performance private blockchain protocols and distributed application (Dapps). The company's main focus is the development of its own private, permission based, blockchain protocol that integrate big data and machine learning solutions. The company's plan is to initially commercializing its Random Number Generator on the blockchain solution in collaboration with gambling operators and to commercializing its Blockchain based email solution in a hybrid open-source commercial licence product offering.

The Company has been working on a series of patents with the focus on technologies that can be quickly commercially deployed and conducted tests on potentially patentable new applications and testing smart contract improvements for applications in the gambling industry.

In October 2018, a US provisional patent titled "Biocrypt Digital Wallet" was filed. The invention is a newly designed biometric digital wallet allowing the cold storage of cryptocurrencies. The Company is planning to commercialize the wallet in collaboration with other influencers and plans to use alternative financing solutions to cover the pre-revenue costs of its commercialization.

In early December 2018, the Company filed a provisional patent titled "System and Method for Augmenting Database Applications with Blockchain Technology". The application developed by the Company and related to this invention patent provides a migration method that allows a database application that accesses a local database to be synchronized with a blockchain. The invention is protocol agnostic and the management believe that it could be used as a gateway to share data between application using different protocols.



**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2018**

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**DESCRIPTION OF BUSINESS**

On January 14, 2018, in order to accelerate development and better accommodate future financings, St-Georges assigned a blockchain and smart contract technology license agreement (the License”) to the Company in consideration of 20,000,000 common shares of the Company at a fair value of \$496,433 and the assumption of the royalty obligations.

Under the terms of the License, Qingdao Tiande Technologies Limited (the “Tiande”), a Chinese private company, has granted the Company an exclusive license to use Tiande’s proprietary technologies, patents and know-how to develop and commercialize novel mineral commodity production chain control, tracking and trading exchanges. In consideration for the rights granted under the License, the Company shall pay to Tiande a royalty of 8% of the gross revenues derived from the Licensee.

On January 14, 2018, the Company entered into a non-binding letter of intent (“LOI”) to acquire all of the Blockchain and Smart Contract Technologies assets of Tiande.

Pursuant to the terms of the LOI, the proposed consideration for the Transaction is an aggregate amount of CND\$150 million payable through the issuance of 150,000,000 common shares and 75,000,000 shares purchase warrants in the capital of the Company. Each warrant will entitle the holder to acquire one share at a price of CND\$1.00 for a period of three years following the date the Company completes a transaction pursuant to which its common shares will either be listed on a recognized stock exchange in North America, or will be exchanged for common shares of a reporting issuer listed on a recognized stock exchange in North America.

On February 8, 2018, the LOI amended the general terms of the LOI, which referred to Qingdao Tiande Technologies Limited instead of Qingdao.

On February 23, 2018, the Company signed a definitive asset purchase agreement with Qingdao Tiande Technologies Limited and Beijing Tiande Technologies Limited with the intervention of Guiyang Tiande Technologies Limited to purchase substantially all the intellectual property of the vendors for consideration of up to 150,000,000 common shares through the issuance of 65,000,000 common shares and 75,000,000 common share purchase warrants on the closing date. An additional 10,000,000 common shares will be issued upon satisfaction of milestone conditions. Closing of the transaction will be subject to the Company completing total financing of up to \$30,000,000 convertible debentures.

On August 13, 2018, the Company received a termination notice, which was accompanied by a request to negotiate a new agreement. The revised financial demands by Tiande rendered the transaction commercially impossible for the Company. The Company has commenced the process of consulting with its legal advisors to seek full reimbursement and compensation of its expenses.

In December 2018, the Company has conducted tests and deployed a 4 nodes private blockchain infrastructure using resources leased from Amazon Cloud Services. The current structure is allowing development and integration testing.

On December 21, 2018, the Company executed an agreement with Prego International Group AS to develop and integrate certain proprietary technologies in a Global Multi Payment and E-Money Services Platform (“Services”). Prego is a global payment solution provider based in Norway. It develops and operates a range of payment services for partners and clients worldwide, including Everyday Digital.

**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2018**

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Under the agreement, the Company and Prego will share equally the costs of the Services as follows:

- Phase 1 –preface. Innovation lab: US\$675,000, including the setup cost and license fees of the full platform ;
- Phase 2 –pilot operational : US\$750,000, including full system integration with “POC” testing and user testing with stress test of the platform in 60 days with a complete report; and
- Phase 3-project launched and running (upscale/internationalization), including a full platform, service ready to go, for implementation in multiple global markets.

In January 2019, the Company filed a provisional patent in relation to a distributed and decentralized method of random number generation. The provisional patent is titled “A Method For Generating Random Numbers In Blockchain Smart Contracts”. This method ensures that it is impossible to manipulate the random number seed or the block content. Initially developed to address issues with gambling applications, the technology will also be deployed for testing with partners to create fundamentally more secure financial transactions. The technology can also be applied wherever impartiality is required: double-blind medical trials, computer-simulated training, random sampling for quality assurance, even a military draft.

These technologies are being developed to be used in payment solutions, gambling industry and secure messaging.

On February 4, 2019 the Company executed an asset purchase agreement with VN3T Technologies Inc. and its subsidiaries, collectively “VN3T”, an arm’s length party to acquire the key IP of VN3T’s decentralized data market place platform and secured development services. VN3T is based in Montreal and Gibraltar, it develops manages and markets a decentralized data marketplace.

Under the agreement, the Company will pay \$150,000 to VN3T for the IP by the issuance of a debenture of the Company maturing 2 years from its issuance and convertible into common shares of the Company at a price equal to the 5-day VWAP of the shares on the Canadian Stock Exchange, subject to a minimum of \$1.85. The Company agreed to retain the services of the VN3T for a gross amount of \$60,000 to assist with the development of certain aspects of the IP.

Under the agreement, VN3T also granted the Company an exclusive option to acquire the additional assets for purchase price of \$25,000 on or before May 31, 2019, which would be satisfied by the issuance of a \$25,000 debenture under the same terms and conditions.

The IP and the expertise acquired will expedite the development of certain functionalities of the Company’s blockchain marketplace platform for derivatives developed for Borealis Commodities Exchange ehf (“Borealis”) and will allow the integration of the new business segment of data trading in relation with this initiative and other opportunities, and it will also generate exclusive tradable content for Borealis.

On March 3, 2019, the Company filed a provisional patent for Blockchain-Based Secure Email System. A complete blockchain email system that supports both internal and cross-chain emails with the potential to interact with non-blockchain email systems. Through this method, as long as the sender or the recipient of the email is a blockchain mailbox, the email information will be recorded in the blockchain to ensure the authenticity of the email. Moreover, when blockchain mailboxes exchange messages, the email information will be encrypted and stored in distributed storage; only the recipient can obtain the unique cipher key and storage location of the email, thereby ensuring the security of email transmissions.

**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2018**

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The Company management is planning to release an open-source version of its email distributed application later this year. A free version allows individual and corporations to use the platform and the Company will support groups of developers interested in cross-integration and improvement of the platform.

The free version will allow the Company using VN3T data trading approach to monetize part of the data exchanged in the email communications for third party resell and/or trading on the Borealis platform.

On March 9, 2019, the Company retained the services of Cassiopeia Services Ltd., a UK based communication and investors awareness firm specialized in blockchain out of London UK. Cassiopeia Services Ltd. is thriving in the booming blockchain and crypto world with multiple clients working on innovative projects powered by new technologies in different industries.

On March 8, 2019, the Company agreed to provide its patent pending Blockchain Random Number Generator and other related blockchain technologies to St. James House PLC (LSE: SJH) (“St. James”), a UK licensed gaming operator, by the way of joint-venture for the establishment of a blockchain lottery. The agreement calls for the establishment of a new lottery joint-venture with its main license in Malta.

The Lottery Joint-Venture (“Lottery JV”) will combine St. James’ expertise in regulated lottery management and administration with the Company’s innovative blockchain based technology. St. James’ who will act as the lottery operator and hold a 45% equity interest in the Lottery JV, and the Company will hold 19%, St-Georges will hold 19.9% and the balance with independent investors.

All technology operating costs of the Lottery JV will be met by the Company and in return the Company will charge a service fee that will not exceed 90% of the revenues from the Lottery JV. Profits generated by the Lottery JV will be distributed as a dividend to the shareholders.

In additional consideration, in excess of the 19.9% of the net profits that it will receive and of the revenues generated and of the fees that will be collected for the technology usage, the Company will receive from St. James’ new UK subsidiary, LottoCo, 100,000 non-voting, zero-coupon redeemable preferred shares of a par value of 2 pence (“Preferred Shares”). The Preferred Shares will be redeemable in 21 years, the redemption price of the Preferred Shares to be fixed within 3 months after the issue of the audited accounts of the Lottery JV for the second year of operations and will be based on an independent valuation report. At the discretion of the Company, the Preferred Shares may be exchanged on the basis of one Preferred Share for two ordinary shares of 1 pence each in St. James (“Ordinary Shares”), with notice to be given one day before the Preferred Shares are due to be redeemed in 21 years, i.e. a maximum of 200,000 Ordinary Shares may be issued.

On March 29, 2019, the Company was retained to develop the global blockchain infrastructure and data mining components of the KinectHub initiative of Kinect Corporation (“Kinect”). KinectHub is a large multi-million-dollar infrastructure project using state-of-the-art technology such as blockchain, distributed storage, anonymity solution and privacy insurances to bring healthcare to third world countries. The scope of work will be starting with a full use case analysis for 30 days. At the end of this period, a Statement of Work will be delivered and used as a development road-map.

The Company is defining a pathway to fast deployment of its technology and has had discussion with complementary solutions providers in the same field. The Company is in the process of securing ownership of 5,000,000 utility tokens of a blockchain-browser developer from a related third party at a

**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2018**

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pre-minting value of \$0.10 per token. The Company entertains integration with similar solutions for faster deployment. A product oriented token (POT) minting for the blockchain email solution is being reviewed.

In May 2018, St-Georges signed an Arrangement Agreement (the “Arrangement”) providing for the spin-out of the Company with the intent of listing the Company on the Canadian Securities Exchange (the “CSE”).

In July 2018, the Superior Court of Quebec approved the Arrangement, and filed to obtain conditional approval from the CSE to list the Company, the last required condition to complete the distribution of the Company shares to the St-Georges’ shareholders of record on August 7, 2018. St-Georges’ shareholders will receive approximately one share of the Company, for every eight shares they own of the St-Georges share.

On July 5, 2018, the Company closed an initial tranche of its 10% unsecured convertible debentures offering for an aggregate principal amount of \$4,783,692, of which \$3,708,692 was subscribed in consideration of digital assets, and \$550,000 was signing bonus as management and consulting fees. Each convertible debenture issued will have a maturity date of July 5, 2020 and be convertible into common shares of the Company at a price of \$1.00.

**RESULTS OF OPERATIONS**

For the year ended December 31, 2018, the Company recorded a net loss of \$4,412,060 and had a cumulative deficit of \$4,412,060. The Company had no source of operating revenues or any related operating expenditures.

**SELECTED ANNUAL INFORMATION**

<b>For the years ended December 31</b>	<b>2018</b>
	<b>\$</b>
Cash	541,795
Digital assets	705,390
Working capital	507,854
Total assets	1,247,185
Shareholders’ equity (deficiency)	(3,915,865)
Net loss and comprehensive loss for the year	(4,412,060)
Basic and diluted loss per share	(0.22)

**SUMMARY OF QUARTERLY RESULTS**

The following table outlines selected unaudited financial information of the Company for the last four quarters.

	<i>Dec. 31,</i> <i>2018</i>	<i>Sep.30,</i> <i>2018</i>	<i>Jun.30,</i> <i>2018</i>	<i>Mar. 31,</i> <i>2018</i>
Total assets	1,247,185	2,229,011	277,876	416,100
Working capital (deficiency)	507,854	2,252,174	195,584	278,807
Shareholders’ equity (deficiency)	(3,915,865)	(3,689,889)	(550,593)	(242,703)
Revenue	-	-	-	-
Net loss	(731,967)	(3,133,201)	(304,189)	(242,703)
Net loss per share	(0.04)	(0.16)	(0.02)	(0.01)

**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2018**

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The main factors contributing to variance in the four quarters ending December 31, 2018, are the unrealized loss on digital assets of \$2,791,801 recorded in the period ended September 31, 2018, and research and development expenses of \$517,960 recorded in the period ended December 31, 2018.

Total assets and working capital increased largely in the period ended September 30, 2018 as a result of a completion of convertible debentures with an aggregate principal amount of \$4,783,692 in July 2018.

**THREE MONTHS ENDED DECEMBER 31, 2018**

For the three months ended December 31, 2018, the Company had no revenues. The Company incurred net losses for the period of \$731,967. Operating expenses for the three months ended December 31, 2018 were \$520,466, and the Company recorded an unrealized loss on digital assets of \$211,501. As the Company was incorporated in 2018, there are no comparative expenses from the prior year.

Major expenses are as follows:

- Compensation expenses were \$68,750
- Interest on convertible debentures was \$113,824;
- Management fees were \$350,250;
- Research and development expenses were \$517,960.

**YEAR ENDED DECEMBER 31, 2018**

For the year ended December 31, 2018, the Company had no revenues. The Company incurred net losses of \$4,412,060 for the year ended December 31, 2018. Operating expenses were \$1,408,758, and the Company recorded an unrealized loss on digital assets of \$3,003,302 due to the general decline in digital assets in the market.

Major expenses are as follows:

- Consulting fees were \$19,182;
- Compensation expenses were \$68,750
- Interest on convertible debentures was \$235,908;
- Management fees were \$350,250;
- Research and development expenses were \$517,960.

**LIQUIDITY AND CASH FLOW**

At December 31, 2018, the Company had cash of \$541,795 and working capital of \$507,854

For the year ended December 31, 2018 significant cash flows were as follows:

Net cash used in operating activities for the period was \$483,532. Net loss for the period of \$4,412,060 included a non-cash loss on digital assets of \$3,003,302. Net changes in working capital items were \$503,423 from a decrease in accounts payable and accrued liabilities.

Net cash provided by financing activities for the period was \$1,025,327. The Company received funds of \$529,132 from the issuance of convertible debentures.

On January 14, 2018, the Company issued 20,000,000 common shares to St-Georges for a license assignment agreement with cash of \$496,433. The fair value of the shares of \$496,433 was determined

**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2018**

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based on the cash advanced by the shareholder to develop the blockchain technology as the assignment agreement was deemed to have a nominal value.

## **FINANCIAL RISK MANAGEMENT AND FINANCIAL ESTIMATES**

### **Financial Risk**

The primary goals of the Company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's balance sheet from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risks through preventive controls and transferring risk to third parties.

The Company's exposure to potential loss from financial instruments is primarily due to various market risks, including interest rate, liquidity and credit risk. There has been no change in the financial risk of the Company during the period.

#### *Market Risk*

Market risk is the risk of loss arising from adverse changes to market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchanges rates, and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Below is a discussion of the Company's primary market risk exposures and how those exposures are currently managed.

#### *Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. To manage cash flow requirements, the Company may have to issue additional common shares or conclude private investments.

As at December 31, 2018, the Company has current liabilities and accrued liabilities of \$739,331 due within 12 months and has cash of \$541,795 and digital assets of \$705,390 to meet its current obligations. As a result, the Company faces liquidity risk as it expends funds towards its projects.

#### *Credit Risk*

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. This amount best represents the Company's maximum exposure to any potential credit risk. The risk is assessed as low.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate

**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2018**

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because of changes in market-interest rates. The Company's convertible debentures fixes interest at 10% per annum and accordingly is not subject to cash flow interest rate risk due to changes in the market rate of interest. The Company does not use financial derivatives to reduce its exposure to risk. The management of the Company considers its interest rate risk is minimal.

*Fair Value Measurement*

Fair value is the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Company could currently obtain, on the market, for financial instruments with similar terms, conditions and maturities.

The carrying amount and fair value of financial instruments, with the exception of the secured debenture, are considered to be a reasonable approximation of fair value because of their short-term maturities.

The carrying values of the convertible debentures approximate its fair value at the reporting date because the convertible debentures was calculated by discounting future cash flows using rates that the Company would otherwise use for such debt with similar terms, conditions and maturity dates, adjusted for the Company's credit risk. Management believes that no significant change occurred in the risk of these instruments.

**CAPITAL MANAGEMENT**

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at December 31, 2018, the Company's shareholders' deficiency was \$3,915,865. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. To meet these objectives, management monitors the Company's capital requirements against unrestricted net working capital and assesses additional capital requirements on specific business opportunities on a case-by-case basis.

Capital for expansion comes mostly from proceeds from the issuance of common shares. The net proceeds raised will only be sufficient for a certain amount of research and development work on its blockchain, and for working capital purposes. Additional funds are required to finance the Company's corporate objectives. There was no change in the Company's capital management policy for the year ended December 31, 2018.

The Company is not currently exposed to any externally imposed capital requirements.

**RELATED PARTY TRANSACTIONS**

**a) Related party transactions**

During the year, the Company incurred transactions with related parties including a company controlled by its Chief Architect, and Chief Executive Officer. The Company incurred during the period ended December 31, 2018, consulting fees of \$14,155 which were expensed as consulting fees, \$70,628 as

**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2018**

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research and development costs and management fees of \$350,250. Approximately 50% of management's time was devoted to research and development items, but the specific amounts could not be determined, and the amounts were expensed to management fees. In addition the CEO received a signing bonus in the form of convertible debentures in the amount of \$250,000 which will be recognised over the vesting period of 4 years.

**b) Due to Related Parties**

At December 31, 2018, included in accounts payable is \$143,329 owing to directors. These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

The Company also has a liability owing to its parent company St. Georges of \$223,596 as at December 31, 2018. This amount is non-interest bearing, unsecured and has no fixed terms of repayment.

These amounts will be settled by either cash payments or issuing securities.

The board of directors is as follows:

Frank Dumas, President, Director and CEO  
Mark Billings, Chairman, Director and CFO  
Neha Tally, Corporate Secretary and Director  
Tim Razzal, Director  
Yuming Qian, Chief Architect

**Outstanding Share Data**

As at December 31, 2018, and as of the current date, the Company has 20,000,000 common shares outstanding.

**Stock Options**

As at December 31, 2018, the Company had no stock options outstanding. Subsequent to the year end, 50,000 options granted at an exercise price of \$1.25. As of the current date, the Company has 50,000 options outstanding.

**RISK FACTORS**

**Financing and Development**

The Company does not presently have sufficient financial resources to undertake its planned research and development programs. Development of the Company's blockchain depends on its ability to raise the additional funds required. There can be no assurance that the Company will succeed in obtaining the funding required. The Company also has limited experience in developing blockchain, and its ability to do so depend on the use of appropriately skilled personnel or signature of agreements with other large resource companies that can provide the required expertise.

**Digital assets - valuation**

Many digital assets are traded in active markets and are valued based upon quoted prices (less costs to sell), a portion of such digital assets may not be actively traded and are valued based upon quoted prices



**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2018**

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for similar assets or based upon unobservable inputs. These valuations require the Company to make significant estimates and assumptions. Digital assets are generally considered to be commodities or similar to commodities and are treated as inventory for financial reporting purposes. Unrealized gains and losses on digital assets are recorded as net unrealized gain (loss) on digital assets.

*signed "Frank Dumas"*  
President and Chief Executive Officer

*signed "Mark Billings"*  
Chief Financial Officer

**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2019**

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**Date prepared: November 29, 2019**

The following Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") for ZeU Crypto Networks Inc. ("Company") should be read in conjunction with the audited financial statements for the year ended December 31, 2018 and the nine months ended September 30, 2019. Those financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All currency amounts are in Canadian dollars, unless otherwise stated.

## **FORWARD-LOOKING STATEMENTS**

This MD&A contains certain forward-looking statements with respect to the Company. These forward-looking statements, by their very nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated. The Company considers the assumptions upon which these forward-looking statements are based to be reasonable, but cautions the reader that these assumptions regarding future events, many of which are beyond the Company's control, may ultimately prove to be incorrect.

## **OVERVIEW**

The Company was incorporated under the Canadian Corporation Act on January 4, 2018. The Company is a subsidiary of St-Georges Eco-Mining Corp. (the "St-Georges") a publicly traded corporation listed on the Canadian Securities Exchange under the trading symbol "SX".

The Company is a private blockchain technology company that develops, markets and implements high performance private blockchain protocols and distributed application (Dapps). The company's main focus is the development of its own private, permission based, blockchain protocol that integrate big data and machine learning solutions. The company's plan is to initially commercializing its Random Number Generator on the blockchain solution in collaboration with gambling operators and to commercializing its Blockchain based email solution in a hybrid open-source commercial licence product offering.

In May 2018, St-Georges signed an Arrangement Agreement (the "Arrangement") providing for the spin-out of the Company with the intent of listing the Company on the Canadian Securities Exchange (the "CSE").

In July 2018, the Superior Court of Quebec approved the Arrangement, and filed to obtain conditional approval from the CSE to list the Company, the last required condition to complete the distribution of the Company shares to the St-Georges' shareholders of record on August 7, 2018. St-Georges' shareholders will receive approximately one share of the Company, for every eight shares they own of the St-Georges share.

During the period ended September 2019, the listing statement of ZeU was under review by the CSE. A final requirement has been required and the management is currently working on meeting it.

## **DESCRIPTION OF BUSINESS**

On January 14, 2018, in order to accelerate development and better accommodate future financings, St-Georges assigned a blockchain and smart contract technology license agreement (the License") to the Company in consideration of 20,000,000 common shares of the Company at a fair value of \$496,433 and the assumption of the royalty obligations.

Under the terms of the License, Qingdao Tiande Technologies Limited (the "Tiande"), a Chinese private company, has granted the Company an exclusive license to use Tiande's proprietary technologies, patents and know-how to develop and commercialize novel mineral commodity production chain control, tracking

**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2019**

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and trading exchanges. In consideration for the rights granted under the License, the Company shall pay to Tiande a royalty of 8% of the gross revenues derived from the Licensee.

The Company has been working on a series of patents with the focus on technologies that can be quickly commercially deployed and conducted tests on potentially patentable new applications and testing smart contract improvements for applications in the gambling industry.

In October 2018, a US provisional patent titled “Biocrypt Digital Wallet” was filed. The invention is a newly designed biometric digital wallet allowing the cold storage of cryptocurrencies. The Company is planning to commercialize the wallet in collaboration with other influencers and plans to use alternative financing solutions to cover the pre-revenue costs of its commercialization.

In early December 2018, the Company filed a provisional patent titled “System and Method for Augmenting Database Applications with Blockchain Technology”. The application developed by the Company and related to this invention patent provides a migration method that allows a database application that accesses a local database to be synchronized with a blockchain. The invention is protocol agnostic and the management believe that it could be used as a gateway to share data between application using different protocols.

In December 2018, the Company has conducted tests and deployed a 4 nodes private blockchain infrastructure using resources leased from Amazon Cloud Services. The current structure is allowing development and integration testing.

On December 21, 2018, the Company executed an agreement with Prego International Group AS to develop and integrate certain proprietary technologies in a Global Multi Payment and E-Money Services Platform (“Services”). Prego is a global payment solution provider based in Norway. It develops and operates a range of payment services for partners and clients worldwide, including Everyday Digital.

Under the agreement, the Company and Prego will share equally the costs of the Services as follows:

- Phase 1 –preface. Innovation lab: US\$675,000, including the setup cost and license fees of the full platform ;
- Phase 2 –pilot operational : US\$750,000, including full system integration with “POC” testing and user testing with stress test of the platform in 60 days with a complete report; and
- Phase 3-project launched and running (upscale/internationalization), including a full platform, service ready to go, for implementation in multiple global markets.

In January 2019, the Company filed a provisional patent in relation to a distributed and decentralized method of random number generation. The provisional patent is titled “A Method For Generating Random Numbers In Blockchain Smart Contracts”. This method ensures that it is impossible to manipulate the random number seed or the block content. Initially developed to address issued with gambling applications, the technology will also be deployed for testing with partners to create fundamentally more secure financial transactions. The technology can also be applied wherever impartiality is required: double-blind medical trials, computer-simulated training, random sampling for quality assurance, even a military draft.

These technologies are being developed to be used in payment solutions, gambling industry and secure messaging.

On February 4, 2019 the Company executed an asset purchase agreement with VN3T Technologies Inc. and

**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2019**

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its subsidiaries, collectively “VN3T”, an arm’s length party to acquire the key IP of VN3T’s decentralized data market place platform and secured development services. VN3T is based in Montreal and Gibraltar, it develops manages and markets a decentralized data marketplace.

Under the agreement, the Company will pay \$150,000 to VN3T for the IP by the issuance of a debenture of the Company maturing 2 years from its issuance and convertible into common shares of the Company at a price equal to the 5-day VWAP of the shares on the Canadian Stock Exchange, subject to a minimum of \$1.85. The Company agreed to retain the services of the VN3T for a gross amount of \$60,000 to assist with the development of certain aspects of the IP.

Under the agreement, VN3T also granted the Company an exclusive option to acquire the additional assets for purchase price of \$25,000, which would be satisfied by the issuance of a \$25,000 debenture under the same terms and conditions.

The IP and the expertise acquired will expedite the development of certain functionalities of the Company’s blockchain marketplace platform for derivatives developed for Borealis Commodities Exchange ehf (“Borealis”) and will allow the integration of the new business segment of data trading in relation with this initiative and other opportunities, and it will also generate exclusive tradable content for Borealis.

On February 25, 2019, the Company retained the services of Cassiopeia Services Ltd., a UK based communication and investors awareness firm specialized in blockchain out of London UK. Cassiopeia Services Ltd. is thriving in the booming blockchain and crypto world with multiple clients working on innovative projects powered by new technologies in different industries. The Company will pay £5,000 quarterly to Cassiopeia starting March 31, 2019. The Company also granted Cassiopeia 50,000 common share options with an exercise price of \$1.25 per share and \$50,000 debentures convertible at a price of \$1.00 per share.

On March 3, 2019, the Company filed a provisional patent for Blockchain-Based Secure Email System. A complete blockchain email system that supports both internal and cross-chain emails with the potential to interact with non-blockchain email systems. Through this method, as long as the sender or the recipient of the email is a blockchain mailbox, the email information will be recorded in the blockchain to ensure the authenticity of the email. Moreover, when blockchain mailboxes exchange messages, the email information will be encrypted and stored in distributed storage; only the recipient can obtain the unique cipher key and storage location of the email, thereby ensuring the security of email transmissions.

The Company management is planning to release an open-source version of it email distributed application later this year. A free version allows individual and corporations to use the platform and the Company will support groups of developers interested in cross-integration and improvement of the platform.

The free version will allow the Company using VN3T data trading approach to monetize part of the date exchanged in the email communications for third party resell and/or trading on the Borealis platform.

The email application has been giving the development name of Mula. The Mula Platform team is growing and currently has four core developers. The First commercial deployment phase of the Mula Platform release is planned for early Q1 2020.

Mula Mail is ZeU’s first application native to the blockchain. Mula Mail aims to marry email and marketing by allowing corporations to buy marketing campaigns for their bank or products. Mula Mail will be a freemium email, allowing users to opt out of marketing campaigns for a low monthly fee. However, users who engage with the marketing campaigns will receive vouchers that can be redeemed against products and services. For user not wishing to engage with brands but still want the benefits of a blockchain email,

**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2019**

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they can opt-out for a small monthly fee.

On March 8, 2019, the Company agreed to provide its patent pending Blockchain Random Number Generator and other related blockchain technologies to St. James House PLC (LSE: SJH) (“St. James”), a UK licensed gaming operator, by the way of joint-venture for the establishment of a blockchain lottery. The agreement calls for the establishment of a new lottery joint-venture with its main license in Malta.

The Lottery Joint-Venture (“Lottery JV”) will combine St. James’ expertise in regulated lottery management and administration with the Company’s innovative blockchain based technology. St. James’ who will act as the lottery operator and hold a 45% equity interest in the Lottery JV, and the Company will hold 19%, St-Georges will hold 19.9% and the balance with independent investors.

All technology operating costs of the Lottery JV will be met by the Company and in return the Company will charge a service fee that will not exceed 90% of the revenues from the Lottery JV. Profits generated by the Lottery JV will be distributed as a dividend to the shareholders.

In additional consideration, in excess of the 19.9% of the net profits that it will receive and of the revenues generated and of the fees that will be collected for the technology usage, the Company will receive from St. James’ new UK subsidiary, LottoCo, 100,000 non-voting, zero-coupon redeemable preferred shares of a par value of 2 pence (“Preferred Shares”). The Preferred Shares will be redeemable in 21 years, the redemption price of the Preferred Shares to be fixed within 3 months after the issue of the audited accounts of the Lottery JV for the second year of operations and will be based on an independent valuation report. At the discretion of the Company, the Preferred Shares may be exchanged on the basis of one Preferred Share for two ordinary shares of 1 pence each in St. James (“Ordinary Shares”), with notice to be given one day before the Preferred Shares are due to be redeemed in 21 years, i.e. a maximum of 200,000 Ordinary Shares may be issued.

On August 2, 2019, the Company and St. James House have executed a long form agreement for the creation of a Maltese Joint-Venture corporation that will manage the operation of a blockchain-based lottery operated by St. James and developed and maintained by the Company.

During the period ended September 30, 2019, the JV is being incorporated and established in Malta. The relevant license will be applied for from the Maltese authorities once the JV has suitably progressed.

On March 29, 2019, the Company was retained to develop the global blockchain infrastructure and data mining components of the KinectHub initiative of Kinect Corporation (“Kinect”). KinectHub is a large multi-million-dollar infrastructure project using state-of-the-art technology such as blockchain, distributed storage, anonymity solution and privacy insurances to bring healthcare to third world countries. The scope of work will be starting with a full use case analysis for 30 days. At the end of this period, a Statement of Work will be delivered and used as a development road-map.

The Company is defining a pathway to fast deployment of its technology and has had discussion with complementary solutions providers in the same field. The Company is in the process of securing ownership of 5,000,000 utility tokens of a blockchain-browser developer from a related third party at a pre-minting value of \$0.10 per token. The Company entertains integration with similar solutions for faster deployment. A product oriented token (POT) minting for the blockchain email solution is being reviewed.

In early May 2019, the Company’s developers have made additional significant advancements to the core concepts of the email solution. These advancements forced the Company to modify its white paper and support documentation drastically, thus postponing the launch of the new web site of the Company and

**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2019**

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the beginning of the beta testers recruitment effort. Management of the Company believes that this new approach will convert the email interface into its own ecosystem and should require additional IP protection. The Company is preparing the filing of a new provisional patent to cover these developments.

On May 28, 2019 the Company announced that it has signed a binding term sheet with Star Epigone Capital Ltd. (“Star Epigone”) of the British Virgin Islands to provide a license for its Random Number Generator to be used by Star Epigone in its online gaming product offering. Star Epigone has access to an already established clientele through its online gaming business and is planning to integrate lotteries and other gambling offerings using the Company’s technologies solutions. All development and licensing costs will be covered by Star Epigone, the operator.

The Company also entered into a binding term sheet to acquire 2,100,000 first rank preferred shares of vSekur Network Ltd. (“vSekur”). The shares have a redemption value of \$1.00 and bear a 6% annual interest. The preferred shares can be converted into common shares of vSekur at the current value of \$1 each, or at the last equity raise price. The Company will have the right to maintain its equity position with a right of first refusal in all future financing efforts of vSekur. If converted in common shares, this would represent more than 21% of the company outstanding common shares. vSekur is already developing the patient account security component of its Healthcare SaaS. It will now become the primary provider of anonymization solutions for the different development initiatives of the Company.

The Company will issue to vSekur approximately 215,325 convertible debenture units with a minimum floor conversion of CAD \$3.25 for one year.

The transaction is planned to close within 5 days of the Company listing on a Canadian securities exchange.

In order to further accelerate the development of its blockchain healthcare SaaS solution, the Company entered into a term sheet with Pure Data Tech Corporation (“Pure”) of Hong Kong. Pure has received investment and grants in excess of £1,000,000 up to today. The company operates a turnkey solution that includes software, hardware and management services (MIS) for the healthcare industry in South-East Asia with a focus on Singapore and Malaysia. The companies will partner in certain aspects of their development. While Pure will leverage the Company’s blockchain technology, the Company will be able to integrate Pure’s machine learning IP into its Healthcare SaaS solution. The transaction is expected to close within 5 days of the Company listing its common shares on a Canadian securities exchange.

The Company will issue 461,540 subordinated debenture units convertible at a floor price of CAD \$3.25 for a total of approximately CAD \$1,500,000 and 400,000 three years special warrants in favor of Pure at an execution price of CAD \$3.75.

Pure will issue approximately £1,000,000 worth of 1st Rank, Fixed Redeemable and Convertible Preferred Shares of Pure in favor of the Company currently representing after conversion, 42% of Pure’s common shares.

On May 28, 2019, ZeU management informed shareholders that its Maltese legal advisors have cleared the way to a beta testing of its blockchain email marketplace with a slightly altered version of its platform. ZeU will use tokens with no commercial value and an expiry date for the duration of the beta testing phase of its email. The tests will be migrated to the Maltese licensing authority sandbox. Furthermore, ZeU will create a Maltese wholly owned subsidiary to run the blockchain email marketplace and request the proper master license allowing all commercial clients of the email marketplace to fall under the ZeU license when issuing their own tokens.

**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2019**

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On August 8, 2019, the Company filed with the US Patent Office a provisional patent application named “ A method and system to complete cross-chain transactions” for its Cross-Chain Atomic Swaps & Contract-less Distributed Ledger Applications Interoperability, the augmented engine and structure of the Company’s Internet of Blockchain. The engine is agnostic to any and all blockchain protocols currently on the market or expected in the future.

On August 18, 2019, the Company filed with the US Patent Office a provisional patent application named “A Method and System for a Transactional Decentralized Communication Protocol Infrastructure (using the Company’s Cross-Chain Multi-Chain Atomic Swap)” for a New Internet Communication Protocol. The protocol will enable a smoother transition of legacy systems into the distributed digital economy, or Web 3.0. This patent describes a method to create a highly-scalable, smart contract-less communication protocol, much like TCP/IP, using distributed consensus, an atomic transaction framework, Unspent Transaction Output (UTXO), and a Byzantine Fault Tolerance standard. This protocol leverages the cross-chain, multi-chain particularities of the Company’s Atomic Swap.

In October 2019, the Company filed new patent named “Method and system for distributed data real-time backup and recovery based on blockchain”. Based on blockchain technology, the data is stored can never be altered. With no central node, the system displays none of the vulnerabilities of traditional backup methods. All historical data changes are recorded, allowing users to restore data to a specified data snapshot. Compared to conventional data backup and recovery, this method combines real-time performance, security, and reliable data storage while being flexible enough to handle even difficult requirements. A recorded demo is due in November, and the solution will be released in an on-premise solution comprising of a dashboard and licensed software within nine weeks. Our partner, Vsekur will start integration sales with current clients.

The Commercial deployment of Vbunker will feature a module called OnChain Backup jointly developed with the Company, which enables any user to instantly backup files and data on the blockchain. The user can then recover the full length of data at any moment should be compromised for any reason such as ransomware, virus, or any other failures.

Production has started on the social networking app, code name CoyoteUgIZ, a geolocalized platform for users to easily create events with friends, building on top of their existing social media, which will be release for the end of Q1 2020.

On November 13, 2019, the Company has also executed a joint venture agreement with Kamari Limited (“Kamari”) of Malta for the joint development and deployment of lotteries and gaming offering in Africa (“JV Co.”).

Under the terms of the JV Co., both parties agreed to invest up to Euro 50,000, the Company agreed among other things, to grant JV a non-exclusive licence to its technologies in exchange for a 30% interest in JV Co., and Kamari agreed to provide JV Co. with support in accessing online lottery markets exchange for a 70% interest in JV Co.

**RESULTS OF OPERATIONS**

For the period ended September 30, 2019, the Company recorded a net loss of \$1,269,920 (2018 – \$3,259,406) and had a cumulative deficit of \$5,681,980(December 31, 2018 - \$ 4,412,060). The Company had no source of operating revenues or any related operating expenditures.

**SELECTED ANNUAL INFORMATION**

**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2019**

<b>For the year ended December 31</b>	<b>2018</b>
	<b>\$</b>
Cash	541,795
Digital assets	705,390
Working capital	507,854
Total assets	1,247,185
Shareholders' equity (deficiency)	(3,915,865)
Net loss and comprehensive loss for the year	(4,412,060)
Basic and diluted loss per share	(0.22)

For the year ended December 31, 2018, the Company had no revenues.

The Company incurred net losses of \$4,412,060 for the year ended December 31, 2018. Operating expenses were \$1,408,758, and the Company recorded an unrealized loss on digital assets of \$3,003,302 due to the general decline in digital assets in the market.

**SUMMARY OF QUARTERLY RESULTS**

The following table outlines selected unaudited financial information of the Company for the last nine quarters.

	<i>Sept.30,</i> <i>2019</i>	<i>Jun.30,</i> <i>2019</i>	<i>Mar. 31,</i> <i>2019</i>	<i>Dec. 31,</i> <i>2018</i>
Total assets	868,853	2,005,603	1,421,384	1,247,185
Working capital (deficiency)	(583,416)	496,294	236,059	507,854
Shareholders' equity (deficiency)	(5,185,785)	(4,134,507)	(4,303,185)	(3,915,865)
Revenue	-	-	-	-
Net income (loss)	(1,051,278)	183,238	(387,320)	(1,152,655)
Net income (loss) per share	(0.05)	0.01	(0.02)	(0.01)

  

	<i>Sept.30,</i> <i>2018</i>	<i>Jun.30,</i> <i>2018</i>	<i>Mar. 31,</i> <i>2018</i>
Total assets	2,103,417	161,027	300,000
Working capital (deficiency)	1,514,491	(263,537)	(141,100)
Shareholders' equity (deficiency)	(3,269,201)	(263,537)	(141,100)
Revenue	-	-	-
Net income (loss)	(2,999,569)	(118,736)	(141,100)
Net income (loss) per share	(0.15)	(0.00)	(0.01)

The main factors contributing to variance in the three quarters ending September 30, 2019, unrealized loss on digital assets of \$2,791,801 recorded in the period ended September 30, 2018, research and development expenses of \$517,960 recorded in the period ended December 31, 2018, the Company recorded a gain of \$70,168 on sale of certain Ether coins and a gain of \$44,957 on payments with Ether coins in the period ended June 30, 2019. The Company recorded a loss of \$130,959 on sale of certain Ether coins, a loss of \$37,484 on payments with Ether coins and unrealized loss on digital assets of \$228,762 in the period ended September 30, 2019.



**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2019**

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Total assets and working capital increased largely in the period ended September 30, 2018 as a result of a completion of convertible debentures with an aggregate principal amount of \$4,783,692 in July 2018. The Company sold certain Ether coins for proceeds totalling \$176,862 in June 2019.

**THREE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

For the three months ended September 30, 2019 and 2018, the Company incurred net loss for the period of \$1,051,278 (2018 - \$2,999,570). Operating expenses for the three months ended September 30, 2019 were \$726,198 (2018 - \$207,769).

Major expenses are as follows:

- Accretion expenses were \$62,474 (2018 - \$nil);
- Compensation expenses were \$34,356 (2018 - \$nil);
- Consulting fees were \$163,900 (2018 - \$nil);
- Interest on convertible debentures was \$123,074 (2018 - \$122,084);
- Management fees were \$84,370 (2018 - \$nil);
- Marketing and promotion fees were \$46,581 (2018 - \$nil);
- Professional fees were \$27,616 (2018 - \$nil);
- Research and development expenses were \$146,613 (2018 - \$85,685);
- Travel expenses were \$5,445 (2018 - \$nil).

During the three months ended September 30, 2019, the Company recognized a loss of \$130,959 (2018- \$nil) upon sale of certain Ether coins, and a loss of \$37,484 (2018 - \$nil) on payments with Ether coins. And the Company recorded an unrealized loss on digital assets of \$228,762 (2018 - \$2,791,801) as a result of general market changes in the digital assets held. The Company recorded a gain on redemption of convertible debentures of \$72,125 on a buy-back of \$95,785 debentures from the holder with 100 Ether coins.

**NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

For the nine months ended September 30, 2019 and 2018, the Company had no revenues. The Company incurred net losses for the period of \$1,269,920 (2018 - \$3,259,406). Operating expenses for the nine months ended September 30, 2019 were \$1,683,028 (2018 - \$467,605).

Major expenses are as follows:

- Accretion expenses were \$184,837 (2018 - \$nil);
- Compensation expenses were \$101,947 (2018 - \$nil);
- Consulting fees were \$238,129 (2018 - \$nil);
- Interest on convertible debentures was \$364,920 (2018 - \$122,084);
- Management fees were \$223,618 (2018 - \$nil);
- Marketing and promotion fees were \$52,010 (2018 - \$nil);
- Professional fees were \$47,530 (2018 - \$25,000);
- Research and development expenses were \$337,914 (2018 - \$320,521);
- Shareholder's communication fees were \$69,704 (2018 - \$nil);
- Travel expenses were \$23,073 (2018 - \$nil).

During the nine months ended September 30, 2019, the Company recognized a loss of \$60,791 (2018- \$nil) upon sale of certain Ether coins, and a gain of \$7,473 (2018 - \$nil) on payments with Ether coins. And the Company recorded an unrealized gain on digital assets of \$394,301 (2018 - \$2,791,801 loss) as a result of

**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2019**

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general market changes in the digital assets held. The Company recorded a gain on redemption of convertible debentures of \$72,125 on a buy-back of \$95,785 debentures from the holder with 100 Ether coins.

### **LIQUIDITY AND CASH FLOW**

At September 30, 2019, the Company had cash of \$183,022 and working capital deficiency of \$583,416 (December 31, 2018 - \$507,854 working capital).

For the period ended September 30, 2019 significant cash flows were as follows:

Net cash used in operating activities for the period was \$483,261. Net loss for the period of \$1,269,920 included non-cash accretion of \$184,837, and accrued interest of \$364,920 on convertible debentures; unrealized gain on marketable digital assets of \$394,301 and loss on disposal of marketable digital assets of \$53,318; and gain on redemption of convertible debentures of \$72,125. Net changes in working capital items were \$548,063 from an increase in accounts payable and accrued liabilities.

Net cash provided by investing activities for the period was \$404,611. The Company sold certain Ether coins and used Ether coins for payment for proceeds of \$624,611, which were offset by acquisition costs on the technologies project of \$220,000.

Net cash used in financing activities for the period was \$280,123. The Company paid \$129,016 back to the advanced from related parties.

On January 14, 2018, the Company issued 20,000,000 common shares to St-Georges for a license assignment agreement with cash of \$496,433. The fair value of the shares of \$496,433 was determined based on the cash advanced by the shareholder to develop the blockchain technology as the assignment agreement was deemed to have a nominal value.

On July 5, 2018, the Company closed an initial tranche of its 10% unsecured convertible debentures offering for an aggregate principal amount of \$4,783,692, of which \$3,708,692 was subscribed in consideration of digital assets, and \$550,000 was signing bonus as management and consulting fees. Each convertible debenture issued will have a maturity date of July 5, 2020 and be convertible into common shares of the Company at a price of \$1.00.

On September 10, 2019, the Company bought \$95,785 convertible debentures back from the debenture holder with 100 Ether coins, and recorded a gain on the redemption of \$72,125.

On November 25, 2019, the Company issued 626,548 common shares on conversion of \$626,548 of the 10% convertible debentures and accrued interest.

On November 25, 2019, the Company issued 135,469 common shares to settle \$135,469 of accounts payable and accrued liabilities.

On November 13, 2019, the Company completed a 12% unsecured convertible debentures financing for aggregate principal amount of \$7,824,000, subscribed in consideration of digital assets, consisting 24,000,000 Kamari("KAM"), at a deemed value of CAD\$0.326 each. Each convertible debenture shall be convertible into common shares of the Company at a price equal to the greater of (i)\$1.5, and (ii) if the date of any conversion occurs after the Company completed a transaction ("Liquidity Event") pursuant to which it will become a "reporting issuer" under applicable Canadian securities laws and the shares of the Company would be listed and posted for trading on a recognized exchange, the 10-day volume-weighted

**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2019**

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average trading price of the share of the Company, immediately prior to the applicable conversion date. The debenture issued pursuant to the offering will have a maturity date of May 12, 2022.

Upon the occurrence of a Liquidity Event, the Company will be entitled to require the holders of the convertible debentures to convert up to 50% of the principal amount outstanding, together with any accrued and unpaid interest owing thereon, into share of the Company at the conversion price.

The securities issued in connection with the offering are subject to the applicable statutory hold period ending March 12, 2020. Closing of the offering is subject to receipt of applicable regulatory approvals including the approval of the CSE.

## **FINANCIAL RISK MANAGEMENT AND FINANCIAL ESTIMATES**

### **Financial Risk**

The primary goals of the Company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's balance sheet from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risks through preventive controls and transferring risk to third parties.

The Company's exposure to potential loss from financial instruments is primarily due to various market risks, including interest rate, liquidity and credit risk. There has been no change in the financial risk of the Company during the period.

#### *Market Risk*

Market risk is the risk of loss arising from adverse changes to market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchanges rates, and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Below is a discussion of the Company's primary market risk exposures and how those exposures are currently managed.

#### *Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. To manage cash flow requirements, the Company may have to issue additional common shares or conclude private investments.

As at September 30, 2019, the Company has current liabilities and accrued liabilities of \$1,232,269 (December 31, 2018 - \$739,331) due within 12 months and has cash of \$183,022 and digital assets of \$421,597 to meet its current obligations. As a result, the Company faces liquidity risk as it expends funds towards its projects.

#### *Credit Risk*

**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2019**

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Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. This amount best represents the Company's maximum exposure to any potential credit risk. The risk is assessed as low.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market-interest rates. The Company's convertible debentures fixes interest at 10% per annum and accordingly is not subject to cash flow interest rate risk due to changes in the market rate of interest. The Company does not use financial derivatives to reduce its exposure to risk. The management of the Company considers its interest rate risk is minimal.

*Fair Value Measurement*

Fair value is the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Company could currently obtain, on the market, for financial instruments with similar terms, conditions and maturities.

The carrying amount and fair value of financial instruments, with the exception of the secured debenture, are considered to be a reasonable approximation of fair value because of their short-term maturities.

The carrying values of the convertible debentures approximate its fair value at the reporting date because the convertible debentures was calculated by discounting future cash flows using rates that the Company would otherwise use for such debt with similar terms, conditions and maturity dates, adjusted for the Company's credit risk. Management believes that no significant change occurred in the risk of these instruments.

**CAPITAL MANAGEMENT**

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at September 30, 2019, the Company's shareholders' deficiency was \$5,185,785. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. To meet these objectives, management monitors the Company's capital requirements against unrestricted net working capital and assesses additional capital requirements on specific business opportunities on a case-by-case basis.

Capital for expansion comes mostly from proceeds from the issuance of common shares. The net proceeds raised will only be sufficient for a certain amount of research and development work on its blockchain, and for working capital purposes. Additional funds are required to finance the Company's corporate objectives. There was no change in the Company's capital management policy for the period ended September 30, 2019.

**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2019**

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The Company is not currently exposed to any externally imposed capital requirements.

#### **RELATED PARTY TRANSACTIONS**

##### **a) Related party transactions**

During the period, the Company incurred transactions with related parties including a company controlled by its Chief Architect, Chief Technology Officer, and Chief Executive Officer. During the period ended September 30, 2019, the Company incurred consulting fees of \$301,647 (2018 - \$nil) which were expensed as research and development costs, and management fees of \$223,618 (2018 - \$nil). 50% of the CEO's time was devoted to research and development.

During the year ended December 31, 2018, related parties received signing bonuses in the form of convertible debentures for \$250,000 which are being recognised over the vesting period of 4 years.

##### **b) Due to Related Parties**

At September 30, 2019, included in accounts payable is \$207,912 (December 31, 2018 - 143,329) owing to directors. These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

The Company also has a liability owing to its parent company of \$94,580 as at September 30, 2019 (December 31, 2018 - \$223,596). This amount is non-interest bearing, unsecured and has no fixed terms of repayment.

These amounts will be settled by either cash payments or issuing securities.

The board of directors is as follows:

Frank Dumas, President, Director and CEO  
Mark Billings, Director and CFO  
Tim Razzal, Chairman and Director  
Neha Tally, Corporate Secretary and Director  
Jean-Philippe Beaudet, Director and CTO  
Fenglian (Frances) Xu, Director  
Yuming Qian, Chief Architect

#### **Outstanding Share Data**

As at September 30, 2019, and as of the current date, the Company has 20,000,000 common shares outstanding. As of the current date, the Company has 20,762,017 common shares outstanding.

#### **Stock Options**

As at September 30, 2019, and as of the current date, the Company has 50,000 options outstanding.

#### **RISK FACTORS**

##### **Financing and Development**

**ZeU Crypto Networks Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2019**

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The Company does not presently have sufficient financial resources to undertake its planned research and development programs. Development of the Company's blockchain depends on its ability to raise the additional funds required. There can be no assurance that the Company will succeed in obtaining the funding required. The Company also has limited experience in developing blockchain, and its ability to do so depend on the use of appropriately skilled personnel or signature of agreements with other large resource companies that can provide the required expertise.

**Digital assets - valuation**

Many digital assets are traded in active markets and are valued based upon quoted prices (less costs to sell), a portion of such digital assets may not be actively traded and are valued based upon quoted prices for similar assets or based upon unobservable inputs. These valuations require the Company to make significant estimates and assumptions. Digital assets are generally considered to be commodities or similar to commodities and are treated as inventory for financial reporting purposes. Unrealized gains and losses on digital assets are recorded as net unrealized gain (loss) on digital assets.

*signed "Frank Dumas"*  
President and Chief Executive Officer

*signed "Mark Billings"*  
Chief Financial Officer

**SCHEDULE C**

**Audit Committee Charter  
of ZeU**

## AUDIT COMMITTEE CHARTER

### ZEU CRYPTO NETWORKS INC. (the “Corporation”)

The following charter is adopted in compliance with National Instrument 52-110 *Audit Committees* (“NI 52-110”).

#### 1. COMPOSITION

The audit committee (the “**Committee**”) shall be comprised of at least three directors as determined by the board of directors (the “**Board**”). At least two members of the Committee shall be independent, within the meaning of NI 52-110.

At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee shall be financially literate.

For the purposes of this charter, the definition of “financially literate” is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Corporation’s financial statements.

The appointment of members to the Committee shall take place annually at the first meeting of the Board after a meeting of shareholders at which directors are elected. If the appointment of members of the Committee is not so made, the directors who are then serving as members of the Committee shall continue to serve as members until their successors are validly appointed. The Board may appoint a member to fill a vacancy that occurs in the Committee between annual elections of directors.

Unless a chairman is appointed by the Board, the members of the Committee may designate a chairman by a majority vote of all Committee members.

#### 2. MEETINGS AND PROCEDURES

The Committee shall meet at least annually, or more frequently if required.

At all meetings of the Committee, every item brought to resolution shall be decided by a majority of the votes cast. In the case of an equality of votes, the chairman shall not be entitled to a second vote.

Quorum for meetings of the Committee shall be a majority of its members and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing meetings of the Board.

The powers of the Committee may be exercised at a meeting at which a quorum of the Committee is present in person or by telephone or other electronic means or by a resolution signed by all members entitled to vote on that resolution at a meeting of the Committee.

Each member (including the chairman of the Committee) is entitled to one vote in Committee proceedings.

The Committee may meet separately with senior management and may request that any member of the



Corporation's senior management or the Corporation's outside counsel or independent auditors attend meetings of the Committee or other meetings with any members of, or advisors to, the Committee.

Furthermore, the Committee has the authority to hire the services of outside advisors, from time to time, when it is necessary to do so for carrying out its mandate.

The Committee shall, at the meeting of the Board following its own meeting, report to the directors on its work, activities and recommendations.

### **3. DUTIES AND RESPONSIBILITIES**

The following are the general duties and responsibilities of the Committee:

#### **3.1 Financial Statements and Disclosure Matters**

- 3.1.1 review the Corporation's financial statements, management's discussion and analysis and any press releases regarding annual and interim (as required by the Board) profit or loss, before the Corporation publicly discloses such information, and any reports or other financial information which are submitted to any governmental body or to the public;

#### **3.2 Independent Auditors**

- 3.2.1 recommend to the Board the selection and, where applicable, the replacement of the independent auditors to be appointed annually as well the compensation of such independent auditors;
- 3.2.2 determine that the independent auditors appointed are a Public Accounting Firm that has entered into a Participation Agreement as such terms are defined in National Instrument 52-108 *Auditor Oversight* and that at the time of their report on the annual financial statements of the Corporation, they are in compliance with any restrictions or sanctions imposed by the Canadian Public Accountability Board;
- 3.2.3 oversee the work and review annually the performance and independence of the independent auditors;
- 3.2.4 on an annual basis, review and discuss with the independent auditors all significant relationships they may have with the Corporation that may impact their objectivity and independence;
- 3.2.5 consult with the independent auditors about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial statements;
- 3.2.6 review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former independent auditors of the Corporation;
- 3.2.7 review the audit plan for the year-end financial statements and intended template for such statements;
- 3.2.8 review and pre-approve all audit and audit-related services and the fees and others

compensations related thereto, as well as any non-audit services provided by the independent auditors to the Corporation or its subsidiary entities. The pre-approval requirement is satisfied with respect to the provision of non-audit services if:

- 3.2.8.1 the aggregate amount of all such non-audit services provided to the Corporation constitutes no more than 5% of the total amount of fees paid by the Corporation and its subsidiary entities to its independent auditors during the fiscal year in which the non-audit services are provided;
- 3.2.8.2 such services were not recognized by the Corporation or its subsidiary entities as non-audited services at the time of the engagement; and
- 3.2.8.3 such services are promptly brought to the attention of the Committee by the Corporation and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee.

The Committee may delegate to one or more independent members of the Committee the aforementioned authority to pre-approve non-audited services, provided the pre-approval of the non-audit services is presented to the Committee at its first scheduled meeting following such approval.

### **3.3 Financial Reporting Processes**

- 3.3.1 review with management, in consultation with the independent auditors, the integrity of the Corporation's financial reporting process, both internal and external;
- 3.3.2 consider the independent auditor's judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting;
- 3.3.3 consider and report to the Board changes to the Corporation's auditing and accounting principles and practices as suggested by the independent auditors and management;
- 3.3.4 review any significant disagreement among management and the independent auditors in connection with the preparation of the financial statements;
- 3.3.5 review, with the independent auditors and management, the extent to which changes and improvements in financial or accounting practices have been implemented;
- 3.3.6 establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters and the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters.

### **3.4 Risk Management**

- 3.4.1 oversee the identification, prioritization and management of the risks faced by the Corporation;
- 3.4.2 direct the facilitation of risk assessments and measurement to determine the material risks to which the Corporation may be exposed and to evaluate the strategy for managing those risks;

- 3.4.3 monitor the changes in the internal and external environment and the emergence of new risks;
- 3.4.4 review the adequacy of insurance coverage;
- 3.4.5 monitor the procedures to deal with and review disclosure of information to third parties insofar as these disclosures represent a risk for the Corporation.

### **3.5 Whistleblowing Policy**

- 3.5.1 monitor and review compliance with the Corporation's Whistleblowing Policy;
- 3.5.2 establish a procedure for the receipt and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters.

### **3.6 Reporting Responsibilities**

- 3.6.1 the Committee shall report to the Board on a regular basis, and in any event:
  - 3.6.1.1 at least annually, with an assessment of the performance of management in the preparation of financial statements and auditors in conducting the annual audit of the Corporation and discuss the report with the full Board following the end of each fiscal year;
  - 3.6.1.2 before the public disclosure by the Corporation of its financial statements, management's discussion and analysis and any press releases regarding annual and interim profit or loss and any reports or other financial information which are submitted to any governmental body or to the public; and
  - 3.6.1.3 as required by applicable legislation, regulatory requirements and policies of the Canadian Securities Administrators.

### **3.7 Annual Evaluation**

- 3.7.1 annually, the Committee shall, in a manner it determines to be appropriate:
  - 3.7.1.1 conduct a review and evaluation of the performance of the Committee and its members, including the compliance of the Committee with this charter; and
  - 3.7.1.2 review and assess the adequacy of this charter and the position description for the chairman of the Committee and recommend to the Board any improvements to this charter or the position description that the Committee determines to be appropriate, except for minor technical amendments to this charter, authority for which is delegated to the Corporate Secretary, who will report any such amendments to the Board at its next regular meeting.