

ZeU Technologies Inc.
(Formerly ZeU Crypto Networks Inc.)

Financial Statements

For the Year Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ZeU Technologies Inc.

Opinion

We have audited the financial statements of ZeU Technologies Inc. (the “Company”), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of loss and comprehensive loss, changes in shareholders’ equity (deficiency) and cash flows for the years then ended 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended 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 to the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. 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.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. 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.

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.

The engagement partner on the audit resulting in this independent auditor's report is Otto Ehinger.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
July 5, 2021

ZeU Technologies Inc.

(formerly ZeU Crypto Networks Inc.)

Statements of Financial Position

As at	December 31, 2020 \$	December 31, 2019 \$ (restated – Note 5)
Assets		
Current assets		
Cash	1,944	62,673
Prepaid	15,000	4,209
Digital currency (Note 6)	-	2,985,307
Total current assets	16,944	3,052,189
Non-Current assets		
Digital currency (Note 6)	-	3,899,458
Total assets	16,944	6,951,647
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities		
Accounts payable and accrued liabilities (Notes 9 and 15)	1,366,895	306,664
Loan from shareholder (Note 11 and 15)	-	346,507
Debt due on demand (Note 10)	3,519,585	-
Derivative liability (Notes 10 and 13)	-	78,719
Convertible debt at amortized cost (Note 10)	147,592	3,579,727
Convertible debentures at fair value (Note 10)	149,385	-
	5,183,457	4,311,617
Non-current liabilities		
Long-term convertible debentures at amortized cost (Note 10)	-	161,012
Long-term convertible debentures at fair value (Note 10)	3,904,516	3,523,354
Convertible debenture due to shareholder at fair value (Notes 10, 11 and 15)	348,702	-
Total Liabilities	9,436,675	7,995,983
Shareholders' equity (deficiency)		
Common shares (Note 12)	6,359,196	6,058,425
Obligation to issue shares (Note 12)	31,496	-
Capital surplus (Note 10)	321,636	334,974
Contributed Surplus (Note 12)	809,888	-
Deficit	(16,941,947)	(7,437,735)
Total shareholders' equity (deficiency)	(9,419,731)	(1,044,336)
Total liabilities and shareholders' equity	16,944	6,951,647
Restatement (Note 5)		
Commitments (Note 7)		
Subsequent events (Note 17)		

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 financial statements

ZeU Technologies Inc.

(formerly ZeU Crypto Networks Inc.)

Statements of Loss and Comprehensive Loss

	Year Ended December 31,	
	2020	2019
	\$	\$
	(restated – Note 5)	
Revenue		
Development services (Notes 7 and 15)	354,860	-
Expenses		
Accretion expense and interest expenses (Note 10)	397,089	747,785
Compensation expense (Note 10)	-	482,568
Consulting fees (Note 15)	216,243	397,123
Foreign exchange	238	-
Management fees (Note 15)	338,875	355,229
Marketing and promotion	13,820	101,493
Office expenses	167,785	34,692
Professional fees	81,623	69,717
Research and development expense (Notes 7, 8 and 15)	588,030	770,711
Shareholder's communication	7,985	78,190
Share-based compensation (Notes 12 and 15)	527,332	-
Transfer agent and filing fees	54,095	77,436
Travel expenses	-	58,733
Total operating expenses	2,393,115	3,173,677
Other Income (expenses)		
Unrealized gain (loss) on digital currencies (Note 6)	(6,881,396)	392,865
Loss on sale of marketable digital currency (Note 6)	-	(72,124)
Gain on payment with marketable digital currency (Note 6)	332	6,010
Loss on debt extinguishment (Note 10)	(101,851)	-
Loss on fair market value change in derivative liability and convertible debentures (Note 10)	(483,042)	(178,749)
Loss and comprehensive loss for the year	(9,504,212)	(3,025,675)
Loss per share – basic and diluted	\$ (0.39)	\$ (0.15)
Weighted average number of common shares outstanding – basic and diluted	24,513,955	19,854,674

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ZeU Technologies Inc.

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Statements of Changes in Shareholders' Equity (Deficiency)

	Number of Common Shares	Common Shares	Obligation to Issued Shares	Capital Surplus	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficiency)
		\$	\$	\$	\$	\$	\$
Balance as at January 1, 2019	20,000,000	496,195	-	420,908	-	(4,412,060)	(3,494,957)
Shares held on spin-out (Note 1)	(151,751)	-	-	-	-	-	-
Shares issued for debt settlement (Notes 10 and 12)	135,468	135,468	-	-	-	-	135,468
Equity component related to convertibles debentures issued for goods and services (Notes 6 and 10)	-	-	-	17,400,822	-	-	17,400,822
Shares issued on conversion of convertible debentures (Notes 10 and 12)	4,460,055	5,903,064	-	(597,558)	-	-	5,305,506
Loss for the year	-	-	-	-	-	(4,947,453)	(4,947,453)
Balance as at December 31, 2019 - before restatement	24,443,772	6,534,727	-	17,224,172	-	(9,359,513)	14,399,386
Effect of restatement (Note 5)	-	(476,302)	-	(16,889,198)	-	1,921,778	(15,443,722)
Balance as at December 31, 2019 - after restatement	24,443,772	6,058,425	-	334,974	-	(7,437,735)	(1,044,336)
Shares issued on conversion of convertible debentures (Notes 10 and 12)	1,080,200	300,771	31,496	(13,338)	-	-	318,929
Fair value of warrants issued on debt extinguishment (Notes 10 and 11)	-	-	-	-	282,556	-	282,556
Share-based compensation (Notes 12 and 15)	-	-	-	-	527,332	-	527,332
Loss for the year	-	-	-	-	-	(9,504,212)	(9,504,212)
Balance as at December 31, 2020	25,523,972	6,359,196	31,496	321,636	809,888	(16,941,947)	(9,419,731)

The accompanying notes are an integral part of these financial statements

ZeU Technologies Inc.

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Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
	\$	\$
	(restated - Note 5)	
Operating activities		
Net loss and comprehensive loss for the year	(9,504,212)	(3,025,675)
Non-cash items		
Accretion and interest expenses on convertible debentures	397,089	747,785
Compensation expenses	-	482,568
Unrealized loss (gain) on digital assets	6,881,396	(392,865)
(Gain) loss on disposal of marketable digital currency	(332)	66,114
Loss on debt extinguishment	101,851	-
Loss on fair market value change in derivative liability and convertible debentures	483,042	178,749
Share-based compensation	527,332	-
	<u>(1,113,834)</u>	<u>(1,943,324)</u>
Net changes in working capital items		
Prepaid expenses	(10,791)	(4,209)
Accounts payable and accrued liabilities	1,063,896	723,365
	<u>1,053,105</u>	<u>719,156</u>
Net cash used in operating activities	<u>(60,729)</u>	<u>(1,224,168)</u>
Investing activity		
Proceeds from sale of digital assets	-	745,046
Net cash provided by investing activity	<u>-</u>	<u>745,046</u>
Decrease in cash	(60,729)	(479,122)
Cash, beginning	62,673	541,795
Cash, ending	<u>1,944</u>	<u>62,673</u>
The significant non-cash transactions during the years presented include:		
	2020	2019
	\$	\$
Intangible assets received for convertible debentures issued	-	7,361,976
Shares issued for debt settlement	-	135,468
Shares issued for convertible debentures	300,771	5,903,064
Payments with digital currency	3,701	260,066

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ZeU Technologies Inc.

(formerly ZeU Crypto Networks Inc.)

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

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. The Company was a wholly owned subsidiary of St-Georges Eco-Mining Corp. (“St-Georges”) until it was spun out on December 24, 2019.

The Company changed its name to ZeU Technologies Inc. on October 15, 2020. The name change was approved at the annual and special shareholders meeting on August 28, 2020.

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

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

On December 24, 2019, the CSE accepted the listing of the common shares of the Company, and the Company started trading on the CSE on December 30, 2019 under the symbol “ZEU”. As a result of the Arrangement, effective December 24, 2019, the Company ceased to be a wholly-owned subsidiary of St-Georges. The Company distributed 11,098,074 shares of the 20,000,000 shares held by St-Georges to the St-Georges’ shareholders pursuant to the Arrangement. As at December 31, 2020 and 2019, St-Georges retained 8,750,175 common shares of the Company. As at December 31, 2020 and 2019, the Company is holding 151,751 shares to be distributed to certain St-Georges’ shareholders at a later date.

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. Since inception, the Company has incurred losses and has not generated any significant revenues. As at December 31, 2020, the Company has an accumulated deficit of \$16,941,947. As such, the Company’s ability to continue as a going concern depends on its ability to successfully raise additional capital and financing. If additional capital and financing 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 statements. No adjustments for such circumstances have been made in these financial statements. 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.

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

ZeU Technologies Inc.

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Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

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").

The financial statements of the Company were authorized for issue by the Board of Directors on July 5, 2021.

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 or permitted under IFRS. 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.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

The Company has determined that digital currencies are intangible assets. The Company has classified digital currencies as current assets, if based on management's assessment its digital currencies held are considered to be commodities, there is a liquid market in which the Company may sell a portion of its holdings and if the Company is able to sell a portion of its digital currencies in the near future to generate a profit from price fluctuations. Digital currencies not classified as current assets are classified as long-term assets.

Digital currencies are initially recorded on the statements of financial position at their cost on the date acquired and are only re-measured at each reporting date if those assets are traded in an active market. Digital currencies that are not traded in an active market will be recorded at historical cost. Revaluation losses, as well as realised gains or losses on the sale of digital currencies are included in the statement of loss and comprehensive loss. Unrealized revaluation gains, for those digital currencies that are traded in an active market, above their initial fair, are included in other comprehensive income.

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 the appropriate accounting treatment for the recognition of income from digital currencies.

ZeU Technologies Inc.

(formerly ZeU Crypto Networks Inc.)

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

3. Summary of Significant Accounting Policies (continued)

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 shareholder, certain convertible debentures and debt due on demand are classified as amortized cost. The remaining convertible debentures and 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).

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 loss and comprehensive 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 loss and comprehensive 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 cost

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 loss and comprehensive 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.

ZeU Technologies Inc.

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Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

3. Summary of Significant Accounting Policies (continued)

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 loss and comprehensive 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 and due to shareholder.

Derecognition of financial liabilities

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

Intangible assets

Intangible assets consist of digital currencies. If the digital currencies are traded in active market, the Company initially records digital currencies at their cost on the date of acquisition and revalues the digital currencies at each reporting period at their then fair value under IAS 38. Under the revaluation model, intangible assets are measured at cost on initial recognition and subsequently remeasured at fair value at each reporting date. Unrealized revaluation increases above the initial cost or fair value are recognized in other comprehensive income. Revaluation losses, as well as realised gains or losses on the sale of digital currencies are included in the statement of loss and comprehensive loss.

For digital currencies that are not traded in an active market, the Company initially records the digital currencies at their cost on the date of acquisition and these digital currencies are not subsequently measured at fair value. At each reporting date the Company will assess if the Digital currencies that are carried at cost are impaired and will record a loss if an impairment exists at the reporting date.

ZeU Technologies Inc.

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Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

3. Summary of Significant Accounting Policies (continued)

Research and development

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in the loss in the period in which the expenditure is incurred.

Subsequent to initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

At December 31, 2020 and 2019, the Company had not recognized any internally-generated intangible assets and had recorded all amounts incurred as research and development expenses.

Convertible debentures

Convertible debentures issued for cash 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 face value of the debt to arrive at the liability component which will be accreted to face value over the life of the debenture. The derivative liability is remeasured at fair value at each period subsequent to initial recognition. Convertible debentures issued in consideration for goods and services are accounted as share-base payments under IFRS 2. At inception the fair value of the debt component is estimated and recorded as a liability and the fair value of the conversion feature is determined and either recorded as a liability or as equity and allocated to capital surplus. The carrying value of convertible debentures measured at amortized cost will be accreted to face value over the life of the debenture. The carrying value of convertible debentures measured at fair value is determined at each reporting date with changes in fair value recorded in profit or loss.

Revenue Recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company also provides consulting services to customize its products on a contract basis. Services are provided on both a time-and-materials basis and a fixed fee basis. Revenue with respect to time-and-materials contracts is recognized as services are provided. Revenue from services on fixed fee contracts is recognized under the terms of the contract based upon when the services have been provided and accepted by the customer. Revenue from the sale of goods is recognised when the goods have been delivered and title have been passed. No revenue is recognised if there are significant uncertainties regarding recovery of the amount due, associated costs or the possible return of goods.

ZeU Technologies Inc.

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Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

3. Summary of Significant Accounting Policies (continued)

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 and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares warrants or options are recorded 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 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.

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Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

3. Summary of Significant Accounting Policies (continued)

Share-based Payments (continued)

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.

Leases

Effective January 1, 2019 the Company adopted IFRS 16 – Leases. The standard introduces a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset and a lease liability. The adoption of IFRS 16 had no impact on the financial statements as the Company had no leases as at January 1, 2019 and has not subsequently entered into any leases.

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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 entity to satisfy certain tests at the time the losses are recouped.

Going Concern

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 considered by management are disclosed in Note 1.

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4. Critical Accounting Judgments and Estimates (continued)

Estimates

Digital currencies – valuation

Judgement and estimation is involved with respect to the assessment of whether digital currencies, that are not traded in active markets, are impaired. Management uses all possible evidence in determining if the digital currencies are impaired. Judgement is also required in determining if a digital currency is traded in an active market.

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.

5. Restatement

The financial statements for the year ended December 31, 2019 have been restated.

In November 2019, the Company received 24,000,000 Kamari coins (the “Coins”) as consideration for the issuance of a convertible debenture with a face value of \$7,834,000. The transaction was accounted for in accordance with IFRS 2 “Share-based payment” and the convertible debenture was originally measured based on the fair value of the Coins received, as the Company concluded at that time, that the fair value of the Coins could be estimated reliably based on the volume and price of recent transactions of the Coins. The fair value of the Coins was originally estimated to be \$24,268,723. The fair value of the liability component at inception was determined to be \$6,925,051 and the residual of \$17,400,822 was recorded as contributed surplus.

Subsequent to the issuance of the December 31, 2019 financial statements, it was determined that the information available to the Company to estimate the fair value of the Coins was no longer sufficiently reliable to determine fair value based on the criteria in IFRS 13 “Fair value measurement”. In particular, the price information previously used may not continue to be representative of the future value the Company would receive if it were to sell its holding of the Coins in its principal market. In addition, the Coins were subject to a contractual release over a period of 30 months and there was a lack of observable data to determine the value to be assigned to the trading restriction. Consequently, the Company has revised its accounting for the acquisition of the Coins and instead measured the transaction based on the fair value of the convertible debenture issued, rather than the estimated fair value of the Coins received.

The Coins were originally accounted for as intangible assets and the Company chose the revaluation model for its accounting policy. However, the Company has now retrospectively determined that the Coins should not have been assessed as trading in an active market. IAS 38 “Intangible assets” only permits the use of the revaluation model if the intangible assets are traded in an active market. Consequently, the Company has changed its accounting policy retrospectively and will measure the Coins using the cost model.

The effect of the restatement is as follows:

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5. Restatement (continued)

ZeU Crypto Networks Inc. Statement of Financial Position

As at	As previously presented - December 31, 2019	Adjustments	As Restated - December 31, 2019
	\$	\$	\$
Assets			
Current assets			
Cash	62,673	-	62,673
Prepaid	4,209	-	4,209
Digital currency	9,690,414	(6,705,107)	2,985,307
Total current assets	9,757,296	(6,705,107)	3,052,189
Non-Current assets			
Digital currency	12,659,900	(8,760,442)	3,899,458
Total assets	22,417,196	(15,465,549)	6,951,647
Liabilities and Shareholders' Equity (Deficiency)			
Current liabilities			
Accounts payable and accrued liabilities	306,664	-	306,664
Loan from shareholder	346,507	-	346,507
Derivative liability	78,719	-	78,719
Convertible debentures	3,579,727	-	3,579,727
	4,311,617	-	4,311,617
Non-current liabilities			
Long-term convertible debentures	3,706,193	(21,828)	3,684,366
Total Liabilities	8,017,810	(21,828)	7,995,983
Shareholders' equity (deficiency)			
Common shares	6,534,727	(476,302)	6,058,425
Contributed surplus	17,224,172	(16,889,198)	334,974
Deficit	(9,359,513)	1,921,778	(7,437,735)
Total shareholders' equity (deficiency)	14,399,386	(15,443,722)	(1,044,336)
Total liabilities and shareholders' equity	22,417,196	(15,465,549)	6,951,647

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5. Restatement (continued)

ZeU Crypto Networks Inc.

Statement of Loss and Comprehensive Loss

	As previously presented - December 31, 2019	Adjustments	As Restated - December 31, 2019
	\$	\$	\$
Operating expenses			
Total operating expenses	3,331,791	(158,114)	3,173,677
Other Income(expenses)			
Gain on revaluation of digital currencies	(1,528,913)	1,921,778	392,865
Loss on fair market value change in derivative liability	(20,635)	(158,114)	(178,749)
Loss on sale of marketable digital currency	(72,124)	-	(72,124)
Gain on payment with marketable digital currency	6,010	-	6,010
Loss and comprehensive loss for the year	(4,947,453)	1,921,778	(3,025,675)

6. Intangible assets

Intangible assets consist of digital currencies. Digital currencies 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.

Ether Coins

In July 2018, the Company received 3,936 Ether coins in consideration for the issuance of \$3,708,692 convertible debentures (Note 10). The continuity of Ether coins is as follows:

	Number of Ether Coins	Ether Coins \$
Digital currency received on issuance of convertible debentures	3,936	3,708,692
Loss on revaluation adjustment	-	(3,003,302)
Balance December 31, 2018	3,936	705,390
Sale of digital currency	(2,958)	(840,830)
Payments made with digital currency	(958)	(254,056)
Gain on revaluation adjustment	-	392,865
Balance December 31, 2019	20	3,369
Payments made with digital currency	(20)	(3,369)
Balance December 31, 2020	-	-

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6. Intangible assets (continued)

During the year ended December 31, 2019, the Company sold 2,858 Ether coins for proceeds totalling \$745,046 (fair value of \$802,860), and recorded a loss on sale of \$57,814. The Company transferred 100 Ether coins at a value of \$23,660 (fair value of \$37,970) to a debenture holder related to the repurchase of debentures and recorded a loss on sale of \$14,310 (Note 10).

During the year ended December 31, 2019, the Company made payments of \$246,484 for director fees, director travel reimbursements and prepaid expense reimbursement to directors with 922 Ether coins (fair value of \$240,575), and paid \$13,582 with 36 Ether coins (fair value of \$13,481) for office expenses and research and development expenses. The Company recorded a gain on the payments of \$6,010.

During the year ended December 31, 2020, the Company made payments of \$3,701 for director fees to directors with 20 Ether coins (fair value of \$3,369). The Company recorded a gain on the payments of \$332.

As at December 31, 2020, the Company held nil (2019 - 20) ether coins with fair value of \$nil (2019 - \$3,369).

Kamari Coins

In November 2019, the Company received 24,000,000 Kamari coins in consideration for the issuance of \$7,834,000 in convertible debentures (Note 10). On the date of issuance, the Kamari coins' fair value was determined to be \$24,268,723 (Note 5). The continuity of Kamari coins is as follows:

	Number of Kamari Coins	Kamari Coins \$
Digital currency received on issuance of convertible debentures	24,000,000	24,268,723
Original impairment recorded	-	(1,921,778)
Restatement (Note 5)	-	(15,465,549)
Balance December 31, 2019	24,000,000	6,881,396
Impairment	-	(6,881,396)
Balance December 31, 2020	24,000,000	-

As at December 31, 2020, the Company held 24,000,000 (2019 - 24,000,000) Kamari coins. The 24,000,000 Kamari coins received in consideration for the convertible debenture with a face value of \$7,834,000 are subject to the following voluntary transfer restrictions without the prior written consent of Kamari: (i) in any one-month period, the transfer, directly or indirectly, is limited to 1/30th of the total number of Kamari coins forming the consideration; and (ii) on any given day, any sale on an exchange is limited to 5% of the total volume of Kamari coins traded. As of December 31, 2020, 10,400,000 (2019 - 800,000) Kamari coins were available for disposal or transfer.

As at December 31, 2020, 20,000,000 Kamari coins (2019 - 10,400,000 Kamari coins), will be available for disposal or transfer within the next twelve months. The Kamari coins are currently not trading on any exchange and accordingly there is no objective evidence to determine the fair value of the Kamari Coins as at December 31, 2020. Accordingly the Company has impaired the value of the Kamari coins to \$nil as at December 31, 2020 and recorded an impairment of \$6,881,396 in the statement of loss and comprehensive loss.

Subsequent to the year end, in March 2021, the Company repaid \$500,000 of the Kamari Convertible debenture plus \$661,834 of accrued convertible debenture interest by transferring 3,366,564 Kamari coins to the debenture holder. Accordingly in March 2021, the Company will record a reversal of the impairment recorded related to the Kamari Coins as the Company has a contractual right to repay the debenture and accrued interest using Kamari Coins, based on the mark to market value of the Coins.

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7. Blockchain and commitments

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

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.

The Company was waiting upon Prego’s financing initiatives before moving into the phases.

On September 28, 2020, the Company entered into an arm’s length binding letter of intent with Prego and its majority shareholder to acquire 100% of issued and outstanding securities of Prego, through a wholly owned subsidiary ZeUPay Inc. (“ZeUPay”) for consideration of \$8,125,000. (Note 17).

The transaction completion is conditional on several provisions, including completion of a definitive agreement, final due diligence, Prego minority shareholders’ approval and other regulatory review. A finder’s fee in connection to the transaction may be paid.

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 paid \$150,000 to VN3T for the IP by the issuance of a debenture of the Company (Note 10) maturing 2 years from its issuance and convertible into common shares of the Company at a price equal to the 5-day volume weighted average price (“VWAP”) of the shares on the Canadian Securities 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 a purchase price of \$25,000, which would be satisfied by the issuance of a \$25,000 debenture under the same terms and conditions. As at December 31, 2020, \$220,000 (2019 - \$220,000) was expensed in research and development as the technological feasibility has not yet been achieved (Note 8).

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 (“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 19.9%, 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.

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7. Blockchain and commitments (continued)

Additional consideration, in excess of the 19.9% of the net profits that the Company will receive and the revenues generated for the technology usage, the Company will receive from St. James 'new UK subsidiary, LottoCo, 100,000 non-voting, zero-coupon redeemable preferred shares with a par value of 2 pence (the "Preferred Shares"). The Preferred Shares will be redeemable in 21 years with the redemption price to be fixed within 3 months after the issuance of the audited financial statements 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 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. As at December 31, 2020, the Lottery JV remains inactive and did not incur any expenses or make any payments, but is expected to commence in 2021.

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. The final agreement is subject to regulatory approval.

On May 27, 2019, the Company entered into a binding term sheet to acquire 2,100,000 first rank preferred shares, non-voting, 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 into common shares, this would represent more than 21% of vSekur's outstanding common shares. The binding term sheet also states that the Company will enter into an exclusive partnership agreement in order to provide cybersecurity solution services in the blockchain market.

The Company plans to subcontract the security component of its healthcare data SaaS solution representing an initial estimate of approximately \$1,500,000 over the next two years. The Company and vSekur estimate the initial 6 months design costs to be a minimum of \$120,000 to which the Company will contribute \$60,000. The Company will contribute an additional \$640,000 in the following 2 years. As at December 31, 2020, the Company has expensed \$280,000 (2019 - \$280,000) for this project (Note 8).

Under the agreement the Company will issue to vSekur 215,325 convertible debenture units with a minimum floor conversion of \$3.25 per unit for a one-year period. As at December 31, 2020, this transaction is being renegotiated.

On November 5, 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 Co. 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. As at December 31, 2020, the JV Co. remains inactive and did not incur any expenses or make any payments.

On January 31, 2020, the Company entered into a binding term sheet with Dalgo Inc., a New York AI Specialist & Data Trading Exchange Developer. Dalgo Inc. will be integrated in the stage 2 development of the MulaMail data trading platform and in the SaaS Patient HealthCare data auction module development. Dalgo Inc. will integrate the Company's encryption technology into its own suite of solutions and will allocate resources to allow it to participate in the 2020 cycle of the US Federal Procurement Process including but not limited, to the DoD Procurement Cycle.

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7. Blockchain and commitments (continued)

The Company will subscribe to 10% of the outstanding common shares of Dalgo Inc. by issuing a CAD \$300,000, three-year, 10% convertible debenture with a conversion floor price of CAD\$1.00. The interest and capital can be repaid in shares at the discretion of the Company. The securities issued will be under a regulatory hold period. The Company will incur development costs for the healthcare data SaaS in the amount of \$150,000 over a period of 12 months.

On August 13, 2020, the Company initiated the process to obtain a license to operate a financial institution in Malta. The Company will integrate remittance and micro-lending, as well as creation of Mula and ZeU-branded debit and credit cards to integrate with ZeU Crypto wallets and Mulamail accounts using the Company's stable staking tokens. The first of the utility tokens is planned to launch in 2021 and will be based on the EOS network.

The Company developed Derivative Marketplace with its blockchain marketplace platform for Borealis Derivatives DEX ehf ("Borealis"), which is a decentralized, distributed, digital derivative marketplace. The pseudo-coding phase of the marketplace's platform has been initiated with the initial effort focused on the asset-spent back-stopped token. The roll-out of the marketplace commodity token should occur in the late summer of 2021. The development of a stable staking token has started. During the year ended December 31, 2020, the Company recorded revenue of \$354,860 related to the development of Borealis Derivative Marketplace.

8. Research and development expenses

During the year ended December 31, 2020, the Company incurred development expenditures of \$588,030 (2019 - \$770,711) related to the development of the blockchain technology. Since the technological feasibility has not yet been achieved, all these expenditures were expensed in the statement of loss and comprehensive loss. Future expenditures on the development of the technology may meet the guidelines and could be capitalized at that time.

9. Accounts payable and accrued liabilities

	December 31, 2020	December 31, 2019
	\$	\$
Accounts payable (Note 15)	1,273,755	231,218
GST and QST payable	53,140	-
Accrued liabilities	40,000	75,446
	1,366,895	306,664

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10. Convertible Debentures

The convertible debentures as at December 31, 2020 and 2019 are as follow:

	Convertible debenture at fair value	Convertible debenture at amortized cost	Debt due on demand at amortized cost	Convertible debenture due to shareholder at fair value	Loan from shareholder at amortized cost	Derivative liability	Fair value warrants issued for debt	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at December 31, 2019	3,523,354	3,740,739	-	-	346,507	78,719		7,689,319
Convertible debenture matured		(3,383,742)	3,383,742					-
Accretion expense and interest		261,246	135,843					397,089
Extinguishment of debt		(427,695)			(346,507)	(78,719)		(852,921)
Fair value of warrants issued for debt extinguishment							282,556	282,556
Fair value of convertible debentures issued	371,354			300,862				672,216
Conversion to equity	(276,009)	(42,956)						(318,965)
Fair value adjustment	435,202			47,840				483,042
Balance at December 31, 2020	4,053,901	147,592	3,519,585	348,702	-	-	282,556	8,352,336
Current-term	(149,385)	(147,592)	(3,519,585)	-	-	-	-	(3,816,562)
Long-term	3,904,516	-	-	348,702	-	-	282,556	4,535,774

The loss on debt extinguishment related to the convertible debentures that were restructured during the year ended December 31, 2020 is as follow:

	For the year ended Decemeber 31, 2020
	\$
Extinguishment of debt	(852,921)
Fair value of warrants issued for debt extinguishment	282,556
Fair value of convertible debentures issued	672,216
	101,851

2018 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 issued in consideration of digital currencies delivered to the Company, \$550,000 was issued pursuant to signing bonus's where the management and consulting services will be earned over a period of four years and \$525,000 were issued for cash consideration. 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 issued for cash, based on IAS 32, as a hybrid financial instrument with separate debt and derivative liability components. The derivative liability is recorded at fair value and deducted from the face value of the debt to arrive at the liability component which is recorded at amortised cost and will be accreted to face value over the life of the convertible note. The derivative liability component is remeasured at fair value at each period subsequent to initial recognition. The fair value of the derivative liability as at December 31, 2019 was estimated to be \$78,719. The convertible debentures of \$4,258,692 issued for the digital currencies and the signing bonuses were accounted as share-base payments in accordance with IFRS 2. The fair value of the debt component of these convertible debentures at inception was determined to be \$3,837,784, based on the estimated interest rate of 17% on the liability component, and the residual value of \$420,908 was recorded in the capital surplus.

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10. Convertible Debentures (continued)

2018 Convertible Debentures (continued)

The terms of the signing bonus state 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 to the Company. Accordingly, these convertible debentures were recognized to the extent that they vested and the compensation expenses for the year ended December 31, 2020 of \$nil (2019 - \$482,568) was recorded in the statement of loss.

On September 10, 2019, the Company redeemed \$23,660 convertible debentures with 100 Ether coins (Note 6).

On November 25, 2019, the \$550,000 signing bonus together with \$76,549 of accrued interest was converted into 626,549 common shares (Note 12).

On December 30, 2019, the Company converted \$1,191,209, representing 25% of the principal amount together with accrued interest of the outstanding 10% debentures into 1,191,209 common shares of the Company at a price of \$1 per share upon the listing of the shares on the CSE (Liquidity Event) (Note 12).

The carrying value of the convertible debentures, including accrued interest, as at December 31, 2019 was \$3,579,727. The Company recognized \$20,635 as loss on fair market value change in the derivative liability for the year ended December 31, 2019.

On July 5, 2020, the convertible debentures, with a face value of \$3,157,524, which were issued in 2018, matured. A portion of these convertible debentures, with a face value of \$2,801,274, were not renewed and are now due on demand and are presented as debt due on demand. The carrying value, including principal and interest of the debt due of demand as at December 31, 2020 totaled \$3,519,585.

On July 7, 2020, the Company entered into amending agreements with debenture holders to amend the terms of the remaining 2018 convertible debentures with a face value of \$356,250. The principal balance plus accrued interest totalling \$427,695 was converted into the 2020 convertible debentures on the terms described below.

2019 Convertible Debentures

On February 4, 2019, under the agreement with VN3T, the Company issued a debenture in the amount of \$150,000 to VN3T (Note 7) in consideration for acquired research and development technology. The debenture matures in 2 years from its issuance and is convertible into common shares of the Company at a price equal to the 5-day VWAP of the Company's shares on the CSE, subject to a minimum of \$1.85. The convertible debenture was accounted as share-based payment in accordance with IFRS 2 as the consideration received was in the form of goods and services. The fair value of the debt component at inception was determined to be \$107,137, based on an interest rate of 17%, and the residual value of \$42,863 was recorded in capital surplus. As at December 31, 2019, the carrying value of the convertible debentures, including accrued interest was \$124,699.

As at December 31, 2020, the carrying value of the convertible debentures including accrued interest was \$147,592 and the accretion and interest expense recognized during the year ended December 31, 2020 was \$22,931 (2019 - \$17,561).

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10. Convertible Debentures (continued)

2019 Convertible Debentures (continued)

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 technology. The Company issued a debenture in the amount of \$50,000 to CSL which is convertible at the greater of \$1.00 per share or the price listed for each common share on an exchange for a period of 2 years. The convertible debenture was accounted as share-based payment in accordance with IFRS 2. The fair value of the debt component at inception was determined to be \$35,713, based on an interest rate of 17%, and the residual value of \$14,287 was recorded in capital surplus. The carrying value of the convertible debentures, including accrued interest as at December 31, 2019 was \$41,164.

On February 11, 2020, the \$50,000 convertible debenture was converted into 50,000 common shares of the Company at a price of \$1.00 per share (Note 12). Accretion and interest expense recognized during the year ended December 31, 2020 was \$807 (2019 - \$5,452).

On November 13, 2019, the Company completed a 12% unsecured convertible debenture financing in the principal amount of \$7,834,000, and in consideration the Company received digital currency, consisting of 24,000,000 Kamari (“KAM”), (Note 6). Each convertible debenture may be converted into common shares of the Company at a price equal to the greater of (i)\$1.50, and (ii) if the date of any conversion occurs after the Company completes a transaction (“Liquidity Event”) pursuant to which it will become a “reporting issuer” under applicable Canadian securities laws, the 10-day volume-weighted average trading price of the shares 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.

This Kamari convertible debenture was accounted as share-base payment in accordance with IFRS 2 as the Company received intangible assets. The fair value of the digital currencies received in consideration for the convertible debentures with the principal amount of \$7,834,000 was \$6,881,396 and the fair value of the conversion feature was determined to be \$nil. Accordingly, the fair value of the Kamari convertible debentures at the date of issuance was \$6,881,396 and was determined based on an interest rate of 17%. The Kamari Convertible debenture will be carried at fair value with changes in fair value recorded in the statement of loss and comprehensive loss.

Upon the occurrence of a Liquidity Event, the Company will be entitled to require the holders of the Kamari convertible debentures to convert up to 50% of the principal amount outstanding, together with any accrued and unpaid interest owing thereon, into shares of the Company at the conversion price described above. On December 30, 2019, the Company converted \$3,963,445, representing 50% of the principal amount together with accrued interest on the outstanding Kamari convertible debentures into 2,642,297 common shares of the Company at a price of \$1.50 per share (Note 12).

The fair value of the Kamari convertible debentures, including accrued interest as at December 31, 2020 was \$3,904,516 (2019 - \$3,523,354). The change in fair value for the year ended December 31, 2020 being a loss of \$381,162 was recorded in the statement of loss and comprehensive loss (2019 – loss of \$158,114).

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10. Convertible Debentures (continued)

2020 Convertible Debentures

On July 7, 2020, the Company entered into amending agreements with certain of the 2018 convertible debenture holders to amend the terms of convertible debentures with a face value plus accrued interest of \$427,695 which matured on July 5, 2020.

Under the terms of the amended debentures (“Amended Debentures”), the maturity date has been extended two years from July 5, 2020 to July 5, 2022, and in exchange:

- 1) The floor conversion price of the principal amount of the Amended Debentures has been reduced from \$1.00 to \$0.25 per share;
- 2) The interest has been raised from 10% to 12%;
- 3) The Amended debentures now rank in priority of all unsecured debts; and
- 4) The Company issued 1,718,972 warrants with a term of 2 years and an exercise price of \$0.30 per common share purchase for every tranche of \$0.25 of the original debenture principal plus accrued interest. The proceeds of the warrants will be used to buy back the debentures if they have not been repaid or converted at the time of the warrants exercise. (Note 12)

The fair value of the new convertible debenture at inception was determined to be \$371,354 and the fair value of the warrants issued for this modification was \$160,724 (Note 12). The fair value of the convertible debenture was determined using at market interest rate of 17% and the fair value of the warrants issued was estimated using Black-Scholes Option Pricing Model (Stock price \$0.18, exercise price of \$0.3, volatility 200%, risk free interest rate of 2.40%, discount for lack of market ability of 35% and 0% dividend yield).

On July 28, 2020, the Company converted \$36,016 of the principal amount together with accrued interest on the outstanding 12% debentures into 145,106 common shares of the Company at a price of \$0.25 per share. These shares were issued after the year end (Notes 12 and 17). On December 22, 2020, the Company converted \$240,040 of the principal amount together with accrued interest on the outstanding 12% debentures into 1,030,200 common shares of the Company at a price of \$0.25 per share (Note 12).

As at December 31, 2020, the fair values of the 2020 convertible debentures were \$149,385,

11. Loan from shareholder / Convertible Debenture issued to shareholder

During the year ended December 31, 2019, St Georges, a shareholder of the Company, advanced funds to the Company for general operating purposes. As at December 31, 2019, the Company owed \$346,507 to St Georges, which bore no interest, was unsecured and had no fixed terms of repayment.

On July 7, 2020, the Company converted the loan amount of \$346,507 into a convertible debenture bearing interest at 12% per annum and convertible into common shares of the Company at a conversion price of the higher of \$0.25 per share and the VWAP at which the common shares have traded for the previous 10 trading days.

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11. Loan from shareholder / Convertible Debenture issued to shareholder (continued)

The Company also granted 1,386,026 warrants, with a fair value of \$121,832, to St Georges, which are exercisable for two years at a price of \$0.30 per share for the first 12 months and \$0.50 per share thereafter (Note 12). The change in the terms of the debt was accounted for as an extinguishment of the old loan and a loss on debt extinguishment of \$76,185 was recorded in the statement of loss and comprehensive loss. The fair value of the convertible debenture as at December 31, 2020 was \$348,702.

The fair value of the warrants issued was estimated using Black-Scholes Option Pricing Model (Stock price \$0.18, exercise price of \$0.4, volatility 200%, risk free interest rate of 2.40%, discount for lack of market ability of 35% and 0% dividend yield).

12. 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

2019 Transactions

On November 25, 2019, the Company issued 626,549 common shares upon the conversion of \$550,000 convertible debentures and \$76,549 accrued interest into common shares of the Company (Note 10).

On November 25, 2019, the Company settled \$135,468 of accounts payable and accrued liabilities through the issuance of 135,468 common shares of the Company.

On December 30, 2019, the Company converted \$1,191,209, representing 25% of the principal amount together with accrued interest related to the outstanding 10% debentures, into 1,191,209 common shares of the Company at a price of \$1 per share upon the listing of the shares on the CSE (Note 10).

On December 30, 2019, the Company converted \$3,963,445, representing 50% of the principal amount together with accrued interest of the outstanding 12% Kamari convertible debentures into 2,642,297 common shares of the Company at a price of \$1.50 per share upon the listing for trading of the shares on the CSE (Note 10).

2020 Transactions

On February 11, 2020, the Company issued 50,000 common shares to Cassiopeia Services Ltd. on the conversion of \$50,000 convertible debentures at a price of \$1 per share (Note 10).

On December 22, 2020, the Company issued 1,030,200 common shares upon the conversion of convertible debentures with a fair value of \$244,511 into common shares of the Company (Note 10).

As of December 31, 2020, the Company has recorded an obligation of \$31,496 (2019 - \$nil) for the conversion of convertible debentures with a fair value of \$31,496 and \$201 accrued interest (Notes 10 and 17).

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12. Share Capital (continued)

Escrow shares

The Company has 3,100,313 (2019 – 12,401,278) escrow shares as at December 31, 2020 which are subject to regulatory release.

Warrants

Details of the Company's warrants outstanding are as follows:

	Warrants outstanding	Warrants outstanding	
		Weighted average exercise price - \$ -	Weighted average remaining life
Balance, December 31, 2019	-	-	-
Issued (Notes 10, 11, and 15)	3,104,998	0.30	1.58 years
Balance, December 31, 2020	3,104,998	0.30	1.58 years

Stock options

The Company's stock option plan allows for the granting of options to acquire a number of common shares equal to 10% of the issued and outstanding common shares at the time of the grant. Options granted under the plan will vest at a schedule determined by the board of directors.

On December 17, 2020, a total of 2,450,000 stock options were granted to purchase common shares, exercisable on or before December 17, 2025, at an exercise price of \$0.30 per share. The estimated grant date fair value of these options was \$527,332 and was determined based on the following assumptions: share price at grant date of \$0.24; exercise price of \$0.30; expected life of 5 years; expected volatility of 150%; risk free interest rate of 0.45%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

The following options were outstanding and exercisable as at December 31, 2020:

	December 31, 2020		
	Number of options	Weighted average exercise price \$	Weighted average remaining life
Options outstanding, beginning of year	-	-	-
Options granted	2,450,000	\$ 0.30	4.96 years
Options outstanding, end of the year	2,450,000	\$ 0.30	4.96 years

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13. 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 December 31, 2020, the Company has current liabilities of \$5,183,457 (2019 \$4,311,617) and has cash of \$1,944 (2019 - \$62,673), and has digital currencies current portion, of \$nil (2019 - \$2,985,307) to meet its current obligations. Liquidity risk is assessed as high. However, the Company has the contractual right to use our Kamari digital coins (which have been assessed a \$nil value at December 31, 2020) to repay convertible debentures of \$3,904,516 plus accrued interest.

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.

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13. Financial Risk Management and Financial Instruments (continued)

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 carried at amortised cost, 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.

As at December 31, 2020 the Company's financial instruments carried at fair value are as follows:

	Level 1	Level 2	Level 3
Financial assets			
Cash	\$ 1,944	\$ -	\$ -
Financial Liabilities			
Convertible debentures at fair value	-	-	4,053,901
Convertible debenture due to shareholders to fair value	-	-	348,702

As at December 31, 2019 the Company's financial instruments carried at fair value are as follows:

	Level 1	Level 2	Level 3
Financial assets			
Cash	\$ 62,673	\$ -	\$ -
Financial Liabilities			
Derivative Liability	-	-	78,719
Convertible debentures at fair value	-	-	3,523,354

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 108%, risk free interest rate of 1.69% and 0% dividend yield).

The fair value of the convertible debentures as at December 31, 2020 were estimated using level 3 inputs using market interest rates between 19% to 20% (2019: 17%).

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14. Capital Management

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at December 31, 2020, the Company's shareholders' deficiency was \$9,419,731 (2019 - \$1,044,336). 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 and the conversion of convertible debentures. 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.

15. Related Party Transactions

a) Related party transactions

During the year ended December 31, 2020, the Company incurred transactions with related parties including a company controlled by its Chief Architect, Chief Technology Officer, and Chief Executive Officer. During the year ended December 31, 2020, the Company incurred consulting fees of \$321,478 (2019 - \$409,240) which were expensed as research and development costs, management fees of \$342,057 (2019 - \$355,229), and consulting fees of \$141,243 (2019 - \$42,879). To mitigate the financial impacts of the pandemic and preserve financial resources impacted by COVID-19, the Company has implemented important cost-saving measures. The Board of directors and officers of the Company did not receive any compensation in the second quarter of 2020.

Core management and directors have suspended taking payments from their compensation since the second quarter of 2020. The Company expects to cover some of these accrued liabilities with a share for debt offering priced at \$0.25 after the end of the current year (Note 17).

During the year ended December 31, 2018, related parties received signing bonuses in the form of convertible debentures for \$400,000 which are being recognised over the vesting period of 4 years (Note 10). On November 25, 2019, all of the signing bonus of \$400,000 convertible debentures and accrued interest of \$55,672 were converted into 455,672 common shares at a price of \$1 per share. The signing bonuses totaling \$454,521, provided to the management of the Company were recorded as compensation expense.

During the year ended December 31, 2020 the Company invoiced to a subsidiary of St-Georges \$354,860 (2019 - \$nil) for development services which were recorded as development services revenue (Note 7).

b) Due to Related Parties

At December 31, 2020, included in accounts payable is \$778,463 (2019- \$115,587) owing to directors. These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

As at December 31, 2020, the Company has a convertible debenture payable to St-Georges with a fair value of \$348,702 (2019 \$Nil) (Note 11). As at December 31, 2019 \$346,507 was owing to St-Georges in the form of a promissory note (Note 11) which was non-interest bearing, unsecured and had no fixed terms of repayment. During the year ended December 31, 2020, the shareholder advanced \$nil (2019 - \$122,911) to the Company.

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15. Related Party Transactions (continued)

c) Stock Options Granted

During the year ended December 31, 2020, a total of 1,950,000 stock options were granted to the key management to purchase common shares of the Company at an exercise price of \$0.30 per share on or before December 17, 2025. The stock based compensation related to these options totalled \$419,713 for the year ended December 31, 2020.

16. Income taxes

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

	December 31, 2020	December 31, 2019
	\$	\$
Loss for the period before income tax recovery	(9,504,212)	(3,025,675)
Average statutory rate	26.60%	26.60%
Income tax expense (recovery) based on statutory rates	2,528,120	804,830
Tax effect of:		
Permanent differences	(2,636,474)	(1,574,950)
Change in unrecognized deferred tax assets	108,354	770,120
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, 2020, the Company has not recognized the benefit of the following deductible temporary differences:

	December 31, 2020	December 31, 2019
	\$	\$
Deferred tax asset		
Non-capital losses carried forward	1,006,048	1,112,737
Capital losses carried forward	17,600	19,185
Unrecognized deferred tax assets	(1,023,648)	(1,131,922)
Total deferred tax assets	-	-

As at December 31, 2020, the Company has estimated non-capital losses for Canadian income tax purposes of \$3,796,407 and capital losses of \$66,114 that may be carried forward to reduce taxable income derived in future years. The Canadian losses begin expiring by 2038.

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17. Subsequent Events

- On January 7, 2021, the Company completed a non-brokered private placement for gross proceeds of \$625,000 by issuing 2,500,000 units at a price of \$0.25 per unit. Each unit is comprised of one common share and one share purchase warrant, entitling the holder to purchase one share at an exercise price of \$0.35 before January 7, 2023.

The Company paid finders fees of \$19,350 in cash and issued 71,400 finder's warrants with a fair value of \$21,308. The finder's warrants are exercisable at \$0.35 per share for a period of two years.

- On January 14, 2021, the Company redeemed \$27,012 of amended convertible debentures with \$27,012 in cash.
- ZeUPay Inc. ("ZeUPay") was incorporated on February 4, 2021, and is a wholly-owned subsidiary of the Company.
- On February 8, 2021, the Company executed a definitive agreement to acquire all of the issued and outstanding shares of Prego International Group AS, through ZeUPay (Note 7) for a total consideration of \$8,125,000 comprised of:
 - a) Issuance of 2,500,000 common shares of the Company at a price of \$0.325,;
 - b) The issuance of \$7,500,000 of convertible debentures of ZeUPay; and
 - c) The issuance of 7,500,000 non-transferable share purchase warrants of the Company, each entitling the holder to acquire one common share of the Company at a price of \$0.90 per share for a period of 12 months from the closing of the transaction, or at a price of \$1.50 for a period of 12 months from the date that is 12 months from the closing date.

The ZeUPay Debentures bear interest at the rate of 6.00% per annum the issuance date until the earlier of: (i) their date of conversion or (ii) the date that is 48 months from the Closing Date (the "Maturity Date"). The interest on the ZeUPay Debentures may, at the sole discretion of ZeUPay, be paid (i) in cash or (ii) by the issue of the equivalent value in common shares of ZeUPay at a price per share equal to the greater of (a) \$1.00 and (b) the last financing price of ZeUPay.

The principal amount of the ZeUPay Debentures, together with the interest accrued thereon, will automatically convert into common shares of ZeUPay on the earlier of: (i) the Maturity Date and (ii) the occurrence of a liquidity event, at a conversion price equal to the higher of: (a) \$1.00 and (b) the last financing price of ZeUPay.

Holders of the ZeUPay Debentures have a right to convert all of the outstanding principal amount of the ZeUPay Debentures, together with the interest accrued thereon, into common shares of the Company at a price equal to the higher of: (i) \$1.00 and (ii) the 5-day volume-weighted average price of the Common Shares on the CSE, at any time prior to the earlier of: (i) the Maturity Date and (ii) the occurrence of a liquidity event.

An aggregate of 2,100,000 Consideration Shares and the Common Shares issuable upon conversion of the ZeUPay Debentures are subject to a voluntary resale restriction of one year from the Closing Date or the date of conversion, as applicable.

- On March 11, 2021, 1,386,016 warrants were exercised by St Georges for proceeds of \$415,805.
- On March 31, 2021, the Company exercised its option to repay \$500,000 of the Kamari convertible debentures and all accrued interest for a total of \$1,161,834 using 3,336,564 KAM tokens. As the Company had recorded a \$nil value on the balance sheet at December 31, 2020 due to a lack of objective market price, this transaction will result in a gain in the subsequent period.

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17. Subsequent Events (continued)

- On May 4, 2021, the Company entered into a letter of intent with Money Line Sports Inc, (“Money Line”) a licensed platform and provider of streaming sports content, to acquire all of their outstanding securities for consideration of \$1,501,500 which was paid by the issuance of 1,500,000 in unsecured convertible debentures of ZeU’s subsidiary and the issuance of 1,500,000 non-transferable ZeU share purchase warrants at \$0.91 for a period of 2 years from the closing. The principal amount of the convertible debentures will bear interest at a rate of 6% per annum for 2 years from the closing date.
- On May 18, 2021, the Company granted 575,000 stock options to purchase common shares of the Company at an exercise price of \$0.65 per share on or before May 18, 2023, on May 31, 2021, granted 250,000 stock options to purchase common shares of the Company at an exercise price of \$1.00 per share on or before May 31, 2023, on June 7, 2021, granted 300,000 stock options at an exercise price of \$0.75 per share on or before June 7, 2023, and on June 15, 2021, granted 350,000 stock options at an exercise price of \$0.90 per share on or before June 15, 2026.
- Subsequent to the year end, the Company issued 1,817,391 common shares to settle an aggregate debt of \$594,000 .
- Subsequent to the year end, the Company issued 130,924 common shares upon the conversion of debentures and accrued interest of \$99,640, issued 1,910,555 common shares for warrants exercised for proceeds of \$578,917, and issued 450,000 common shares for stock options exercised for proceeds of \$135,000.