EURO ASIA PAY HOLDINGS INC.

Condensed Interim Financial Statements

For the three months ended December 31, 2020 and 2019

Expressed in Canadian Dollars

(Unaudited)

EURO ASIA PAY HOLDINGS INC.

Condensed Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	December 31, 2020 $	September 30, 2020 $
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	**33,271**	235,367
Receivables (Note 3)	**125,972**	83,831
Prepaid expenses	**65,566**	76,235
Total Current Assets	**224,809**	395,433
Non-Current Asset		
Equipment (Note 4)	**7,587**	6,215
TOTAL ASSETS	**232,396**	401,648
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Trade payables and accrued liabilities (Note 5, 9)	**163,981**	129,295
Deferred revenue	**67**	-
Total Current Liabilities	**164,048**	129,295
Non-Current Liabilities		
Government loan payable (Note 6)	**25,605**	25,103
Loan and accrued interest payable (Note 9)	**536,675**	382,092
Total Non-Current Liabilities	**562,280**	407,195
Total Liabilities	**726,328**	536,490
Shareholders' Equity (Deficiency)		
Share capital (Note 7)	**5,605,000**	5,605,000
Reserve (Note 8, 9)	**720,036**	676,985
Accumulated deficit	**(6,818,968)**	(6,416,827)
Total Shareholders' Equity (Deficiency)	**(493,932)**	(134,842)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)	**232,396**	401,648

Nature and Continuance of Operations (Note 1)

Commitments (Note 10)

Subsequent Events (Note 13)

Approved on behalf of the Board:

"Morris Chen" *"Donald Kirkwood"*

Morris Chen, Director Donald Kirkwood, Director

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

EURO ASIA PAY HOLDINGS INC.

Condesnsed Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	For the three months ended December 31, 2020	For the three months ended December 31, 2019
	$	$
REVENUE	**131**	-
COST OF REVENUE	**69**	-
GROSS PROFIT	**62**	-
OPERATING EXPENSES		
Consulting fees (Note 10)	**18,000**	18,000
Depreciation (Note 4)	**1,661**	3,149
General and administrative (Note 9, 10)	**183,299**	177,286
Marketing	**71,419**	82,625
Professional fees (Note 10)	**42,190**	22,500
Research and development (Note 9, 10)	**60,277**	259,242
Share-based payments (Note 8, 9)	**27,686**	122,678
Total Operating Expenses	**404,532**	685,480
OTHER ITEMS		
Interest income	**44**	2,874
Gain on sale of equipment	**2,285**	-
NET LOSS AND COMPREHENSIVE LOSS	**402,141**	(682,606)
BASIC AND DILUTED:		
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	**59,611,111**	59,611,111
NET LOSS PER COMMON SHARE	**$ (0.01)**	$ (0.01)

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

EURO ASIA PAY HOLDINGS INC.

Condensed Interim Statement of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

(Unaudited)

	Number of Shares	Amount $	Reserve: Share-Based Payment Reserve $	Reserve: Other $	Accumulated Deficit $	Total Shareholders' Equity (Deficiency) $
Balance – September 30, 2019	59,611,111	5,605,000	278,517	-	(4,418,909)	1,464,608
Share-based payments	-	-	372,517	-	-	372,517
Issuance of below market interest rate debt (Note 9)	-	-	-	25,951	-	25,951
Net loss for the year	-	-	-	-	(1,997,918)	(1,997,918)
Balance – September 30, 2020	59,611,111	5,605,000	651,034	25,951	(6,416,827)	(134,842)
Share-based payments (Note 8)	-	-	27,686	-	-	27,686
Issuance of below market interest rate debt (Note 9)	-	-	-	15,365	-	15,365
Net loss for the year	-	-	-	-	(402,141)	(402,141)
Balance – December 31, 2020	**59,611,111**	**5,605,000**	**678,720**	**41,316**	**(6,818,968)**	**(493,932)**

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

EURO ASIA PAY HOLDINGS INC.
Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended December 31, 2020 $	For the three Months ended December 31, 2019 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**(402,141)**	(682,606)
Items not affecting cash:		
Depreciation	**1,661**	3,149
Share-based payments	**27,686**	122,678
Interest expense	**20,450**	-
Gain on sale of equipment	**(2,285)**	-
Changes in non-cash working capital:		
Receivables	**(42,141)**	16,164
Prepaid expenses	**10,669**	154,348
Trade payables and accrued liabilities	**34,686**	(40,972)
Deferred Revenue	**67**	-
Net cash provided by (used) in operating activities	**(351,348)**	(427,239)
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of equipment	**(3,033)**	-
Proceeds from sale of equipment	**2,285**	
Net cash used in investing activity	**(748)**	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from government grant		-
Proceeds from related party loan	**150,000**	-
Net cash provided by financing activities	**150,000**	-
Change in cash	**(202,096)**	(427,239)
Cash and cash equivalents, beginning	**235,367**	1,101,114
Cash and cash equivalents, ending	**33,271**	673,875
Cash and cash equivalents is comprised of:		
Cash	**4,521**	599,125
Short-term investments	**28,750**	74,750
	33,271	673,875

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

1. Nature and Continuance of Operations

Euro Asia Pay Holdings Inc. (the "Company") was incorporated under the British Columbia Business Corporations Act on October 16, 2017. The head office and principal place of business of the Company is located at 100 – 200 Granville Street, Vancouver, British Columbia V6C 1S4. The Company is a financial technology company. From inception to December 31, 2020, the Company has concentrated its efforts on research and development and has incurred costs related to the development of a mobile application platform. Subsequent to period end, on February 25, 2021, the Company completed its initial public offering and its common shares trade on the Canadian Securities Exchange under the symbol "EAP". See Note 13.

These condensed interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. The proposed business of the Company involves a high degree of risk. The Company has not yet generated significant revenue from operations and incurred a net loss of $402,141 for the three months ending December 31, 2020 and has an accumulated deficit of $6,818,968 as at December 31, 2020. Furthermore, there is no assurance that the Company will be profitable in the future. The continued operations of the Company are dependent on its ability to generate future cash flows from operations or obtain additional financing. These factors raise significant doubt as to the Company's ability to continue as a going concern. These condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption be inappropriate.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the pandemic's impact on its business, results of operations, financial position and cash flows in the future.

2. Significant Accounting Policies

These condensed interim financial statements have been prepared on the historical cost basis except for certain assets and financial instruments that are measured at their fair values, as explained in the significant accounting policies below. Historical cost is based on the fair value of the consideration given in exchange for assets.

The condensed interim financial statements were authorized for issuance on March 1, 2021 by the directors of the Company.

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(a) Statement of Compliance with International Financial Reporting Standards

These condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, and are based on the principles of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim financial statements should be read in conjunction with the Company's financial statements for the year ended September 30, 2020 which include the Company's significant accounting policies and have been prepared in accordance with the same methods of application.

(b) Use of Estimates and Judgments

The preparation of the Company's condensed interim financial statements in accordance with IFRS requires the Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Areas requiring a significant degree of estimation include fair value measurements for financial instruments, useful life of equipment, and estimating the fair value of share-based payment transactions. Areas requiring a significant degree of judgement included evaluation of research and development costs for capitalization, the recoverability and measurement of deferred tax assets and liabilities, and assessment of the Company's ability to continue as a going concern.

3. Receivables

Receivables consist of the following:

	December 31, 2020	September 30, 2020
	$	$
GST	**10,321**	11,695
Contribution (a)	**115,408**	72,136
Other	**243**	-
	125,972	83,831

(a) On November 27, 2020 the Company entered into an Industrial Research Assistance Program Contribution Agreement with the National Research Council Canada as represented by its Industrial Research Assistance Program ("NRC-IRAP"). The NRC-IRAP agreed to contribute up to a maximum of $115,408 (the "Contribution") for salary costs incurred by the Company during the period between June 25, 2020 and December 19, 2020. Contributions received are recorded using the cost reduction method in relation to the applicable costs. Subsequent to December 31, 2020, the Company received the contribution in full.

(Expressed in Canadian Dollars)

4. Equipment

A continuity of the Company's equipment is as follows:

	Computer equipment $
Cost:	
Balance, September 30, 2019	22,714
Additions	4,581
Dispositions	-
Balance, September 30, 2020	27,295
Additions	3,033
Dispositions	(4,143)
Balance, December 31, 2020	**26,185**
Accumulated Depreciation:	
Balance, September 30, 2019	10,044
Additions	11,036
Dispositions	-
Balance, September 30, 2020	21,080
Additions	1,661
Dispositions	(4,143)
Balance, December 31, 2020	**18,598**
Carrying Amounts:	
Balance, September 30, 2020	**6,215**
Balance, December 31, 2020	**7,587**

5. Trade Payables and Accrued Liabilities

Trade payables and accrued liabilities consists of the following:

	December 31, 2020 $	September 30, 2020 $
Trade payables	**72,030**	50,837
Accrued liabilities	**24,581**	24,517
Amounts due to related parties (Note 9)	**15,105**	8,573
Payroll liabilities	**50,944**	45,084
Prepaid card liability	**1,321**	284
	163,981	129,295

6. Government Grant and Loan Payable

On May 13, 2020, under the Canada Emergency Business Account ("CEBA") program, the Company received a $40,000 loan (the "CEBA Loan"). The CEBA Loan was made available on certain terms and conditions, and in reliance on attestations made by the Company in the loan agreement.

The CEBA Loan is an interest-free loan, available to the Company until December 31, 2020. On January 1, 2021, the CEBA Loan will be converted to a 2-year, 0% interest term loan, to be repaid by December 31, 2022. If the Company repays $30,000 by December 31, 2022, a balance of $10,000 will be forgiven. If on December 31, 2022, the Company has not repaid the $30,000, it may exercise the option for a 3-year term extension and, accordingly, a 5% interest rate will be applied during this extension period on any balance remaining.

The funds from the CEBA Loan may only be used by the Company to pay non-deferrable operating expenses including, without limitation, payroll, rent, utilities, insurance, property tax and regularly scheduled debt service, and may not be used to fund any payments or expenses such as prepayment/refinancing of existing indebtedness, payments of dividends, distributions and increases in management compensation.

Upon initial receipt, the Company recorded the CEBA Loan at a fair value of $24,492, based on a prevailing market rate of 8%. For the three months ended December 31, 2020, the Company recorded $502 in interest on the CEBA Loan.

7. Share Capital

(a) Authorized

The Company has authorized an unlimited number of common shares.

(b) Issued share capital

The Company did not issue any common shares during the three months ended December 31, 2020 and the year ended September 30, 2020.

(c) Common share purchase warrants

The Company does not have any outstanding share purchase warrants.

(d) Escrowed shares

Pursuant to an escrow agreement dated July 29, 2020, 52,611,111 shares of the Company are held in escrow.

8. Stock Options

Pursuant to the Company's stock option plan, directors of the Company may, from time to time, authorize the issuance of stock options to directors, officers, employees, and consultants of the Company. The terms of the granted options as well as the vesting conditions are at the sole discretion of the directors.

During the three months ended December 31, 2020, the Company recorded $27,686 (2019 - $122,678) in share-based payments related to the vesting of previously granted stock options.

(Expressed in Canadian Dollars)

8. Stock Options

	Number of options	Weighted average exercise price
Outstanding, September 30, 2019	1,865,000	$ 0.18
Granted	2,560,000	0.18
Cancelled	(555,000)	0.18
Outstanding, September 30, 2020	3,870,000	0.18
Granted	-	-
Cancelled	-	-
Outstanding, December 31, 2020	3,870,000	$ 0.18

Continuity schedule of the incentive stock options is as follows:

Additional information regarding stock options outstanding as at December 31, 2020 is as follows:

Expiry date	Exercise Price	Weighted average remaining contractual life	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
September 30, 2023	$ 0.18	2.75 years	1,050,000	600,000	450,000
June 26, 2023	0.18	2.49 years	700,000	350,000	350,000
August 23, 2024	0.18	3.65 years	460,000	460,000	-
December 2, 2024	0.18	3.93 years	500,000	500,000	-
February 28, 2025	0.18	4.17 years	60,000	60,000	-
June 26, 2025	0.18	4.49 years	1,100,000	1,100,000	-
	$ 0.18	**3.48 years**	**3,870,000**	**3,070,000**	**800,000**

The fair value of options granted was estimated on the date of grant using the Black-Scholes Option Pricing Model assuming no expected dividends and the following assumptions:

	December 31, 2020	December 31, 2019
Expected stock price volatility	**-**	146%
Risk-free interest rate	**-**	1.54%
Expected life of options	**-**	5 Years
Forfeiture rate	**-**	0%

As of December 31, 2020, 3,070,000 (September 30, 2020 - 2,985,000) of the stock options had vested and therefore are exercisable.

Share-based payment reserve

The share-based payment reserve records items recognized as share-based payment expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

(Expressed in Canadian Dollars)

9. Related Party Transactions

(a) Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling activities of the Company. The key management personnel of the Company are the members of the Company's executive management team and the board of directors. During the three months ended December 31, 2020 and 2019 compensation of key management personnel was as follows:

	December 31, 2020	September 30, 2019
	$	$
Short-term benefits	**93,625**	81,620
Share-based compensation	**27,686**	106,455
	121,311	188,075

As of December 31, 2020, the Company owes $10,711 (September 30, 2020 - $6,998) to key management personnel which is unsecured, non-interest bearing and due on demand.

(b) Transactions with other related parties

During the three months ended December 31, 2020, the Company entered into the following transactions with other related parties:

The Company incurred $5,985 (2019 - $13,500) in research and development expense to a company controlled by the Chief Executive Officer of the Company. As of December 31, 2020, the Company owes $4,394, which is unsecured, non-interest bearing and due on demand.

The Company incurred $15,000 (2019 - $nil) in general and administrative expense to a company controlled by the Chief Financial Officer of the Company. As of December 31, 2020, the Company owes $10,500, which is unsecured, non-interest bearing and due on demand.

The Company incurred $ nil (2019 - $151,628) in research and development expense and $ nil (2019 - $15,000) in general and administrative expenses to PayWith Worldwide Inc. ("PayWith"). At December 31, 2020 two directors of the Company are key management personnel and directors of PayWith. As of December 31, 2020, the Company owes $ nil (September 30, 2020 - $1,575) to PayWith, which is unsecured, non-interest bearing and due on demand.

On August 6, 2020, the Company entered into a loan agreement with a company related to a director of the Company. Under the agreement, the Company received a loan of $400,000 which is unsecured, interest bearing at a rate of 8% per annum and matures on November 6, 2021.The Company determined that the stated interest rate was below market rates and recorded a discount of $25,951 using an annual discount rate of 14%. For the three months ended December 31, 2020, the Company has recorded $13,530 in accrued interest which has been recorded in general and administrative expenses.

On November 13, 2020, the Company entered into a loan agreement with a company related to a director of the Company. Under the agreement, the Company received a loan of $150,000 which is unsecured, accrues interest at a rate of 8% per annum and had an original maturity date of January 12, 2021 that was subsequently extended to March 31, 2021. The Company determined that the stated interest rate was below market rates and recorded a discount of $15,365 using an annual discount rate of 14%. For the three months ended December 31, 2020, the Company has recorded $6,418 in accrued interest which has been recorded in general and administrative expenses.

10. Commitments

Commitments

(a) Platform agreement

On July 19, 2019, the Company entered into a platform agreement (the "Platform Agreement") with PayWith and PayWith Canada Inc., a wholly owned subsidiary of PayWith ("PWC"), pursuant to which PayWith and PWC agreed to license the cloud-based technology platform developed and owned by PayWith to the Company in exchange for the payment of certain fees including a monthly flat fee and a volume-based fee. The monthly flat fee of $10,000 is tied to the completion of outstanding deliverables from a Professional Services Agreement dated and effective May 15, 2018 and as amended on July 1, 2018. The volume-based fee is based on 15% of gross monthly revenue generated by the Company upon sales of its product and began accruing on August 1, 2019. During the three months ended December 31, 2020, the Company incurred $ nil (2019 - $ nil) in monthly flat fees and $ nil (2019 - $ nil) in volume-based fees.

(b) Consulting agreements

On November 1, 2017, the Company entered into an agreement with a consultant regarding the provision of legal services. The consultant is to be compensated with a monthly fee of $6,000. For the three months ended December 31, 2020, the Company recorded $18,000 (2019 - $18,000) in professional fees related to this agreement.

On September 1, 2018, the Company entered into an agreement with a consultant regarding the provision of general administrative, office support and organizational services. The consultant is to be compensated with a monthly fee of $6,000. For the three months ended December 31, 2020, the Company recorded $18,000 (2019 - $18,000) in consulting fees related to this agreement.

On June 16, 2020, the Company entered into an agreement with a company controlled by the Chief Financial Officer of the Company regarding the provision of CFO services. The company is to be compensated with a monthly fee of $5,000. For the three months ended December 31, 2020, the Company recorded $15,000 (2019 - $nil) in general and administrative expenses related to this agreement.

11. Management of Capital

The Company's capital structure consists of cash and share capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In order to carry out the planned activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is not subject to external capital requirements.

(Expressed in Canadian Dollars)

12. Financial Instruments and Risk Management

(a) Categories of Financial Instruments and Fair Value Measurements

	December 31, 2020 $	September 30, 2020 $
Financial Assets		
Cash and cash equivalents	**33,271**	235,367
Receivables, net of GST	**115,651**	72,136
Total financial assets	**148,922**	307,503

	September 30, 2020 $	September 30, 2019 $
Financial Liabilities		
Trade payables and due to related parties	**139,400**	104,778
Total financial liabilities	**139,400**	104,778

The levels of the fair value hierarchy are as follows:

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.

The fair value of financial instruments at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial instruments recognized at amortized cost in the condensed interim financial statements approximates their fair value due to the demand nature or short-term maturity of these instruments.

(b) Management of Financial Risks

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash. The Company manages its credit risk relating to cash through the use of a major financial institution which has a high credit quality as determined by rating agencies. The Company assessed credit risk as low.

12. Financial Instruments and Risk Management (continued)

(b) Management of Financial Risks (continued)

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered. The Company has nominal sources of revenue and has obligations to meets its administrative overheads and to settle amounts payable to its creditors. The Company has been successful in raising equity financing; however, there is no assurance that it will be able to do so in the future. The Company assesses liquidity risk as high.

Market Risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and equity prices.

Foreign Exchange Risk
Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company is not exposed to any significant foreign exchange risk.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents consist of cash held in bank accounts and redeemable short-term investment certificates. The Company is not exposed to significant interest rate risk.

13. Subsequent Events

On February 25, 2021, the Company completed its initial public offering of 8,376,000 units (each, a "Unit") at a price of $0.25 per Unit for gross proceeds of $2,094,000 (the "IPO"). Each Unit consists of one common share of the Company (each, a "Common Share"), and one warrant exercisable into one Common Share at a price of $0.45 per Common Share until February 25, 2023. The Common Shares trade on the Canadian Securities Exchange under the symbol "EAP".

Pursuant to an agency agreement dated October 27, 2020, Canaccord Genuity Corp. acted as agent (the "Agent") for the IPO. The Agent received a cash commission, a corporate finance fee and reimbursement of its reasonable expenses. The corporate finance fee was settled partially through the payment of cash and partially through the issuance of 330,000 Units at a deemed price of $0.25 per Unit.

The Company also granted the Agent and its selling group members 390,080 non-transferrable compensation warrants (each, an "Agent's Warrant") equal to 8% of the number of Units sold in the IPO (except in respect of Units sold to subscribers included on the president's list, for which the Agent received that number of Agent's Warrants equal to 4.5% of the number of Units sold to such subscribers). Each Agent's Warrant entitles the holder thereof to purchase one Unit (each, an "Agent's Unit") at a price of $0.25 per Agent's Unit until February 25, 2023. Each Agent's Unit consists of one Common Share and one warrant exercisable into one Common Share at a price of $0.45 per Common Share until February 25,2023.

On February 9, 2021, the Company entered into a loan agreement with a company related to a director of the Company. Under the agreement, the Company received a loan of $150,000 which is unsecured, accrues interest at a rate of 8% per annum and matures on March 31, 2021.