

EURO ASIA PAY HOLDINGS INC.

Condensed Interim Financial Statements

For the three months ended December 31, 2021 and 2020

Expressed in Canadian Dollars

(Unaudited)

NOTICE TO READER

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

The condensed interim financial statements of the Company for the period ended December 31, 2021 have been prepared by and are the responsibility of the Company's management.

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

EURO ASIA PAY HOLDINGS INC.

Condensed Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	December 31, 2021 \$	September 30, 2021 \$
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	632,121	612,526
Receivables (Note 3)	114,630	26,243
Prepaid expenses	97,216	95,690
Total Current Assets	843,967	734,459
Non-Current Asset		
Equipment (Note 4)	2,965	4,263
TOTAL ASSETS	846,932	738,722
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Trade payables and accrued liabilities (Note 5, 9)	885,586	344,968
Loan and accrued interest payable (Note 6)	754,115	439,154
Total Current Liabilities	1,639,701	784,122
Non-Current Liabilities		
Government loan payable (Note 6)	36,954	36,229
Total Non-Current Liabilities	36,954	36,229
Total Liabilities	1,676,655	820,351
Shareholders' Equity (Deficiency)		
Share capital (Note 7)	7,443,356	7,443,356
Reserve (Note 8, 9)	1,090,521	1,090,521
Accumulated deficit	(9,363,600)	(8,615,506)
Total Shareholders' Equity (Deficiency)	(829,723)	(81,629)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)	846,932	738,722

Nature and Continuance of Operations (Note 1)

Commitments (Note 10)

Subsequent Events (Note 13)

Approved on behalf of the Board:

"Morris Chen"

Morris Chen, Director

"Peter MacKay"

Peter MacKay, Director

EURO ASIA PAY HOLDINGS INC.

Condensed Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	For the three months ended December 31, 2021 \$	For the three months ended December 31, 2020 \$
REVENUE	16,807	131
COST OF REVENUE	4,127	69
GROSS PROFIT	12,680	62
OPERATING EXPENSES		
Consulting fees (Note 10)	39,000	18,000
Depreciation (Note 4)	1,298	1,661
General and administrative (Note 9, 10)	237,336	183,299
Marketing	141,853	71,419
Professional fees (Note 10)	31,900	42,190
Research and development (Note 9, 10)	310,128	60,277
Share-based payments (Note 8, 9)	-	27,686
Total Operating Expenses	761,515	404,532
OTHER ITEMS		
Interest income	654	44
Other income	87	2,285
NET LOSS AND COMPREHENSIVE LOSS	(748,094)	(402,141)
BASIC AND DILUTED:		
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	68,392,111	59,611,111
NET LOSS PER COMMON SHARE	\$ (0.01)	\$ (0.01)

EURO ASIA PAY HOLDINGS INC.

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

(Expressed in Canadian Dollars)

(Unaudited)

	Number of Shares	Amount \$	Reserve		Accumulated Deficit \$	Total Shareholders' Equity (Deficiency) \$
			Share-Based Payment Reserve \$	Other \$		
Balance – September 30, 2020	59,611,111	5,605,000	651,034	25,951	(6,416,827)	(134,842)
Issued for cash	8,376,000	2,094,000				2,094,000
Issued to finder	330,000	82,500				82,500
Share issuance costs		(363,800)	61,280			(302,520)
Issuance of below market interest rate debt (Note 9)				15,365		15,365
Amortization of deferred benefit				(40,427)	-	(40,427)
Shares issued upon exercise of stock options	75,000	25,656	(12,156)		-	13,500
Share based payments			389,474			389,474
Net loss for the year	-	-	-	-	(2,198,679)	(2,198,679)
Balance – September 30, 2021	68,392,111	7,443,356	1,089,632	889	(8,615,506)	(81,629)
Issued for cash						
Net loss for the year	-	-	-	-	(748,094)	(748,094)
Balance – December 31, 2021	68,392,111	7,443,356	1,089,632	889	(9,363,600)	(829,723)

EURO ASIA PAY HOLDINGS INC.

Condensed Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	For the three months ended December 31, 2021 \$	For the three Months ended December 31, 2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(748,094)	(402,141)
Items not affecting cash:		
Depreciation	1,298	1,661
Share-based payments	-	27,686
Interest expense	15,686	20,450
Gain on sale of equipment	-	(2,285)
Changes in non-cash working capital:		
Receivables	(88,387)	(42,141)
Prepaid expenses	(1,526)	10,669
Trade payables and accrued liabilities	540,618	34,686
Deferred Revenue		67
Net cash provided by (used) in operating activities	(280,405)	(351,348)
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 loan	300,000	150,000
Net cash provided by financing activities	300,000	150,000
Change in cash	19,595	(202,096)
Cash and cash equivalents, beginning	612,526	235,367
Cash and cash equivalents, ending	632,121	33,271
Cash and cash equivalents is comprised of:		
Cash	603,371	4,521
Short-term investments	28,750	28,750
	632,121	33,271

EURO ASIA PAY HOLDINGS INC.

Notes to the Condensed Interim Financial Statements

December 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

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, 2021, the Company has concentrated its efforts on research and development and has incurred costs related to the development of a mobile application platform.

On February 25, 2021, the Company completed its initial public offering (the “IPO”) and its common shares were listed for trading on the Canadian Securities Exchange under the symbol “EAP”.

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 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 \$748,094 for the three months ending December 31, 2021 and has an accumulated deficit of \$9,363,600 as at December 31, 2021. 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 February 28, 2022 by the directors of the Company.

EURO ASIA PAY HOLDINGS INC.

Notes to the Condensed Interim Financial Statements

December 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

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, 2021 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, 2021	September 30, 2021
	\$	\$
GST	13,643	16,925
Loan	75,584	
Other	25,403	9,318
	114,630	26,243

On October 28, 2021, the Company entered into a loan agreement with NexPay Pty Ltd. Under the agreement, the Company received a loan of \$75,584 (AUD 80,000) which is unsecured, accrues interest at a rate of 5% per annum and had a maturity date of October 28, 2022.

EURO ASIA PAY HOLDINGS INC.

Notes to the Condensed Interim Financial Statements

December 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

4. Equipment

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

	Computer equipment \$
<u>Cost:</u>	
Balance, September 30, 2020	27,295
Additions	4,783
Dispositions	(7,687)
Balance, September 30, 2021	24,391
Additions	
Dispositions	
Balance, December 31, 2021	24,391
<u>Accumulated Depreciation:</u>	
Balance, September 30, 2020	21,080
Additions	6,488
Dispositions	(7,440)
Balance, September 30, 2021	20,128
Additions	1,298
Dispositions	
Balance, December 31, 2021	21,426
<u>Carrying Amounts:</u>	
Balance, September 30, 2021	4,263
Balance, December 31, 2021	2,965

5. Trade Payables and Accrued Liabilities

Trade payables and accrued liabilities consists of the following:

	December 31, 2021 \$	September 30, 2021 \$
Trade payables	95,792	19,188
Accrued liabilities	80,318	86,560
Advance for share subscriptions	350,000	
Wages payable	44,996	45,206
Prepaid card liability	314,480	194,014
	885,586	344,968

EURO ASIA PAY HOLDINGS INC.

Notes to the Condensed Interim Financial Statements

December 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

6. Loans Payable

On October 1, 2021, the Company issued an unsecured convertible debenture in the principal amount of \$300,000 (the "Debenture") to an investor. The Debenture bears interest at the rate of 8% per annum and has a term of 12 months. For the three months ended December 31, 2021, the Company recorded interest payable of \$6,049.

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 was 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 loan, 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.

On February 26, 2021, the Company received an additional \$20,000 loan (the "CEBA Expansion") on terms and conditions similar to the CEBA Loan. If the Company repays \$10,000 by December 31, 2022, a balance of \$10,000 will be forgiven.

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 and CEBA Expansion at fair values of \$21,771 and \$11,530 respectively, based on a prevailing market rate of 8%. For the three months ended December 31, 2021, the Company recorded interest and accretion of \$483 (2020 - \$446) and \$242 (2020 - \$ nil) respectively on the CEBA Loan and CEBA Expansion.

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, 2021 (2020 - nil).

EURO ASIA PAY HOLDINGS INC.

Notes to the Condensed Interim Financial Statements

December 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

7. Share Capital (continued)

(c) Warrants

As at December 31, 2021, the Company has 9,096,080 (2020 - nil) outstanding share purchase warrants.

Information regarding warrants outstanding as at December 31, 2021 is as follows:

Expiry date	Exercise Price	Number of options outstanding
February 25, 2023	\$ 0.45	8,706,000
February 25, 2023	0.25	390,080
		9,096,080

(d) Escrow shares

As at December 31, 2021, 39,458,334 (2020 - 52,611,111) common shares of the Company are held in escrow.

(e) 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.

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, 2021, the Company recorded \$ nil (2020 - \$27,686) in share-based payments related to the vesting of previously granted stock options.

Continuity schedule of the incentive stock options is as follows:

	Number of options	Weighted average exercise price
Outstanding, September 30, 2020	3,870,000	\$ 0.18
Granted	1,535,000	0.26
Exercised	(75,000)	0.18
Cancelled	(30,000)	0.18
Outstanding, September 30, 2021	5,300,000	0.20
Granted	-	-
Cancelled	-	-
Outstanding, December 31, 2021	5,300,000	\$ 0.20

EURO ASIA PAY HOLDINGS INC.

Notes to the Condensed Interim Financial Statements

December 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

8. Stock Options (continued)

Additional information regarding stock options outstanding as at December 31, 2021 is as follows:

Expiry date	Exercise Price	Weighted average remaining contractual life	Number of options outstanding	Number of options vested (exercisable)
September 30, 2023	\$ 0.18	1.75 years	1,050,000	1,050,000
June 26, 2023	0.18	1.49 years	700,000	700,000
August 23, 2024	0.18	2.65 years	355,000	355,000
December 2, 2024	0.18	2.93 years	500,000	500,000
February 28, 2025	0.18	3.17 years	60,000	60,000
June 26, 2025	0.18	3.49 years	1,100,000	1,100,000
August 4, 2026	0.26	4.60 years	1,535,000	1,535,000
	\$ 0.20	3.09 years	5,300,000	5,300,000

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, 2021 and 2020, compensation of key management personnel was as follows:

	December 31, 2021 \$	December 31, 2020 \$
Short-term benefits	75,496	93,625
Share-based compensation		27,686
	75,496	121,311

As of December 31, 2021, the Company owes \$8,109 (September 30, 2021 - \$ nil) 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, 2021, the Company entered into the following transactions with other related parties:

EURO ASIA PAY HOLDINGS INC.

Notes to the Condensed Interim Financial Statements

December 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

9. Related Party Transactions (continued)

(b) Transactions with other related parties (continued)

- (i) 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 had an original maturity date of November 6, 2021 that was subsequently extended to February 6, 2022 (the "Loan"). 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, 2021, the Company has recorded \$8,911 (2020 - \$13,530) in interest and accretion expense 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 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, 2021, the Company incurred \$ nil (2020 - \$ nil) in monthly flat fees and \$ nil (2020 - \$ 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, 2021, the Company recorded \$18,000 (2020 - \$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, which amount was amended to \$3,000 during the third quarter of fiscal 2021. For the three months ended December 31, 2021, the Company recorded \$9,000 (2020 - \$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 chief financial officer services. The company is to be compensated with a monthly fee of \$5,000. For the three months ended December 31, 2021, the Company recorded \$15,000 (2020 - \$15,000) in professional fees related to this agreement.

EURO ASIA PAY HOLDINGS INC.

Notes to the Condensed Interim Financial Statements

December 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

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.

12. Financial Instruments and Risk Management

(a) *Categories of Financial Instruments and Fair Value Measurements*

	December 31, 2021 \$	September 30, 2021 \$
Financial Assets		
Cash and cash equivalents	632,121	612,526
Receivables, net of GST	100,987	9,318
Total financial assets	733,108	621,844
Financial Liabilities		
Trade payables and due to related parties	805,268	258,408
Loan and accrued interest payable	754,115	439,154
Total financial liabilities	1,559,383	697,562

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.

EURO ASIA PAY HOLDINGS INC.

Notes to the Condensed Interim Financial Statements

December 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

12. Financial Instruments and Risk Management (continued)

(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.

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 meet 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 January 7, 2022, the Company closed a non-brokered private placement at a price of \$0.25 per unit (the "Offering") for gross proceeds of \$575,282. The Company issued and sold an aggregate of 2,301,128 units to various subscribers, with each unit consisting of one common share of the Company and one share purchase warrant. Each warrant is exercisable into one common share of the Company at a price of \$0.45 per share for a period of 24 months.

In connection with the Offering, the Company converted an aggregate of \$754,049 in outstanding debt relating to the Debenture and the Loan into 3,016,196 units on identical terms.