

# **EURO ASIA PAY HOLDINGS INC.**

Condensed Interim Financial Statements

For the three and six months ended March 31, 2022 and 2021

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 March 31, 2022 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)

	<b>March 31, 2022</b>	September 30, 2021
	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 420,125	\$ 612,526
Receivables (Note 3)	149,118	26,243
Prepaid expenses	222,796	95,690
<b>Total Current Assets</b>	<b>792,039</b>	734,459
<b>Non-Current Asset</b>		
Equipment (Note 4)	1,695	4,263
<b>TOTAL ASSETS</b>	<b>\$ 793,734</b>	<b>\$ 738,722</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Trade payables and accrued liabilities (Note 5)	\$ 723,596	\$ 344,968
Loan and accrued interest payable	452,992	439,154
<b>Total Current Liabilities</b>	<b>1,176,588</b>	784,122
<b>Non-Current Liabilities</b>		
Government loan payable (Note 6)	37,693	36,229
<b>Total Non-Current Liabilities</b>	<b>37,693</b>	36,229
<b>Total Liabilities</b>	<b>1,214,281</b>	820,351
<b>Shareholders' Equity (Deficiency)</b>		
Share capital (Note 7)	8,772,687	7,443,356
Reserve (Note 7)	1,090,522	1,090,251
Accumulated deficit	(10,283,756)	(8,615,506)
<b>Total Shareholders' Equity (Deficiency)</b>	<b>(420,547)</b>	(81,629)
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>	<b>\$ 793,734</b>	<b>\$ 738,722</b>

Nature and Continuance of Operations (Note 1)

Commitments (Note 10)

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)

	Three months ended		Six months ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
<b>REVENUE</b>	\$ 21,996	\$ 456	\$ 38,803	\$ 587
<b>COST OF REVENUE</b>	5,215	136	9,342	205
<b>GROSS PROFIT</b>	16,781	320	29,461	382
<b>OPERATING EXPENSE</b>				
Consulting fees (Note 10)	51,526	18,000	90,526	36,000
Depreciation (Note 4)	1,270	1,674	2,568	3,335
General and administrative	248,990	249,256	486,326	432,642
Marketing	144,911	72,768	286,764	144,187
Professional fees (Note 10)	29,139	71,914	61,039	114,104
Research and development (Note 10)	462,082	75,228	772,210	144,505
Share-based payments (Note 8)	-	19,312	-	46,998
Total Operating Expenses	937,918	508,152	1,699,433	921,771
<b>OTHER ITEM</b>				
Interest income	981	43	1,635	86
Other income	-	11,977	87	14,263
Total Other Item	981	12,020	1,722	14,349
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	\$ (920,156)	\$ (495,812)	\$ (1,668,250)	\$ (907,040)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:</b>				
<b>BASIC</b>	73,354,947	62,996,778	70,846,261	61,285,342
<b>DILUTED</b>	92,713,862	70,404,142	87,696,490	66,904,588
<b>NET LOSS PER SHARE</b>	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (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	Other		
<b>September 30, 2020</b>	<b>59,611,111</b>	<b>\$ 5,605,000</b>	<b>\$ 651,034</b>	<b>\$ 25,951</b>	<b>\$ (6,416,827)</b>	<b>\$ (134,842)</b>
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				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)
<b>September 30, 2021</b>	<b>68,392,111</b>	<b>7,443,356</b>	<b>1,089,632</b>	<b>889</b>	<b>(8,615,506)</b>	<b>(81,629)</b>
Issued for cash	2,301,128	575,282				575,282
Shares issued upon conversion of debt	3,016,196	754,049				754,049
Net loss for the year	-	-	-	-	(1,668,250)	(1,668,250)
<b>March 31, 2022</b>	<b>73,709,435</b>	<b>\$ 8,772,687</b>	<b>\$ 1,089,632</b>	<b>\$ 889</b>	<b>\$ (10,283,756)</b>	<b>\$ (420,547)</b>

**EURO ASIA PAY HOLDINGS INC.**

## Condensed Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	<b>For the six months ended March 31, 2022</b>	For the six months ended March 31, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (1,668,250)	\$ (907,040)
Items not affecting cash:		
Depreciation	2,568	3,335
Share-based payments	-	46,999
Interest expense	5,301	50,060
Government grant	-	(11,191)
Gain on sale of equipment	-	(3,072)
Changes in non-cash working capital:		
Receivables	(122,875)	23,794
Prepaid expenses	(127,106)	14,393
Trade payables and accrued liabilities	378,628	7,497
Net cash provided by (used) in operating activities	<b>(1,531,734)</b>	<b>(775,225)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Purchase of equipment	-	(4,783)
Proceeds from sale of equipment	-	3,319
Net cash used in investing activity	-	(1,464)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from CEBA loan	-	20,000
Proceeds (repayment) of related party loan	10,000	(6,247)
Proceeds from share issuance	1,329,333	1,913,069
Net cash provided by financing activities	<b>1,339,333</b>	<b>1,926,822</b>
Change in cash	<b>(192,401)</b>	1,150,133
Cash and cash equivalents, beginning	<b>612,526</b>	235,367
Cash and cash equivalents, ending	<b>\$ 420,125</b>	\$ 1,385,500
Cash and cash equivalents is comprised of:		
Cash	<b>\$ 391,375</b>	\$ 1,356,750
Short-term investments	<b>28,750</b>	28,750
	<b>\$ 420,125</b>	\$ 1,385,500

# **EURO ASIA PAY HOLDINGS INC.**

Notes to the Condensed Interim Financial Statements

March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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## **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 170 – 422 Richards Street, Vancouver, British Columbia V6B 2Z4. The Company is a financial technology company. From inception to March 31, 2022, 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 are 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 \$1,668,250 for the six months ending March 31, 2022 and has an accumulated deficit of \$10,283,756 as at March 31, 2022. 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 May 30, 2022 by the directors of the Company.

## EURO ASIA PAY HOLDINGS INC.

Notes to the Condensed Interim Financial Statements

March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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### 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:

	<b>March 31, 2022</b>	September 30, 2021
GST	<b>\$ 30,774</b>	\$ 16,925
Loan	<b>75,584</b>	
Other	<b>42,760</b>	9,318
	<b>\$ 149,118</b>	\$ 26,243

On October 28, 2021, the Company entered into a loan agreement with NexPay Pty Ltd. Under the agreement, the Company issued 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

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### 4. Equipment

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

	<b>Computer equipment</b>
<u>Cost:</u>	
Balance, September 30, 2020	\$ 27,295
Additions	4,783
Dispositions	(7,687)
Balance, September 30, 2021	24,391
Additions	
Dispositions	
<b>Balance, March 31, 2022</b>	<b>\$ 24,391</b>
<u>Accumulated Depreciation:</u>	
Balance, September 30, 2020	\$ 21,080
Additions	6,488
Dispositions	(7,440)
Balance, September 30, 2021	20,128
Additions	2,568
Dispositions	
<b>Balance, March 31, 2022</b>	<b>\$ 22,696</b>
<u>Carrying Amounts:</u>	
Balance, September 30, 2021	\$ 4,263
<b>Balance, March 31, 2022</b>	<b>\$ 1,695</b>

### 5. Trade Payables and Accrued Liabilities

Trade payables and accrued liabilities consists of the following:

	<b>March 31, 2022</b>	September 30, 2021
Trade payables	\$ 200,226	\$ 19,188
Accrued liabilities	89,652	86,560
Wages payable	42,940	45,206
Prepaid card liability	390,778	194,014
	<b>\$ 723,596</b>	<b>\$ 344,968</b>

## **EURO ASIA PAY HOLDINGS INC.**

Notes to the Condensed Interim Financial Statements

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### **6. Loans 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 was converted to a 2-year, 0% interest term loan, to be repaid by December 31, 2022. If the Company repays \$26,667 by December 31, 2022, a balance of \$13,333 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 \$13,333 by December 31, 2022, a balance of \$6,667 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 six months ended March 31, 2022, the Company recorded interest of \$976 and \$488 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*

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 an unsecured convertible debenture, a loan with a company related to a director of the Company, and accrued interest into 3,016,196 units on identical terms.

## EURO ASIA PAY HOLDINGS INC.

Notes to the Condensed Interim Financial Statements

March 31, 2022

(Expressed in Canadian Dollars)

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### 7. Share Capital (continued)

#### (c) Common share purchase warrants

Information regarding warrants outstanding as at March 31, 2022 is as follows:

Expiry date	Exercise Price	Number of warrants outstanding
February 25, 2023	\$ 0.45	8,706,000
February 25, 2023	0.25	390,080
January 7, 2024	0.45	5,317,324
		<b>14,413,404</b>

#### (d) 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.

#### (e) Escrow shares

As at March 31, 2022, 31,566,668 common shares of the Company are held in escrow (September 30, 2021 - 39,458,334).

### 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 six months ended March 31, 2022, 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, March 31, 2022	5,300,000	0.20

## EURO ASIA PAY HOLDINGS INC.

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### 8. Stock Options (continued)

Additional information regarding stock options outstanding as at March 31, 2022 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	1.50 years	1,050,000	1,050,000
June 26, 2023	0.18	1.24 years	700,000	700,000
August 23, 2024	0.18	2.40 years	355,000	355,000
December 2, 2024	0.18	2.68 years	500,000	500,000
February 28, 2025	0.18	2.92 years	60,000	60,000
June 26, 2025	0.18	3.24 years	1,100,000	1,100,000
August 4, 2026	0.26	4.35 years	1,535,000	1,535,000
	<b>\$ 0.20</b>	<b>2.84 years</b>	<b>5,300,000</b>	<b>5,300,000</b>

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:

	March 31, 2022	September 30, 2021
Expected stock price volatility	126%	145%
Risk-free interest rate	0.78%	1.07%
Expected life of options	5 Years	5 Years
Forfeiture rate	0%	0%

### 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 six months ended March 31, 2022 and 2021, compensation of key management personnel was as follows:

	March 31, 2022	March 31, 2021
Short-term benefits	\$ 155,500	\$ 136,430
Share-based compensation	-	46,998
	<b>\$ 155,500</b>	<b>\$ 183,428</b>

As of March 31, 2022, the Company owes \$5,250 (September 30, 2021 - \$ nil) to key management personnel which is unsecured, non-interest bearing and due on demand.

## EURO ASIA PAY HOLDINGS INC.

Notes to the Condensed Interim Financial Statements

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### 9. Related Party Transactions (continued)

#### (b) Transactions with other related parties

During the six months ended March 31, 2022, the Company entered into a series of loan agreements with a company related to a director of the Company. Under the agreements, the Company received loans of \$450,000 which are unsecured, interest bearing at a rate of 8% per annum and mature on March 31, 2023.

For the six months ended March 31, 2022, the Company has recorded \$2,992 in accrued interest which has been recorded in general and administrative expenses.

### 10. 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 six months ended March 31, 2022, the Company incurred \$ nil (2021 - \$ nil) in monthly flat fees and \$ nil (2021 - \$ 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 six months ended March 31, 2022, the Company recorded \$36,000 (2021 - \$36,000) 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 was amended to \$3,000 during the third quarter of fiscal 2021. For the six months ended March 31, 2022, the Company recorded \$18,000 (2021 - \$36,000) 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 six months ended March 31, 2022, the Company recorded \$30,000 (2021 - \$30,000) 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,

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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*

	March 31, 2022	September 30, 2021
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 420,125	\$ 612,526
Receivables, excluding GST	118,344	9,318
<b>Total financial assets</b>	<b>\$ 538,469</b>	<b>\$ 621,844</b>
<b>Financial Liabilities</b>		
Trade payables and due to related parties	\$ 633,944	\$ 258,408
Loan and accrued interest payable	452,992	439,154
<b>Total financial liabilities</b>	<b>\$ 1,086,936</b>	<b>\$ 697,562</b>

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.

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(Expressed in Canadian Dollars)

(Unaudited)

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### 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

In April and May 2022, the Company entered into a series of loan agreements with a company related to a director of the Company. Under the agreements, the Company received loans of \$600,000 which are unsecured, interest bearing at a rate of 8% per annum and mature in April and May, 2023.

On April 29, 2022, the Company granted a total of 1,300,000 incentive stock options to various directors, officers and employees. Each option vests immediately and is exercisable into one common share of the Company at a price of \$0.15 per share for a period of five years.