ZeU Technologies Inc.

Consolidated Financial Statements

Year Ended March 31, 2023
and
Fifteen Months Ended March 31, 2022

(Expressed in Canadian Dollars)

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July 31, 2023
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ZeU Technologies, Inc.

Opinion

We have audited the consolidated financial statements of ZeU Technologies, Inc. (the Company), which comprise the statements of financial position as at March 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss and changes in shareholders' equity (deficiency) for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2023 and 2022, and the consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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 Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss and has not generated any significant revenues during the year ended March 31, 2023 and, as of that date, the Company has an accumulated deficit of $26,227,388 . As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. This matter was addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

In addition to the matter described in the Emphasis of Matter - Material Uncertainty Related to Going Concern section, we have determined that matters described below to be key audit matters to be communicated in our auditor's report.

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Impairment assessment of intangible assets

We refer to financial statement summary of significant accounting policies in Note 3 and related disclosures in Note 6.

During the year ended March 31, 2023, the Company recognized an impairment loss on its intangible assets in the amount of $446,400. The Company reviews for indicators of impairment at each statement of financial position date and when events or changes in circumstances indicate that the intangible assets may be impaired. We identified the Company's impairment assessment of the intangible assets as a key audit matter.

This impairment test is significant to our audit because the Company identified indicators of impairment for its intangible assets, resulting in a significant impairment expense being recognized. In addition, management's assessment process is complex and highly judgmental and is based on assumptions, specifically forecasted future cash flows and discount rates, giving rise to high estimation uncertainty.

To address the risk for material misstatement on the impairment assessment of the goodwill and intangible assets, our audit procedures included, amongst other procedures:

Evaluated the reasonableness of the Company's cash flows by comparing projections to, among others, historical expenses and operations and current business plans.

Assessed the assumptions, methodologies and data used by the Company, in particular those relating to forecasted cash flows and discount rates.

Tested the completeness and accuracy of the underlying data used in the Company's valuation model.

Performed analysis on significant management assumptions used in the valuation model.

We assessed the adequacy of the Company's presentation and disclosures related to impairment assessment of the intangible assets.

Extinguishment of outstanding debts

We refer to financial statement summary of significant accounting policies on in Note 3 and related disclosures in Notes 7, 11 and 15.

During the year ended March 31, 2023, the Company recognized a gain on settlement of debt in the amount of $8,020,949. The Company renegotiated its outstanding debts from prior years to more favorable terms which resulted in a significant gain being recognized in the financial statements. We identified the Company's recognized gain on settlement of debt as a key audit matter.

This recognized gain is significant to our audit because due to the size of the recognized gain and resulting impact to the overall financial results of the Company in the fiscal year.

To address the risk for material misstatement on the recognized gain on settlement of debt, our audit procedures included, amongst other procedures:

Review the amended agreements for the extinguished and replacement debts.

Assessed management's calculation of the gain resulting from the debt extinguishment.

Compared managements analysis to the guidance in the IFRS regarding the treatment of debt extinguishment and the recognition criteria.

We assessed the adequacy of the Company's presentation and disclosures related to recognized the gain on settlement of debt.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, which includes Management's Discussion and Analysis.

(continues)

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 on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Kingston Ross Pasnak LLP

Kingston Ross Pasnak LLP
Chartered Professional Accountants

ZeU Technologies Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at	March 31, 2023 $	March 31, 2022 $
Assets		
Current assets		
Cash	**15,032**	24,281
Lawyer's trust account	**83,332**	-
Prepaid	**804**	2,830
Accounts receivable (15)	**13,544**	86,313
Loan receivable (Note 11)	**140,000**	-
Promissory Note receivable (Note 7)	**-**	25,000
Intangible assets (Note 6)	**-**	446,400
Total current assets	**252,712**	584,824
Total assets	**252,712**	584,824
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities		
Accounts payable and accrued liabilities (Notes 9 and 15)	**1,738,444**	2,046,284
Debt due on demand (Note 10)	**4,323,913**	4,382,144
Convertible debentures at fair value (Notes 10 and 12)	**11,958**	8,700
	6,074,315	6,437,128
Non-current liabilities		
Loan from Related Party (Note 15)	**20,000**	20,000
Long-term convertible debentures at fair value (Note 10)	**-**	5,620,213
Convertible debenture to shareholder at fair value (Notes 10, 11, 15)	**947,467**	603,518
Total Liabilities	**7,041,782**	12,680,859
Shareholders' equity (deficiency)		
Common shares (Note 12)	**9,635,516**	9,635,516
Obligation to issue shares (Note 12)	**365,783**	-
Capital surplus (Note 10)	**16,554**	3,381,834
Contributed Surplus (Note 12)	**9,420,465**	6,102,777
Deficit	**(26,227,388)**	(31,216,162)
Total shareholders' equity (deficiency)	**(6,789,070)**	(12,096,035)
Total liabilities and shareholders' equity	**252,712**	584,824

Commitments (Note 7)
Subsequent Events (Note 18)

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

signed "Mark Billings"
Mark Billings
Chief Financial Officer

ZeU Technologies Inc.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the Year Ended March 31, 2023 and the Fifteen Months ended March 31, 2022
(Expressed in Canadian dollars)

	Year ended March 31, 2023 $	Fifteen months ended March 31, 2022 $
Expenses		
Accretion expense and interest expenses (Note 10)	**1,682,584**	2,434,891
Consulting fees (Note 15)	**60,000**	427,068
Management fees (Note 15)	**202,449**	841,386
Marketing and promotion	**37,273**	51,287
Office expenses	**213,265**	(8,768)
Professional fees	**78,738**	254,823
Research and development expense (Notes 7, 8 and 15)	**293,121**	862,850
Salary	**84,918**	198,006
Shareholders communication	**2,533**	3,226
Stock-based compensation	**-**	727,630
Transfer agent and listing fees	**33,634**	53,911
Travel expenses	**11,026**	581
Loss from operations	**(2,699,541)**	(5,846,891)
Loss from continuing operations	**(2,475,912)**	(5,129,789)
Loss from discontinued operations	**(223,629)**	(717,102)
Foreign exchange gain	**131,510**	56,696
Loss on sale of marketable securities (Note 5)	**-**	(23,755)
Gain (loss) on fair value change in convertible debentures (Note 10)	**(4)**	300,124
Gain on settlement with Kamari tokens (Notes 6 and 10)	**-**	4,491,806
Allowance for doubtful account (Note 7)	**(25,000)**	-
Impairment of goodwill (Note 7)	**-**	(13,320,813)
Income tax recoverable (Note 17)	**-**	68,618
Gain on debt Settlement (Note 7, 11 and 15)	**8,020,949**	-
Impairment of intangible assets (Note 6 and 7)	**(446,400)**	-
Gain on disposal of discontinued operations (Note 7)	**7,260**	-
Income (loss) and comprehensive income (loss) for the year/ period	**4,988,774**	(14,274,215)
Income and comprehensive income from continuing operations for the year/ period	**5,511,696**	77,440
Loss and comprehensive loss from discontinued operations for the year/ period	**(522,922)**	(14,351,655)
Income (loss) per share – basic and diluted	**$ 0.13**	$ (0.41)
Income (loss) per share from continuing operations – basic and diluted	**$ 0.15**	$ 0.00
Income (loss) per share from discontinued operations – basic and diluted	**$ (0.01)**	$ (0.41)
Weighted average number of common shares outstanding – basic and diluted	**37,177,948**	34,631,932

ZeU Technologies Inc.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the Year Ended March 31, 2023 and the Fifteen Months ended March 31, 2022
(Expressed in Canadian dollars)

	Number of Common Shares	Common Shares $	Obligation to Issued Shares $	Capital Surplus $	Contributed surplus $	Deficit $	Total Shareholders' Equity (Deficiency) $
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	4,475,000	1,257,000	-	-	158,000	-	1,415,000
Finders fees – cash	-	(50,940)	-	-	-	-	(50,940)
Finders fees - warrants	-	(26,076)	-	-	26,076	-	-
Shares issued on conversion of convertible debentures (Notes 10 and 12)	276,030	94,669	(31,496)	(305,082)	-	-	(241,909)
Shares issued for warrants exercised	1,935,555	587,667	-	-	-	-	587,667
Shares issued for options exercised	650,000	195,000	-	-	-	-	195,000
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
Issued convertible debentures (Note 10)	-	-	-	-	46,868	-	46,868
Stock-based compensation	-	-	-	-	727,630	-	727,630
Equity component related to convertible debentures (Note 10)	-	-	-	3,365,280	-	-	3,365,280
Income from continuing operations for the period	-	-	-	-	-	77,440	77,440
Loss from discontinued operations for the period	-	-	-	-	-	(14,351,655)	(14,351,655)
Balance as at March 31, 2022	**37,177,948**	**9,635,516**	**-**	**3,381,834**	**6,102,777**	**(31,216,162)**	**(12,096,035)**
Shares issued for debt settlement (Note 7, 10 and 11)	-	-	365,783	-	-	-	365,783
Equity component related to convertible debentures (Note 10)	-	-	-	(3,365,280)	3,317,688	-	(47,592)
Income from continuing operations for the period	-	-	-	-	-	5,511,696	5,511,696
Loss from discontinued operations for the period	-	-	-	-	-	(522,922)	(522,922)
Balance as at March 31, 2023	**37,177,948**	**9,635,516**	**365,783**	**16,554**	**9,420,465**	**(26,227,388)**	**(6,789,070)**

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

ZeU Technologies Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended March 31, 2023	Fifteen months ended March 31, 2022
Operating activities		
Net loss and comprehensive income (loss) for the year/ period	$ **4,988,774**	$ (14,274,215)
Non-cash items		
Accretion and interest expenses on convertible debentures	**1,682,584**	2,434,891
Loss on disposal of marketable securities	**-**	23,755
Loss (gain) on fair value change in convertible debentures	**4**	(300,124)
Gain on debt settlement	**(8,020,949)**	(4,491,806)
Income tax recognition	**-**	(68,619)
Foreign exchange gain	**(131,510)**	(56,283)
Impairment of goodwill	**-**	13,320,813
Impairment of intangible assets	**446,400**	-
Gain on disposal discontinued operations	**(7,260)**	-
Allowance for doubtful	**25,000**	-
Stock-based compensation	**-**	727,630
	(1,016,957)	(2,683,958)
Net changes in working capital items		
Prepaid expenses	**(81,306)**	12,170
Accounts receivable	**72,769**	(86,313)
Accounts payable and accrued liabilities	**775,283**	513,010
	766,746	438,867
Net cash used in operating activities	$ **(250,211)**	$ (2,245,091)
Net cash used in operating activities from continuing operations	**(26,582)**	(1,091,081)
Net cash used in operating activities from discontinued operations	**(233,629)**	(1,154,010)
Investing activities		
Marketable securities	**-**	(150,000)
Net proceeds from sale of marketable securities	**-**	126,421
Net cash used in investing activities	$ **-**	$ (23,579)
Net cash used in operating activities from continuing operations	**-**	(23,579)
Net cash used in operating activities from discontinued operations	**-**	-
Financing activities		
Shares issued for cash (Note 12)	**-**	1,364,060
Shares issued for options exercised	**-**	195,000
Shares issued for warrants exercised	**-**	587,667
Advances from related party	**240,962**	240,000
Warrants exercised for debt repayment	**-**	(95,720)
Net cash provided by financing activities	$ **240,962**	$ 2,291,007
Net cash provided by operating activities from continuing operations	**240,962**	2,291,007
Net cash provided by operating activities from discontinued operations	**-**	-
Increase in cash	**(9,249)**	22,337
Cash, beginning	**24,281**	1,944
Cash, ending	$ **15,032**	$ 24,281

The significant non-cash transactions during the periods presented include:

	Year ended March 31, 2023	Fifteen months ended March 31, 2022
Shares issued for convertible debentures	**-**	94,669
Shares issued for debt settlement	**-**	594,000
Obligation to issue shares for debt settlement	**365,783**	-
Payments with digital currency	**-**	4,977,640
Shares issued for acquisition	**-**	625,000

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

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 1000 Rue Sherbrooke Ouest #2700 Montréal, QC H3A 3G4, 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 distributed ledger 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, 2023, St-Georges retained 10,136,191 (2022 - 10,136,191) common shares of the Company. As at March 31, 2023 and 2022, 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, 2023, the Company had a working capital deficiency of $5,821,603 (2022 - $5,852,304), reoccurring losses, no revenue from operations and an accumulated deficit of $26,227,388 (2022 - $31,216,162). As such, the Company's ability to continue as a going concern depends on its ability to raise additional capital and financing successfully. If additional capital and financing are 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.

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 31, 2023.

Basis of Measurement

The financial statements have been prepared on a 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%
ZeU Gaming Inc. ("ZeU Gaming")	Canada	100%

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

On July 29, 2021, the Company incorporated a new subsidiary, ZeU Gaming Inc., to be used for the acquisition of Money Line Sports Inc., operating an infrastructure business for the management of sports and wagering engagement for OTT media streaming & sports wagers.

During the year ended March 31, 2023, the Company discontinued operations in ZeUPay AS (Note 7).

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 currency of the Company and its Canadian subsidiaries is the Canadian Dollar, and the functional and presentation currency of its subsidiary ZeUPay AS is the Norwegian Krone.

Classification of digital currencies

The Company has determined that digital currencies are intangible assets under IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. 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 remeasured 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 realized 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.

The Company currently holds digital currencies that are not traded in an active market and has therefore valued them at $nil (2022 – $nil).

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, accounts receivable, loan receivable, promissory note receivable, accounts payable, loans from related parties, certain convertible debentures, and debt due on demand are classified as amortized cost. The remaining convertible debentures and derivative liabilities are classified as FVTPL.

3. Summary of Significant Accounting Policies (continued)

Measurement

Financial assets at FVTOCI

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

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value, and transaction costs are expensed in the statements of 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

IFRS 9 requires the use of an expected credit loss model on financial assets that are measured at amortized cost to account for expected credit losses at each reporting date to reflect changes in credit risk.

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.

3. Summary of Significant Accounting Policies (continued)

Other financial liabilities

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

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 an 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 realized 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.

Intangible assets also include software and customer lists acquired from Prego. These are indefinite assets with no expiration date and are tested annually for impairment, with any impairment recorded as a loss.

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 the expenditure attributable to the intangible asset reliably 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.

3. Summary of Significant Accounting Policies (continued)

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 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.

Any equity portion derecognized on settlements will be transferred to contributed surplus.

Revenue Recognition

Revenue is recognized 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 recognized when the goods have been delivered and title have been passed. No revenue is recognized 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.

3. Summary of Significant Accounting Policies (continued)

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.

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value. Acquisition costs incurred are expensed.

Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

Goodwill

Goodwill is initially measured at cost, being the excess of consideration transferred and the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost, less any impairment losses. For impairment testing, goodwill acquired is allocated to the individual units that are expected to benefit from the acquisition, regardless of whether they are assigned to those individual units.

Comprehensive Income or Loss

Other comprehensive income or loss is the change in equity from transactions and other events and circumstances from non-shareholder sources. It refers to items recognized in comprehensive income or loss but are excluded from net income or loss calculated in accordance with IFRS.

Provisions

Provisions are recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate of the time value of money and the risks specific to the liability.

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. Anti-dilutive instruments are ignored.

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 is discussed below:

Judgments

Income Taxes

Significant judgment is required in determining the provision for income taxes. Many transactions are undertaken for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax issues based on the current tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the liability, including 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 if it is probable that taxable profit will be available to which a deductible temporary difference can be utilized. This is 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.

On June 7, 2022, the Company received a letter of demand from Mantle Technologies regarding location rental and platform access. The Company is currently in talks with Mantle to settle the dispute.

On July 21, 2022, the Company received a letter of demand from 3 Chinese residents who were part of the original subscribers in the July 5, 2018, Convertible Debenture. The Company is currently in talks with its lawyers to resolve the situation.

4. Critical Accounting Judgments and Estimates (continued)

Estimates

Digital currencies – valuation

Judgement and estimation are 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.

Standards, Amendments and Interpretations Issued but not yet Adopted

The following future accounting standards may include the following, which could have an impact on future financial statements, but are currently determined to have no impact:

IAS 1, “Presentation of Financial Statements” which sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction.

IAS 8, “Changes in Accounting Estimates and Errors” which requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information.

IFRS 10, “Consolidated Financial Statements” outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls.

IAS 28 “Investments in Associates and Joint Ventures” outlines how to apply, with certain limited exceptions, the equity method to investments in associates and joint ventures.

IFRS 12 “Disclosure of Interests in Other Entities” is a consolidated disclosure standard requiring a wide range of disclosures about an entity’s interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities’.

5. Marketable Securities

On January 7, 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 fifteen months ended March 31, 2022, the Company sold 185,185 shares of ThreeD for proceeds of $126,245 (cost of $150,000).

During the year ended March 31, 2023, the Company recorded a loss of $nil (period ended March 31, 2022 - $23,755) upon the sale of shares.

(Expressed in Canadian dollars)

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 their transactions, to control the creation of additional units, and to verify the transfer of assets. With the acquisition of Prego, the Company acquired $13,309,142 of intangible assets, but as of the fifteen months ended March 31, 2022, determined the assets were impaired and wrote them down to the $446,400 of intangible assets, which consisted of only the software and customer lists acquired with indefinite life. During the year ended March 31, 2023, the Company impaired the balance of $446,400 of intangible assets as the Company discontinued operations in this area (Note 7).

Kamari Tokens

In November 2019, the Company received 24,000,000 Kamari tokens in consideration for the issuance of $7,834,000 in convertible debentures (Note 10). On the date of issuance, the Kamari tokens' fair value was determined to be $24,268,723.

The Kamari tokens are currently not trading on any exchange, and accordingly there is no objective evidence to determine the fair value of them at December 31, 2020 or March 31, 2022 and 2023. Accordingly, the Company impaired their value to $nil and recorded an impairment of $6,881,396 in the statement of loss and comprehensive loss as at December 31, 2020.

The continuity of Kamari tokens is as follows:

	Number of Kamari Tokens	Kamari Tokens $
Balance December 31, 2020	**24,000,000**	-
Settlement of $1,161,834 of Kamari convertible debentures on March 31, 2021	(3,366,564)	-
Settlement of $3,815,806 of Kamari convertible debentures on March 21, 2022	(15,338,551)	-
Balance March 31, 2022 and March 31, 2023	**5,294,885**	-

The 24,000,000 Kamari tokens 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 tokens forming the consideration; and (ii) on any given day, any sale on an exchange is limited to 5% of the total volume of Kamari tokens traded. As of March 31, 2023, 5,294,885 (2022 - 3,694,885) Kamari tokens were available for disposal or transfer.

As the Company has a contractual right to repay the debenture and accrued interest using Kamari tokens on a mark to market basis. 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 tokens to the debenture holder. The Company recorded a gain of $1,099,818 on the debt settlement in the statement of loss and comprehensive loss as at March 31, 2021.

On March 21, 2022, the Company repaid the remaining Kamari convertible debenture of $3,417,000 plus $398,806 of accrued interest by transferring 15,338,551 Kamari tokens to the debenture holder. The Company recorded a gain of $3,391,988 on the debt settlement in the statement of loss and comprehensive loss as at March 31, 2022.

(Expressed in Canadian dollars)

7. Distributed, decentralized, peer-to-peer technologies and commitments

Kamari Limited

On November 5, 2019, the Company executed a joint venture agreement with Kamari Limited ("Kamari") of Malta for the joint development and deployment of lotteries and gaming offerings in Africa ("JV Co.").

As at March 31, 2023, the JV Co. remains inactive and has not incurred any expenses or made any payments.

Prego International Group AS

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 10); 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 (issued - Note 12).

The primary reason for acquiring Prego was to acquire the custodial and legacy banking support for the Mula Platform as well as ZeU's other DeFi and Gaming initiatives. ZeUPay offers default legacy KYC and AML coverage for a suite of initiatives.

The Goodwill acquired was the excess of the fair value purchase price over the net assets of Prego, of which significant amounts had been expensed in prior years and not capitalized. During the fifteen months ended March 31, 2022, the ZeUPay expended $2,058,592, including $1,393,295 accretion expense for the debentures to acquire Prego.

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 to acquire 100% of the issued share capital of Prego through its subsidiary ZeUPay Inc. Prego International Group AS changed its name to ZeUPay AS when the transaction is completed.

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
Intercompany receivables	13,662
Intangible assets	446,400
Goodwill	13,320,813
Accounts Payable	(1,309,891)
	12,459,314

7. Distributed, decentralized, peer-to-peer technologies and commitments (continued)

The acquired goodwill consists of the proprietary software, customer lists and previously acquired goodwill. At March 31, 2022, the Company determined that the Goodwill was impaired as the costs to build and operate the platform of ZeUPay as planned have increased up to 20 times the original estimates. As a result, the Company determined it was impaired and took a total write-down of $13,320,813.

ZeUPay AS platform

ZeUPay AS put together a platform for micro-payments and remittance services based in Norway. Over the last year, the policies and fees structure of the clearing banks made the business model impossible to carry forward due to excessive new cost.

The operation was halted in August 2022, and the Company's attempts to replace the original setup failed. The operations of ZeUPay AS were completely stopped on September 30, 2022.

During the year ended March 31, 2023, the Company settled the following items:

- $1,514,910 accounts payable and loans of ZeUPay AS;
- A $7,500,000 convertible debenture issued for the purchase agreement plus accrued interest of $935,753; and
- $35,000 in accrued director fees.

These were settled with a promissory note of $175,000 and 4,130,000 shares of the Company valued at $227,150 (Note 10). The Company recorded a gain of $7,966,523 on the debt settlement. The Company recorded an obligation to issue shares of $227,150 for the debt settlement, and these shares were issued after the year ended March 31, 2023 (Note 18).

MoneyLine Sports Inc.

On May 4, 2021, the Company entered into a letter of intent with MoneyLine Sports Inc ("MoneyLine"), a licensed platform and provider of streaming sports content, to acquire all of its outstanding securities.

On August 11, 2021, the Company, ZeU Gaming, the Company's wholly owned subsidiary, MoneyLine, and the shareholders of MoneyLine entered into a share purchase agreement in which ZeU Gaming would acquire all of the issued and outstanding shares of MoneyLine for a total consideration of $1,501,500.

On August 20, 2021, the Company provided a principal sum of $25,000 to MoneyLine without interest payable on the unpaid principal.

On September 24, 2021, the Company did not complete the due diligence required to finalize the transaction and received notice from MoneyLine of their intent to withdraw from the proposed transaction. The share purchase agreement with MoneyLine was undone. No securities were issued.

On November 25, 2022, the Company sent a Written Notice of Demand to MoneyLine requesting repayment of the $25,000 Promissory Note dated August 20, 2021, by December 26, 2022. During the year ended March 31, 2023, the Company fully impaired the $25,000 promissory note receivable.

Borealis Derivatives DEX ehf

The Company developed a 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.

(Expressed in Canadian dollars)

8. Research and development expenses

During the period ended March 31, 2023, the Company incurred research expenditures of $293,121 (2022 - $862,850) related to the development of its distributed and decentralized encrypted communication platform. The work consisted in redefining and developing patents in peer-to-peer communication, allowing optimization via machine learning of encryption, network data transport and protocols.

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 technology may meet the guidelines and could be capitalized at that time.

9. Accounts payable and accrued liabilities

	March 31, 2023	March 31, 2022
	$	$
Accounts payable (Note 15)	**1,638,465**	1,963,844
Accrued liabilities	**99,979**	82,440
	1,738,444	2,046,284

Due to the limited resources available for debt payments, approximately 94% (2022 – 75%) of these costs are over 90 days due.

10. Convertible Debentures

The convertible debentures continuity schedule as at December 31, 2020 and March 31, 2022 is as follows:

	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**	**Total**
	$	$	$	$	$
Balance at December 31, 2020	**4,053,901**	**147,592**	**3,519,585**	**348,702**	**8,069,780**
Convertible debenture issued	4,134,720	-	513,359	173,132	4,821,211
Convertible debenture on the acquisition	92,198	-	-	-	92,198
Accretion expense and interest	2,001,637	2,370	349,200	81,684	2,434,891
Settlement of convertible debentures with KAM tokens	(4,507,271)	-	-	-	(4,507,271)
Conversion to equity and buyback	(138,821)	(149,962)	-	-	(288,783)
Fair value adjustment	(7,451)	-	-	-	(7,451)
Balance at March 31, 2022	**5,628,913**	**-**	**4,382,144**	**603,518**	**10,614,575**
Current-term	**(8,700)**	**-**	**(4,382,144)**	**-**	**(4,390,844)**
Long-term	**5,620,213**	**-**	**-**	**603,518**	**6,223,731**

(Expressed in Canadian dollars)

10. Convertible Debentures (continued)

The convertible debentures continuity schedule as at March 31, 2023 and 2022 is as follows:

	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	Total
	$		$	$	$
Balance at March 31, 2022	**5,628,913**	-	**4,382,144**	**603,518**	**10,614,575**
Issued	-		175,000	1,156,743	1,331,743
Accretion expense and interest	1,294,001		280,128	108,455	1,682,584
Settlement	(6,902,357)		(465,479)	(921,249)	(8,289,085)
Foreign exchange	(8,599)		(47,880)	-	(56,479)
Balance at March 31, 2023	**11,958**	-	**4,323,913**	**947,467**	**5,283,338**
Current-term	**(11,958)**	-	**(4,323,913)**	**-**	**(4,335,871)**
Long-term	**-**	-	**-**	**947,467**	**947,467**

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.

As at March 31, 2023, the carrying value, including principal and interest of the debt due on demand was $4,148,913 (2022- $3,868,785), and interest expense recognized during the year was $280,128 (period ended March 31, 2022 - $349,200).

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 two 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 for 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.

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).

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.

10. Convertible Debentures (continued)

2019 Convertible Debentures (continued)

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.

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.

On March 21, 2022, the Company exercised its options to repay the remaining $3,417,000 of the Kamari convertible debentures and all accrued interest for a total of $3,815,806 using 15,338,551 KAM tokens.

The carrying value of the Kamari convertible debentures, including accrued interest as at March 31, 2023 and 2022 was $nil, and the accretion and interest expense recognized during the period ended March 31, 2022 was $602,755 (year ended March 31, 2023: nil).

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 a market interest rate of 17%, and the fair value of the warrants issued was estimated using the Black-Scholes Option Pricing Model (Stock price $0.18, exercise price of $0.30, volatility 200%, risk free interest rate of 2.40%, discount for lack of market ability of 35% and 0% dividend yield).

10. Convertible Debentures (continued)

2020 Convertible Debentures (continued)

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 an obligation to issue shares of $31,496 for this conversion, and these shares were issued after the year end December 31, 2020 (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. 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. The proceeds of $76,510 were used to buy back the principal amount together with accrued interest (Note 12).

As at March 31, 2023, the carrying value of the remaining amended debentures, including principal and interest was $11,958 (2022 - $8,700), and interest expense recognized during the year was $3,258 (period ended March 31, 2022 - $5,587).

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.

On March 31, 2023, the Company settled the $7,500,000 convertible debenture plus accrued interest of $935,753.42, $1,514,910 accounts payable and loans of ZeUPay AS, plus $35,000 in accrued director fees with a promissory note of $175,000 and 4,130,000 shares of the company valued at $227,150 (Note 7).

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, 2023 was $480,106 (2022 - $420,444). accretion expense recognized during the period was $59,662 (2022 - $71,742).

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).

On September 23, 2021, the Company received $120,000 from St-Georges in the form of a promissory note which was non-interest bearing, unsecured, and had no fixed terms of repayment. The fair value of the convertible debenture as at March 31, 2023 was $111,630 (2022 - $95,225), accretion expense recognized during the period was $16,405 (2022 - $7,563).

On January 28, 2022, the Company received $100,000 from St-Georges in the form of a promissory note which was non-interest bearing, unsecured and had no fixed terms of repayment. The fair value of the convertible debenture as at March 31, 2023 was $101,039 (2022 - $87,849), accretion expense recognized during the period was $13,190 (2022 - $2,379).

On July 7, 2022, the Company received $140,000 from St-Georges in the form of a promissory note which was non-interest bearing, unsecured and had no fixed terms of repayment. The fair value of the convertible debenture as at March 31, 2023 was $143,510, accretion expense recognized during the period was $16,672.

On September 22, 2022, the Company received $16,000 from St-Georges in the form of a promissory note which was non-interest bearing, unsecured and had no fixed terms of repayment. The fair value of the convertible debenture as at March 31, 2023 was $15,827, accretion expense recognized during the period was $1,331.

On January 27, 2023, the Company received $30,000 from St-Georges in the form of a promissory note which was non-interest bearing, unsecured and had no fixed terms of repayment. The fair value of the convertible debenture as at March 31, 2023 was $27,983, accretion expense recognized during the period was $804.

On February 24, 2023, the Company received $20,000 from St-Georges in the form of a promissory note which was non-interest bearing, unsecured and had no fixed terms of repayment. The fair value of the convertible debenture as at March 31, 2023 was $18,416, accretion expense recognized during the period was $296.

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

On March 22, 2023, the Company received $25,000 from St-Georges in the form of a promissory note which was non-interest bearing, unsecured and had no fixed terms of repayment. The fair value of the convertible debenture as at March 31, 2023 was $22,738, accretion expense recognized during the period was $95.

On March 31, 2023, the Company and St-Georges agreed to consolidating the $807,467 loans and $140,000 additional loans into a $947,467 convertible debenture bearing interest at 18% per annum and convertible into common shares of the Company at a conversion minimum price of $0.10 and with a maturity date of April 30, 2027. The accrued interest of $138,632 converted into 1,386,328 shares of the Company at a deemed price of $0.10 per share. The Company recorded an obligation to issue shares of $138,633 was for this debt settlement, and these shares were issued after the year ended March 31, 2023 (Note 18).

The Company also granted 6,500,000 warrants, with a fair value of $302,420, to St Georges, which are exercisable for three years at a price of $0.15 per share (Note 18). The change in the terms of the debt was accounted for as an extinguishment of the old loans and a loss on debt extinguishment of $14,890 was recorded in the statement of loss and comprehensive loss. The fair value of the new convertible debenture as at March 31, 2023 was $800,645.

The fair value of the warrants issued was estimated using the Black-Scholes Option Pricing Model (Stock price $0.055, exercise price of $0.15, volatility 211%, risk free interest rate of 3.51%, and 0% dividend yield).

12. Share Capital

Common Shares – authorized

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

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 77,400 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 amounts 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.

(Expressed in Canadian dollars)

12. Share Capital (continued)

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.

On December 20, 2021, the Company completed a non-brokered private placement for gross proceeds of $790,000 by issuing 1,975,000 units at a price of $0.40 per unit. The Company paid finders fees of $19,500 in cash and issued 62,500 finders warrants with a fair value of $4,768. The finders' warrants are exercisable at $0.45 per share for a period of 18 months and the fair value was estimated based on the following assumptions: share price at issue date of $0.32; exercise price of $0.45; expected life of 18 months; expected volatility of 154%; risk free interest rate of 0.93%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

Over the period ended March 31, 2022, on various dates, the Company issued 549,539 common shares for warrants exercised for proceeds of $171,862, and issued 650,000 common shares for stock options exercised for proceeds of $195,000.

During the period ended March 31, 2023, there were no shares issued.

Escrow shares

The Company has 1,860,209 (2022 – 5,580,587) escrow shares as at March 31, 2023, 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, 2020	**3,104,988**	**0.30**	**1.58 years**
Issued	12,114,900	1.08	1.92 years
Exercised (Notes 11 and 12)	(1,935,555)	0.30	
Balance, March 31, 2022	**13,284,333**	**0.94**	**0.69 year**
Expired	**(11,246,833)**	**1.11**	
Balance, March 31, 2023	**2,037,500**	**0.45**	**0.22 year**

On July 30, 2022, 1,309,433 warrants expired unexercised.

On January 7, 2023, 2,437,400 warrants expired unexercised.

On March 1, 2023, 7,500,000 warrants expired unexercised.

(Expressed in Canadian dollars)

12. Share Capital (continued)

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 May 18, 2021, a total of 575,000 stock options were granted to purchase common shares, exercisable on or before May 18, 2023, at an exercise price of $0.65 per share. The estimated grant date fair value of these options was $250,122 and was determined based on the following assumptions: share price at grant date of $0.57; exercise price of $0.65; expected life of 2 years; expected volatility of 172%; risk free interest rate of 0.32%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

On May 31, 2021, a total of 250,000 stock options were granted to purchase common shares, exercisable on or before May 31, 2023, at an exercise price of $1.00 per share. The estimated grant date fair value of these options was $129,620 and was determined based on the following assumptions: share price at grant date of $0.70; exercise price of $1.00; expected life of 2 years; expected volatility of 174%; risk free interest rate of 0.32%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

On June 7, 2021, a total of 300,000 stock options were granted to purchase common shares, exercisable on or before June 7, 2023, at an exercise price of $0.75 per share. The estimated grant date fair value of these options was $176,327 and was determined based on the following assumptions: share price at grant date of $0.75; exercise price of $0.75; expected life of 2 years; expected volatility of 175%; risk free interest rate of 0.32%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

On June 15, 2021, a total of 350,000 stock options were granted to purchase common shares, exercisable on or before June 15, 2026, at an exercise price of $0.90 per share. The estimated grant date fair value of these options was $171,562 and was determined based on the following assumptions: share price at grant date of $0.65; exercise price of $0.90; expected life of 5 years; expected volatility of 111%; risk free interest rate of 0.84%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

The following options were outstanding and exercisable as at March 31, 2023:

	Stock Options Outstanding		
	Number of options	**Weighted average exercise price $**	**Weighted average remaining life**
Balance, December 31, 2020	**2,450,000**	**$ 0.30**	**4.96 years**
Options granted	1,475,000	$ 0.79	2.71 years
Options exercised	(650,000)	$ 0.30	
Balance, March 31, 2022	**3,275,000**	**$ 0.52**	**2.89 years**
Balance, March 31, 2023	**3,275,000**	**$ 0.52**	**1.89 years**

As of March 31, 2023, the Company recorded contributed surplus of $727,630 (2022 - $727,630) related to options and $162,768 (2022 - $162,768) related to warrants.

(Expressed in Canadian dollars)

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 are achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risks through preventative controls and transferring risk to third parties.

The Company's exposure to potential loss from financial instruments is primarily due to various market risks, as detailed below.

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 exchange rates, and other relevant market rates 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 will have to issue additional common shares, conclude private placements, and complete debt settlements.

As at March 31, 2023, the Company has current liabilities of $6,074,315 (2022 - $6,437,128) due within 12 months and has cash of $15,032 (2022 - $24,281) and lawyer's trust account of $83,332 (2022 - $nil) to meet its current obligations. Liquidity risk is assessed as high. At March 31, 2023, the Company has long term convertible debentures of $947,467 (2022 - $6,223,731) with a maturity date of April 30, 2027.

The table below summarises the maturity profile of the Group's financial liabilities based on undiscounted payments:

15 Months ended March 31, 2022	On demand	1 year	2-4 years	> 4 years	Total
Interest bearing loans	4,474,342	Matured	Matured	Matured	4,474,342
Short-term convertible debentures	8,700	1,080	Matured	Matured	9,780
Long-term convertible debentures	6,131,533	809,707	1,389,600	2,316,000	10,646,840

Year ended March 31, 2023	On demand	1 year	2-4 years	> 4 years	Total
Interest bearing loans	4,148,913	Due	Due	Due	4,148,913
Promissory note	-	95,000	80,000	-	175,000
Short-term convertible debentures	11,958	Due	Due	Due	11,958
Long-term convertible debentures	-	170,544	511,632	961,679	1,643,855

13. Financial Risk Management and Financial Instruments (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments that potentially subject the Company to credit risk consist primarily of cash, loan receivable and promissory note receivable. 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 and the loan receivable is assessed as medium.

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. However, the debentures the Company holds are at a high rate of interest, and the risk must be considered as high. The Company does not use financial derivatives to reduce its exposure to risk.

Foreign exchange risk

Foreign exchange risk is the risk that the future fair value of cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company's financial results are reported in Canadian dollars, while it conducts a significant portion of its business activities in US dollars, and one of its subsidiaries is reported in Norwegian Krone. The assets, liabilities and expenses that are denominated in US dollars and Norwegian Krones will be affected by changes in the exchange rate between the Canadian dollar, the US dollar and the Norwegian Krone. At March 31, 2023, the Company had foreign exchange risk with respect to US accounts payable of CAD $38,151(2022 – CAD $19,579), and Norwegian Krone accounts payable of CAD $nil (2022 – CAD $836,262). If the Canadian dollar changes by ten percent against all foreign currencies, with all other variables held constant, the impact of the foreign currency change on the Company's foreign denominated financial instruments would result in a reduction or increase of after-tax net loss of approximately $3,815 (2022 - $85,584) for the year ended March 31, 2023.

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 long-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.

(Expressed in Canadian dollars)

13. Financial Risk Management and Financial Instruments (continued)

As at March 31, 2023, the Company's financial instruments carried at fair value are as follows:

	Level 1	Level 2	Level 3
Financial assets			
Financial Liabilities			
Convertible debentures at fair value	-	-	11,958
Convertible debenture due to shareholders to fair value	-	-	947,467

As at March 31, 2022, the Company's financial instruments carried at fair value are as follows:

	Level 1	Level 2	Level 3
Financial assets			
Financial Liabilities			
Convertible debentures at fair value	-	-	5,628,913
Convertible debenture due to shareholders to fair value	-	-	603,518

Liability is measured using level 3 inputs. The fair value was estimated using the 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, 2023 were estimated using level 3 inputs using market interest rates between 19% to 20% (2022 - 19% to 20%).

14. Capital Management

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at March 31, 2023, the Company's shareholders' equity deficiency was $6,789,070 (2022– $12,096,035) and it carried long term debt of $947,467 (2022 – $603,518). The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing 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, the Company incurred transactions with related parties, including companies controlled by its Chief Architect, Chief Technology Officer, and Chief Executive Officer. During the period ended March 31, 2023, the Company incurred research fees of $14,070 (2022- $460,199), which were expensed as research and development costs, management fees of $202,449 (2022 - $841,386), and consulting fees of $60,000 (2022 - $75,191).

A related party of the Company subscribed for a total of 110,000 units for proceeds of $27,500 in the private placement closed on January 7, 2021, and subscribed for a total of 775,000 units for proceeds of $310,000 in the private placement closed on December 20, 2021.

b) Due to Related Parties

At March 31, 2023, included in accounts payable is $644,128 (2022 - $490,239) owing to directors. These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

As at March 31, 2023, the balance of $20,000 (2022 - $20,000) is due to a director of the Company and is included as a loan from related party. This amount is unsecured, non-interest bearing and has no fixed terms for 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, 2023, the Company has a convertible debenture payable to St-Georges with a fair value of $800,645 (2022 - $603,518) (Note 11). As at March 31, 2023, $807,467 was owing to St-Georges and $140,000 additional loans from St-Georges in the form of a promissory note (Note 11) which bearing 18% annual interest, unsecured and had no fixed terms of repayment.

c) Stock Options Granted

During the period ended March 31, 2022, a total of 250,000 stock options were granted to the key management to purchase common shares of the Company at an exercise price of $0.90 per share on or before June 15, 2026. The stock-based compensation related to these options totalled $122,545 for the period ended March 31, 2022.

16. Contingent Liabilities

In the normal course of business, the Company may incur potential liabilities that are indeterminable as at the date of these financial statements. Any costs resulting from these types of issues will be recorded in the period in which they are agreed.

(Expressed in Canadian dollars)

17. Income taxes

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

	March 31, 2023	March 31, 2022
	$	$
Loss for the period before income tax recovery	4,988,774	(14,274,215)
Average statutory rate	26.5%	26.5%
Income tax expense (recovery) based on statutory rates	1,322,025	(3,782,667)
Tax effect of:		
Permanent differences	(1,723,423)	3,089,493
Change in unrecognized deferred tax assets	401,398	624,556
Income tax recovery	-	(68,618)

Deferred income tax assets are only recognized to the extent that the realization of tax benefits is determined to be probable. Deferred tax assets have not been recognized in respect of the following deductible temporary differences as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in subsidiaries that have been loss-making for some time and there are no other tax planning opportunities or other evidence of recoverability in the near future.

	March 31, 2023	March 31, 2022
	$	$
Non-capital losses carried forward	8,545,212	7,254,133
Capital losses carried forward	191,720	191,720
Total unrecognized deductible temporary differences	8,736,932	7,445,853

As of March 31, 2023, the Company has Canadian non-capital loss carry-forwards of approximately $11,404,576 [March 31, 2022 - $9,425,322]. These losses are available to be utilized as deductions against future years' Canadian taxable income from operations. If not utilized, they will expire as follows:

	March 31, 2023	March 31, 2022
2038	1,291,612	1,291,612
2039	2,421,572	2,421,572
2040	1,113,833	1,113,833
2041	1,489,529	1,489,529
2042	937,587	937,587
2043	1,291,079	-
	8,545,212	7,254,133

18. Subsequent Events

Subsequent to the year ended March 31, 2023, 1,125,000 stock options expired unexercised.

Subsequent to the year ended March 31, 2023, 62,500 warrants expired unexercised.

On April 13, 2023, 4,130,000 shares are issued pursuant to the March 31, 2023 debt settlement agreement at a value of $227,150, which are subject to a voluntary resale restriction for a period of 36 months from the date of issuance, with 20% of the shares being released every quarter starting on June 30, 2023.

Pursuant to the March 31, 2023 debt settlement agreement, on May 17, 2023, 6,500,000 warrants of the Company were released to St-Georges at an exercise price of $0.15 per share until May 17, 2026, and on May 18, 2023, a further 1,386,328 shares of the Company were released to St-Georges at a deemed price of $0.10 per share.

On May 4, 2023, pursuant to the March 31, 2023 debt settlement, the Company paid $20,000 to the $175,000 promissory note holder.

On June 6, 2023, the Company extended the term of 1,975,000 warrants originally issued as part of a private placement closed on December 20, 2021. The expiry date is extended by 12 months to June 20, 2024. The extension is subject to the final approval of the CSE.