

**BNSELLIT TECHNOLOGY INC.**

**Consolidated Financial Statements**

**December 31, 2021**

## Independent Auditors' Report

To: The Shareholders of **BSELLIT TECHNOLOGY INC.**

### Opinion

We have audited the consolidated financial statements of BSELLIT TECHNOLOGY INC. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2021 and the consolidated statements of net and comprehensive loss, changes in shareholders' equity and cash flows for the period 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 financial position of the Company as at December 31, 2021, and the results of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

### 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the 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.

### Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which indicates that at December 31, 2021 the Company had a deficit of \$868,517. This condition, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

### Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

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 auditors' 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 auditors' 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 these consolidated financial statements in accordance with International Financial Reporting Standards, 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

Independent Auditors' Report (continued)

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.

Auditors' 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 auditors' 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 judgement 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.
- 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 auditors' 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 auditors' 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 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.

The engagement partner on the audit resulting in this Independent Auditors' report is Roland Bishop, CPA, CA.



Chartered Professional Accountants

March 29, 2022  
Calgary, Alberta

**BSELLIT TECHNOLOGY INC.**  
**Consolidated Statement of Financial Position**

**As at December 31,**

**2021**

**Assets**

Current assets

Cash	\$	477,951
Deposits		7,680
GST/HST receivable		58,888
		<u>544,519</u>

**Deposits**

**Equipment (note 6)**

**Right of use asset (note 8)**

**BSELLIT platform intellectual property (note 7)**

28,973

3,331

186,229

1,312,598

**Total assets**

\$ 2,075,650

**Liabilities**

Current liabilities

Accounts payable and accrued liabilities	\$	123,268
Lease liability (note 8)		99,286
		<u>222,554</u>

**Lease liability (note 8)**

87,400

**Total liabilities**

309,954

**Shareholders' equity**

**Share capital (note 9)**

**Deficit**

**Total equity**

2,634,213

(868,517)

1,765,696

**Total liabilities and equity**

\$ 2,075,650

**Going concern (note 2)**

Approved on behalf of the Board

(signed) Paul Shelley Director

(signed) James Chepyha Director

*See accompanying notes to consolidated financial statements*

**BSELLIT TECHNOLOGY INC.**  
**Consolidated Statement of Net and Comprehensive Loss**

**For the period ended December 31,**

**2021**

Gross revenue	\$	1,130
Cost of sales		(914)
<b>Net revenue</b>		<u>216</u>
<b>Expenses</b>		
Professional fees		454,287
Wages and related benefits		192,322
Subcontractors		127,431
Office and administration		73,309
Travel		11,358
Depreciation		9,053
Lease interest		973
		<u>868,733</u>
<b>Net and comprehensive loss</b>	\$	<u>(868,517)</u>
Basic and diluted loss per share	\$	(0.02)
Weighted average number of shares outstanding		39,629,195

*See accompanying notes to consolidated financial statements*

**BSELLIT TECHNOLOGY INC.**  
**Consolidated Statement of Changes in Shareholders' Equity**

**December 31, 2021**

	Number of shares	Share capital	Deficit	Total
<b>Opening balance</b>	-	\$ -	\$ -	-
Share issuances	45,866,839	2,725,732	-	2,725,732
Share redemptions	(62,800)	(62,800)	-	(62,800)
Share issue costs	-	(28,719)	-	(28,719)
Net and comprehensive loss	-	-	(868,517)	(868,517)
<b>Balance as at December 31, 2021</b>	<b>45,804,039</b>	<b>\$ 2,634,213</b>	<b>\$ (868,517)</b>	<b>\$ 1,765,696</b>

*See accompanying notes to consolidated financial statements*

**BNSELLIT TECHNOLOGY INC.**  
**Consolidated Statement of Cash Flows**

**For the period ended December 31,**

**2021**

**Operating activities**

Net and comprehensive loss \$ (868,517)

Non-cash items:

Depreciation 9,053

Lease interest 973

Changes in non-cash working capital:

GST/HST receivable (58,888)

Deposits (36,653)

Accounts payable and accrued liabilities 123,268

(830,764)

**Investing activity**

Purchase of equipment (3,919)

Intangible asset expenditures (145,598)

(149,517)

**Financing activities**

Share issuances 1,495,932

Share issue costs (28,719)

Lease payments (8,981)

1,458,232

Increase in cash 477,951

Cash, beginning of period -

Cash, end of period \$ 477,951

*See accompanying notes to consolidated financial statements*

**BSELLIT TECHNOLOGY INC.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021**

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**1. Nature of operations**

BSELLIT TECHNOLOGY INC. and its wholly owned subsidiary BSELLIT Technology (US) Incorporated (the “Company”) were incorporated under the laws of Alberta on February 4, 2021 and Delaware on May 21, 2021 respectively. The Company holds intellectual property related to the BSELLIT and BNBUYIT applications for iOS and Android operating systems.

The Company’s corporate office is 421 7 Avenue SW – 30<sup>th</sup> Floor, Calgary, AB T2P 4K9.

**2. Going concern**

These consolidated financial statements have been prepared on a going concern basis which assumes the Company will continue operating for the foreseeable future and will be able to realize a return on its assets and discharge its liabilities and commitments in the ordinary course of its business.

For the period ended December 31, 2021 the Company incurred a net and comprehensive loss and deficit of \$868,517. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The Company’s continued existence is dependent upon the commercial success of the intellectual property and the Company’s ability to raise additional capital or financing for which there lies material uncertainty. These consolidated financial statements do not include any adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

**3. Statement of compliance**

The consolidated financial statements of the Company comply with International Financial Reporting Standards (“IFRS”) interpretations as issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The audited financial statements were authorized for issue by the Board of Directors on, March 29, 2022.

**4. Significant accounting policies**

**a) Basis of presentation**

The consolidated financial statements have been presented in Canadian dollars, which is also the functional currency, on a historical cost basis except for measurement of financial instruments at fair value through profit or loss.

**b) Consolidation**

Assets, liabilities, income and expenses of the subsidiary are included in the consolidated financial statements from the date that the Company gains control until the date that the Company ceases to control the subsidiary. All intercompany balances and transactions have been eliminated on consolidation.



**4. Significant accounting policies, continued**

**c) BSELLIT platform intellectual property**

BSELLIT platform intellectual property (the “IP”) is measured at cost less accumulated depreciation and impairment losses. The amortization rate has not yet been determined at the time of these financial statements.

**d) Equipment**

Equipment comprises of computer equipment and is stated at cost. Depreciation is provided on a declining balance at a rate of 30%.

**e) Impairment of non-financial assets**

The non-financial assets are reviewed for indicators of impairment during each financial period and are adjusted if appropriate. If any such indication exists, then the asset’s recoverable amount is estimated. The recoverable amount is the greater of the asset’s value in use and fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

**f) Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

**4. Significant accounting policies, continued**

**f) Leases, continued**

The right of use asset is subsequently amortized using the straight-line method from the commencement date to the lesser of the end of the lease term or the useful life of the underlying asset. The right of use asset is reduced by any impairment losses, if any, and adjusted for re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease if readily determinable, or the Company's incremental borrowing rate. The lease payments include fixed and variable payments, residual value guarantees, and the exercise price under a purchase option that the Company is reasonably certain to exercise. The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in the expected future lease payments because of a revision to the lease term.

The Company does not recognize right of use assets and lease liabilities for leases of low-value assets and short-term leases of less than twelve months. Lease payments associated with these leases are expensed on a straight-line basis over the lease term.

**g) Revenue recognition**

The Company earns transaction fees which are recognized when the corresponding transaction has occurred, the amount can reliably be measured and collection is reasonably assured.

**h) Income taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **4. Significant accounting policies, continued**

##### **i) Financial instruments**

###### *Recognition*

Financial assets and financial liabilities are recognized on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

###### *Classification*

Financial assets are classified as subsequently measured at amortized cost or fair value through profit or loss on the basis of both the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The classification of subsequently measured at amortized cost is used when the objective of the business model is to hold assets and collect contractual cash flows, and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Cash is subsequently measured at amortized cost.

Financial liabilities are classified as subsequently measured at amortized cost, unless they meet the criteria for measurement at fair value or other prescribed measurement.

The accounts payable and accrued liabilities are subsequently measured at amortized cost.

###### *Measurement*

Financial assets and financial liabilities classified as subsequently measured at amortized cost are initially measured at fair value plus or minus transaction costs that are directly attributable to the acquisition of the financial asset or issue of the financial liability. Subsequently, the financial assets and liabilities are measured at amortized cost using the effective interest rate method.

###### *Impairment*

Financial assets classified as subsequently measured at amortized cost reflect the Company's assessment of expected credit losses. Expectations reflect historical credit losses, adjusted for forward looking factors. The expected credit loss provision is based on expectations for the next twelve months unless there has been a significant increase in the customer's credit risk, resulting in the provision being based on expectations for the remaining lifetime of the asset.

##### **j) Loss per share**

Basic loss per share is calculated by dividing net loss attributable to common shares of the Company by the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per share. Under this method, the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of in-the-money options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and the exercise of options and warrants that would be anti-dilutive.

**BNSELLIT TECHNOLOGY INC.**  
**Notes to Consolidated Financial Statements**  
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**5. Use of estimates and judgements**

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, 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 estimates are revised and in any future periods affected.

Key areas with estimate uncertainties are as follows:

- a. Indicators of impairment of IP – Management is required to assess, at each reporting date, whether there are any indicators that the asset may be impaired. Management is required to consider information from both external and internal sources.

Key areas with judgments in applying accounting policies are as follows:

- a. Going concern – Management is required to make a judgment on whether the Company will be able to continue as a going concern. See note 2.

**6. Equipment**

	<b>Cost</b>		<b>Accumulated depreciation</b>		<b>Net book value</b>
Computer equipment	\$ 3,919	\$	588	\$	3,331

**7. BNSELLIT platform intellectual property**

The IP was acquired from BNSELLIT CANADA INCORPORATED on May 31, 2021 for \$1,167,000 in exchange for common shares as described in note 9. During the period, the Company capitalized additional costs of \$145,598.

**BNSELLIT TECHNOLOGY INC.**  
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**8. Right of use asset and lease liability**

The Company entered into a lease for an office facility during the period. The lease has a term of 23 months and expires October 31, 2023 with an interest rate of 6% per annum.

Right of use asset:

		<u>2021</u>
<b>Cost</b>		
Beginning of period	\$	-
Additions		194,694
At December 31, 2021	\$	<u>194,694</u>
<b>Accumulated depreciation</b>		
Beginning of period	\$	-
Depreciation expense		8,465
At December 31, 2021	\$	<u>8,465</u>
<b>Net book value</b>		
At December 31, 2021	\$	<u>186,229</u>

Lease liability:

		<u>2021</u>
Beginning of period	\$	-
Recognized in the period		194,694
Lease interest		973
Lease payments		<u>(8,981)</u>
At December 31, 2021		186,686
Less: current portion		<u>(99,286)</u>
	\$	<u>87,400</u>

The Company is committed to future lease payments as follows:

2022	\$107,786
2023	89,822

**BSELLIT TECHNOLOGY INC.**  
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**9. Share capital**

Authorized with an unlimited number of the following shares:

Class A voting common shares  
Class B non-voting common shares

	<u>2021</u>
Issued	
Class A voting common shares (45,804,039 issued)	\$ 2,662,932
Less: share issue costs	<u>(28,719)</u>
	\$ 2,634,213

During the period, the Company issued 45,804,039 shares at prices of \$0.01 to \$0.34 per share. The Company issued 6,019,657 shares for cash consideration of \$1,558,732 and 39,705,882 shares in exchange for IP from BSELLIT CANADA INCORPORATED with the fair value of \$1,167,000 determined using estimated replacement cost. Included in the above was the issuance of 78,500 Class B non-voting common shares of which 15,700 were converted into 157,000 Class A voting common shares and 62,800 were redeemed as \$1 per share in the period. The Company incurred issue costs of \$28,719 on these transactions.

**10. Related Party Transactions**

During the period, the Company incurred fees for software development services of \$130,000 related to setup of the IP which have been capitalized and paid rent expense of \$25,000 to a Company with management in common.

During the period, the Company paid wages and related benefits to an individual related to a director of the Company in the amount of \$31,250.

Key management compensation recognized in wages and related benefits and subcontractors as follows:

Chief Financial Officer	\$ 75,000
Chief Operating Officer	37,500
Chief Technology Officer	<u>20,000</u>
	\$ 132,500

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**11. Income taxes**

Income taxes reported differ from the amount computed by applying the statutory federal and provincial/state income tax rates to income before income taxes. The reasons for these differences and their tax effects at a rate of 26.5% are as follows:

	<b>2021</b>
Net loss before tax	\$ 868,517
Statutory rate	26.5%
Income tax recovery at statutory rate	230,157
Share issue costs and other	(6,730)
Amount not recognized	(236,887)
Income tax expense	\$ -

The deferred tax asset is comprised of the following:

Non-capital losses carried forward	\$ 229,916
Share issue costs	6,230
Equipment, right of use asset and lease liability	741
Total unrecognized deferred tax asset	\$ 236,887

The Company has Canadian non-capital loss carryforwards of \$635,333 which expire in 2041 and US non-capital loss carryforwards of \$232,273 have no set expiry.

**12. Capital management**

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, provide adequate working capital and maintain cash on hand. The Company defines capital as the Company's shareholders' equity. At December 31, 2021 the Company had equity of \$1,765,696. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

### **13. Financial instruments and risk management**

#### Fair value measurements

Financial instruments carried at fair value on the statement of financial position are assessed using the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

Due to the short term nature of the cash and accounts payable and accrued liabilities the carrying value approximates its fair value.

#### Liquidity risk

Liquidity risk is the potential for the Company to have difficulty in meeting its obligations associated with financial liabilities as they become due. The Company's financial liabilities consist of the accounts payable and accrued liabilities. The Company's financial liabilities have contractual maturities of less than one year.