ZeU Technologies Inc.

Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars)

NOTICE TO READER

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

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

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

MONTREAL, QUEBEC
July 07, 2021

ZeU Technologies Inc.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited – Prepared by Management)

As at	March 31, 2021 $	December 31, 2020 $
Assets		
Current assets		
Cash	**443,746**	1,944
Prepaid	**1,845**	15,000
Accounts receivable	**1,072,529**	-
Marketable securities (Note 5)	**172,222**	-
Intangible assets	**850,658**	-
Total current assets	**2,541,000**	16,944
Non-Current assets		
Exploration and evaluation assets (Note 7)	**8,125,833**	-
Goodwill (Note 7)	**3,849,381**	-
Total assets	**14,516,214**	16,944
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities		
Accounts payable and accrued liabilities (Notes 9 and 15)	**2,318,497**	1,366,895
Debt due on demand (Note 10)	**3,588,658**	3,519,585
Convertible debt at amortized cost (Notes 10 and 12)	**-**	147,592
Convertible debentures at fair value (Notes 10 and 12)	**56,434**	149,385
	5,963,589	5,183,457
Non-current liabilities		
Long-term convertible debentures at fair value (Note 10)	**7,105,381**	3,904,516
Convertible debenture to shareholder at fair value (Notes 10, 11, 15)	**348,702**	348,702
Total Liabilities	**13,417,672**	9,436,675
Shareholders' equity (deficiency)		
Common shares (Note 12)	**8,743,878**	6,359,196
Obligation to issue shares (Note 12)	**-**	31,496
Capital surplus (Note 10)	**3,593,948**	321,636
Contributed Surplus (Note 12)	**5,165,511**	809,888
Deficit	**(16,404,795)**	(16,941,947)
Total shareholders' equity (deficiency)	**1,098,542**	(9,419,731)
Total liabilities and shareholders' equity	**14,516,214**	16,944

Commitments (Note 7)
Subsequent events (Note 16)

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

signed "Mark Billings"
Mark Billings
Chief Financial Officer

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

ZeU Technologies Inc.

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)
For the Three Months Ended March 31
(Unaudited – Prepared by Management)

	2021	2020
	$	$
Revenue		
Development services (Notes 7 and 15)	-	85,000
	-	85,000
Expenses		
Accretion expense and interest expenses (Note 10)	**242,120**	282,106
Consulting fees (Note 15)	**52,243**	21,730
Foreign exchange	**12,899**	-
Management fees (Note 15)	**129,792**	85,807
Marketing and promotion	-	11,646
Office expenses	**17,554**	8,822
Professional fees	**46,231**	7,002
Research and development expense (Notes 7, 8 and 15)	**97,519**	236,294
Shareholders communication	**604**	6,284
Listing and filing fees	**8,419**	8,130
Travel expenses	**1,445**	-
	(608,826)	(667,821)
Loss from operations	**(608,826)**	(582,821)
Unrealized loss on digital currencies (Note 6)	-	(487,241)
Gain on payment with marketable digital currency (Note 6)	-	332
Unrealized gain on marketable securities (Note 5)	**22,222**	-
Gain on fair value change in convertible debentures (Note 10)	**23,938**	23,722
Gain on settlement with Kamari coins (Notes 6, 10)	**1,099,818**	-
Income (loss) and comprehensive income (loss) for the period	**537,152**	(1,046,008)
Income (loss) per share – basic and diluted	**$ 0.02**	$ (0.04)
Weighted average number of common shares outstanding – basic and diluted	**30,677,771**	24,450,484

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

ZeU Technologies Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)
For the Three Months Ended March 31, 2021 and 2020
(Unaudited – Prepared by Management)

	Number of Common Shares	Common Shares	Obligation to Issued Shares	Capital Surplus	Contributed surplus	Deficit	Total Shareholders' Equity (Deficiency)
		$	$	$	$	$	$
Balance as at January 1, 2020	**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)	50,000	18,250	-	-	-	-	18,250
Loss for the period	-	-	-	-	-	(1,046,008)	(1,046,008)
Balance as at March 31, 2020	**24,493,772**	**6,076,675**	**-**	**334,974**	**-**	**(8,483,743)**	**(2,072,094)**
Balance as at January 1, 2021	**25,523,972**	**6,359,196**	**31,496**	**321,636**	**809,888**	**(16,941,947)**	**(9,419,731)**
Shares issued for cash	2,500,000	578,698	-	-	21,308	-	600,006
Shares issued on conversion of convertible debentures (Notes 10 and 12)	276,030	94,669	(31,496)	(92,968)	-	-	(29,795)
Shares issued for warrants exercised	1,641,050	492,315	-	-	-	-	492,315
Shares issued for debt settlement	1,817,391	594,000	-	-	-	-	594,000
Shares issued for acquisition	2,500,000	625,000	-	-	4,334,315	-	4,959,315
Equity component related to convertible debentures	-	-	-	3,365,280	-	-	3,365,280
Income for the period	-	-	-	-	-	537,152	537,152
Balance as at March 31, 2021	**34,258,443**	**8,743,878**	**-**	**3,593,948**	**5,165,511**	**(16,404,795)**	**1,098,542**

ZeU Technologies Inc.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Prepared by Management)

	2021 $	2020 $
Operating activities		
Net income (loss) and comprehensive income (loss) for the period	**537,152**	(1,046,008)
Non-cash items		
Accretion and interest expenses on convertible debentures	**242,120**	282,106
Unrealized loss on digital assets	**-**	487,241
Unrealized gain on marketable securities	**(22,222)**	-
Gain on disposal of marketable digital currency	**-**	(332)
Gain on debt settlement	**(1,099,818)**	-
	(342,768)	(276,993)
Net changes in working capital items		
Prepaid expenses	**13,155**	1,769
Accounts receivable	**(1,072,529)**	-
Accounts payable and accrued liabilities	**585,044**	236,958
	(474,330)	238,727
Net cash used in operating activities	**(817,098)**	(38,266)
Investing activities		
Marketable securities	**(150,000)**	-
Net cash used in investing activities	**(150,000)**	-
Financing activities		
Shares issued for cash (Note 12)	**600,006**	-
Shares issued for convertible debentures (Notes 9 and10)	**-**	18,250
Shares issued for warrants exercised	**492,315**	-
Shares issued for debt settlement	**594,000**	-
Equity component related to convertible debentures (Note 10)	**(277,421)**	(41,971)
Net cash provided by (used in) financing activities	**1,408,900**	(23,721)
Increase (decrease) in cash	**441,802**	(61,987)
Cash, beginning	**1,944**	62,673
Cash, ending	**443,746**	686

The significant non-cash transactions during the period ended March 31, 2021 and 2020 presented include:

	2021 **$**	**2020** **$**
Shares issued for convertible debentures	**139,683**	18,250
Shares issued for debt settlement	**594,000**	-
Payments with digital currency	**1,161,834**	332
Shares issued for acquisition	**625,000**	-

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 March 31, 2021, St-Georges retained 10,136,191 (December 31, 2020 - 8,750,175) common shares of the Company. As at March 31, 2021 and December 31, 2020, 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 March 31, 2021, the Company has an accumulated deficit of $16,404,795 (December 31, 2020 - $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.

2. Basis of Presentation

Statement of Compliance

These condensed interim financial statements of the Company for the period ended March 31, 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

The financial statements of the Company were authorized for issue by the Board of Directors on July 07, 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.

Basis of Consolidation

These consolidated financial statements comprise the accounts of the Company and the following controlled subsidiaries:

Name	Country of incorporation	Ownership Percentage
ZeUPay Inc. ("ZeUPay")	Canada	100%
ZeUPay AS	Norway	100%

On February 4, 2021, the Company incorporated a new subsidiary, ZeUPay Inc. This entity is owned 100% by the Company. ZeUPay acquired Prego and named its new subsidiary ZeUPay AS.

All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

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.

3. Summary of Significant Accounting Policies (continued)

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.

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.

3. Summary of Significant Accounting Policies (continued)

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.

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.

3. Summary of Significant Accounting Policies (continued)

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.

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.

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 vale of the conversion feature is determined and either recorded as a liability or as equity and allocated to capital surplus.

3. Summary of Significant Accounting Policies (continued)

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.

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.

3. Summary of Significant Accounting Policies (continued)

Share-based Payments

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

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

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

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

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

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

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

Income or Loss per Share

The basic income or 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 period. 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.

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.

(Expressed in Canadian dollars – unaudited)

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. Marketable Securities

During the period ended March 31, 2021, the Company received 185,185 common shares of ThreeD Capital Inc. at a deemed price of $0.81 per share from ThreeD Capital Inc. for the acquisition of 600,000 units of the Company at a price of $0.25 per unit. (Note 12)

During the period ended March 31, 2021, the Company recorded an unrealized gain of $22,222 on the marketable securities.

6. Intangible assets

Intangible assets consist of digital currencies, patents, software and licenses. 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. With the acquisition of Prego, the Company acquired $850,658 of intangible 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 $
Balance December 31, 2019	20	3,369
Payments made with digital currency	(20)	(3,369)
Balance December 31, 2020 and March 31, 2021	-	-

(Expressed in Canadian dollars – unaudited)

6. Intangible assets (continued)

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 March 31, 2021 and December 31, 2020, the Company held no Ether coins.

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, which was subsequently restated to $6,881,396 in the December 31, 2019 financial statements. 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	-
Settlement of $1,099,818 of Kamari convertible debentures	(3,366,564)	-
Balance March 31, 2021	20,633,436	-

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 March 31, 2021 7,833,436 (December 31, 2020, 10,400,000) Kamari coins were available for disposal or transfer.

As at March 31, 2021 17,433,436 (December 31, 2020, 20,000,000) 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 them at March 31, 2021 or December 31, 2020. Accordingly, the Company impaired their value to $nil and recorded an impairment of $6,881,396 as at December 31, 2020 in the statement of loss and comprehensive loss.

On March 31, 2021, the Company repaid $500,000 of the Kamari Convertible debenture plus $661,834 of accrued interest by transferring 3,366,564 Kamari coins to the debenture holder. The Company recorded a gain of $1,099,818 on the debt settlement as the Company has a contractual right to repay the debenture and accrued interest using Kamari Coins on a mark to market basis.

7. Blockchain and commitments

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 March 31, 2021, $220,000 (2020 - $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.

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 March 31, 2021, 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.

7. Blockchain and commitments (continued)

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 March 31, 2021, the Company has expensed $280,000 (2020 - $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 March 31, 2021, 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 €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 March 31, 2021, 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.

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.

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, though a wholly owned subsidiary ZeUPay Inc. ("ZeUPay") for consideration of $8,125,000.

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 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 $0.25 (issued- Note 12);
b) The issuance of $7,500,000 of convertible debentures of ZeUPay (issued- Note 12); 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 (Note 10).

(Expressed in Canadian dollars – unaudited)

7. Blockchain and commitments (continued)

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 2, 2021, ZeU Technologies Inc. completed a Securities Purchase Agreement with Prego International Group AS (""Prego) to acquire 100% of the issued share capital of Prego through it subsidiary ZeUPay Corp.

Consideration paid	**CAD $**
Convertible Debenture	7,500,000
Shares and Warrants issuance fair value	4,959,314
Total consideration	12,459,314

Net assets acquired	
	CAD $
Cash	1
General Trading receivables	363,616
Intercompany receivables	699,901
Intangible assets	858,742
Exploration and evaluation assets	8,125,833
Goodwill	3,849,381
Accounts Payable	(1,438,160)
	12,459,914

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 period ended March 31, 2021, the Company recorded revenue of $nil (2020 - $85,000) related to the development of Borealis Derivative Marketplace.

8. Research and development expenses

During the period ended March 31, 2021, the Company incurred development expenditures of $97,519 (2020 - $236,294) 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.

(Expressed in Canadian dollars – unaudited)

9. Accounts payable and accrued liabilities

	March 31, 2021	December 31, 2020
	$	$
Accounts payable (Note 15)	**2,268,497**	1,326,895
Accrued liabilities	**50,000**	40,000
	2,318,497	1,366,895

10. Convertible Debentures

The convertible debentures as at March 31, 2021 and December 31, 2020 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**	**Fair Vale Warrants Issued for Debt**	**Total**
	$	$	$	$	$	$
Balance at December 31, 2020	**4,053,901**	**147,592**	**3,519,585**	**348,702**	**282,556**	**8,352,336**
Convertible debenture issued	4,134,720	-	-	-	-	4,134,720
Accretion expense and interest	170,677	2,370	69,073	-	-	242,120
Settlement of convertible debentures with KAM coins	(1,099,818)	-	-	-	-	(1,099,818)
Conversion to equity	(97,665)	(149,962)	-	-	-	(247,627)
Balance at March 31, 2021	**7,161,815**	**-**	**3,588,658**	**348,702**	**282,556**	**11,381,731**
Current-term	**(56,434)**	**-**	**(3,588,658)**	**-**	**-**	**(3,645,092)**
Long-term	**7,105,381**	**-**	**-**	**348,702**	**282,556**	**7,736,639**

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 Vale 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**

10. Convertible Debentures (continued)

2018 Convertible Debentures

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

As at March 31, 2021, the carrying value including principal and interest of the debt due on demand was $3,588,658, and interest expense recognized during the period was $69,073.

On July 7, 2020, the Company entered into amending agreements with the other 2018 debenture holders to amend the terms of the 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).

On March 1, 2021, the Company entered into a debt settlement agreement with the debenture holder, and the $150,000 debentures were converted into 217,391 common shares of the Company at a deemed price of $0.69 per share (Note 12).

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).

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 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.

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).

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 coins. The fair value of the Kamari convertible debentures, including accrued interest as at March 31, 2021 was $2,970,662 (December 31, 2020 - $3,904,516).

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. As of December 31, 2020, the Company recorded obligation to issued shares of $31,496 for this conversion, and these shares were issued after the year end (Note 12). 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.

On January 14, 2021, the Company redeemed $27,012 of amended convertible debentures with $27,012 in cash.

On January 14, 2021, the Company converted $23,835 of the principal amount together with accrued interest into 95,339 common shares of the Company at a deemed price of $0.25 per share (Note 12).

On January 26, 2021, the Company converted $19,216 of the principal amount together with accrued interest into 35,585 common shares of the Company at a price of $0.54 per share (volume weighted average price ("VWAP")) (Note 12).

On February 17, 2021, 255,034 warrants were exercised, and the proceeds of $76,510 were used to buy back the principal amount together with accrued interest (Note 12).

As at March 31, 2021, the carrying value, including principal and interest of the remaining amended debentures was $56,434.

10. Convertible Debentures (continued)

2021 Convertible Debentures

On March 2, 2021, ZeUPay issued 7,500,000 convertible debentures for the acquisition of Prego.

The ZeUPay Debentures mature in 4 years from its issuance and bear interest at the rate of 6.00% per annum until the earlier of: (i) their date of conversion or (ii) 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.

The fair value of the debt component at inception was determined to be $4,134,720, based on a risk adjusted interest rate of 17%, and the residual value of $3,365,280 was recorded in capital surplus.

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.

The Company also granted 1,386,016 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 March 31, 2021 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 $0.40, volatility 200%, risk free interest rate of 2.40%, discount for lack of market ability of 35% and 0% dividend yield).

On March 11, 2021, St-Georges exercised all the 1,386,016 warrants for proceeds of $415,805 (Note 12).

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

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 (Note 10).

2021 Transactions

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. 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 finders warrants are exercisable at $0.35 per share for a period of two years and the fair value was estimated based on the following assumptions: share price at issue date of $0.40; exercise price of $0.35; expected life of 2 years; expected volatility of 155%; risk free interest rate of 0.18%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

On January 7, 2021, the Company issued 1,500,000 common shares at a deemed price of $0.25 per share to settle an aggregate of $375,000 of indebtedness owed to certain arm's length and non-arm's length creditors.

On January 14, 2021, the Company issued 95,339 common shares upon the conversion of $22,510 debentures and $1,325 accrued interest into common shares of the Company at a conversion price of $0.25 per share.

On January 26, 2021, the Company issued 35,585 common shares upon the conversion of $18,008 debentures and $1,208 accrued interest into common shares of the Company at a conversion price of $0.54 per share.

On February 17, 2021, the Company issued 255,034 common shares for warrants exercised for proceeds of $76,510 used to buy back principal amount together with accrued interest.

On March 1, 2021, the Company issued 2,500,000 common shares at a fair value of $625,000 for the acquisition of Prego.

On March 1, 2021, the Company issued 145,106 common shares for an obligation of $31,496 for the conversion of convertible debentures (Note 10).

On March 3, 2021, the Company issued 317,391 common shares at a deemed price of $0.69 per share to settle an aggregate of $219,000 of indebtedness owed to certain arm's length and non-arm's length creditors.

On March 11, 2021, the Company issued 1,386,016 common shares for warrants exercised by St-Georges for proceeds of $415,805.

(Expressed in Canadian dollars – unaudited)

12. Share Capital (continued)

Escrow shares

The Company has 3,100,313 (December 31, 2020 – 3,100,313) escrow shares as at March 31, 2021 which are subject to regulatory scheduled release dates.

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)	3,104,988	0.30	1.83 years
Balance, December 31, 2020	**3,104,988**	**0.30**	**1.58 years**
Issued	10,071,400	0.76	2 years
Exercised (Notes 11, and 12)	(1,641,050)	0.30	
Balance, March 31, 2021	**11,535,338**	**0.70**	**1.81 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 March 31, 2021:

	Stock Options Outstanding		
	Number of options	**Weighted average exercise price $**	**Weighted average remaining life**
Balance, December 31, 2019	**-**	**-**	**-**
Options granted	2,450,000	$ 0.30	5 years
Balance, December 31, 2020	**2,450,000**	**$ 0.30**	**4.96 years**
Balance, March 31, 2021	**2,450,000**	**$ 0.30**	**4.72 years**

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 March 31, 2021, the Company has current liabilities of $5,963,589 (December 31, 2020 - $5,183,457) and has cash of $443,746 (December 31, 2020 - $1,944) 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 March 31, 2021) to repay convertible debentures of $2,970,662 (December 31, 2020 - $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.

(Expressed in Canadian dollars – unaudited)

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 March 31, 2021 the Company's financial instruments carried at fair value are as follows:

	Level 1	Level 2	Level 3
Financial assets			
Cash	$ 443,746	$ -	$ -
Financial Liabilities			
Convertible debentures at fair value	-	-	7,161,815
Convertible debenture due to shareholders to fair value	-	-	348,702

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

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 March 31, 2021 and December 31, 2020 were estimated using level 3 inputs using market interest rates between 19% to 20% (2019 - 17%).

14. Capital Management

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at March 31, 2021, the Company's shareholders' equity was $1,098,542 (December 31, 2020 – $9,419,731 deficiency). 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 period ended March 31, 2021, the Company incurred transactions with related parties including companies controlled by its Chief Architect, Chief Technology Officer, and Chief Executive Officer. During the period, the Company incurred consulting fees of $79,483 (2020 - $120,088) which were expensed as research and development costs, management fees of $129,792 (2020 - $85,807), and consulting fees of $6,300 (2020 - $nil).

During the period ended March 31, 2021, the Company invoiced to a subsidiary of St-Georges $nil (2020 - $85,000) for development services which were recorded as development services revenue (Note 7).

b) Due to Related Parties

At March 31, 2021, included in accounts payable is $426,456 (December 31, 2020 - $778,463) owing to directors. These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

On January 7, 2021, the Company issued 1,354,000 common shares at a deemed price of $0.25 per share to settle an aggregate of $338,500 of indebtedness owed to certain core management and directors (Note 12).

As at March 31, 2021, the Company has a convertible debenture payable to St Georges with a fair value of $348,702 (December 31, 2020 - $348,702).

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. Subsequent Events

- 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 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 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 period ended March 31, 2021, the Company issued 269,505 common shares for warrants exercised for proceeds of $86,602. The Company also issued 450,000 common shares for stock options exercised for proceeds of $135,000.