

# **CODEBASE VENTURES INC.**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
DECEMBER 31, 2020 AND 2019**

(Expressed in Canadian Dollars)

## **INDEPENDENT AUDITOR'S REPORT**

vancouver@bakertilly.ca  
**www.bakertilly.ca**

To the Shareholders of Codebase Ventures Inc.:

### *Opinion*

We have audited the consolidated financial statements of Codebase Ventures Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the consolidated financial statements, which describes the events and conditions indicating that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Graeme L. Cocke.

*Baker Tilly WM LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.  
April 30, 2021

**Codebase Ventures Inc.**  
Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

|                                                          | <b>Note</b> | December 31,<br>2020 | December 31,<br>2019 |
|----------------------------------------------------------|-------------|----------------------|----------------------|
| <b>ASSETS</b>                                            |             |                      |                      |
| <b>Current</b>                                           |             |                      |                      |
| Cash                                                     |             | \$ 894,548           | \$ 79,278            |
| Receivables                                              |             | 28,000               | 5,250                |
| Prepaid expenses and deposits                            |             | 43,494               | 30,771               |
| Loan receivable                                          | 8           | 20,600               | -                    |
|                                                          |             | 986,642              | 115,299              |
| <b>Non-Current</b>                                       |             |                      |                      |
| Investment in associate - Capital Blocktech Inc.         | 6           | 331,980              | 332,722              |
| Investment in associate - Glanis Pharmaceuticals Inc.    | 7           | 990,000              | -                    |
| Long term investments                                    | 8           | 816,120              | 1,773,115            |
| <b>Total assets</b>                                      |             | <b>\$ 3,124,742</b>  | <b>\$ 2,221,136</b>  |
| <b>LIABILITIES AND EQUITY</b>                            |             |                      |                      |
| <b>Current</b>                                           |             |                      |                      |
| Accounts payable and accrued liabilities                 | 9           | \$ 158,457           | \$ 210,058           |
| <b>Equity</b>                                            |             |                      |                      |
| Share capital                                            | 10          | 20,085,264           | 16,169,720           |
| Contributed surplus                                      | 10          | 4,019,525            | 2,955,483            |
| Accumulated other comprehensive income                   |             | (9,650)              | (5,510)              |
| Deficit                                                  |             | (21,139,314)         | (17,112,525)         |
| Total equity attributable to shareholders of the Company |             | 2,955,825            | 2,007,168            |
| Non-controlling interest                                 |             | 10,460               | 3,910                |
| Total equity                                             |             | 2,966,285            | 2,011,078            |
| <b>Total liabilities and equity</b>                      |             | <b>\$ 3,124,742</b>  | <b>\$ 2,221,136</b>  |

Nature and continuance of operations (Note 1)  
Subsequent events (Note 14)

Approved on behalf of the Board of Directors on **April 30, 2021**:

**"George Tsafalas" - Director**

**"Brian Keane" - Director**

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

**Codebase Ventures Inc.****Consolidated Statements of Loss and Comprehensive Loss**

(Expressed in Canadian Dollars)

|                                                    |             | Year Ended<br>December 31,<br>2020 | Year Ended<br>December 31,<br>2019 |
|----------------------------------------------------|-------------|------------------------------------|------------------------------------|
|                                                    | <b>Note</b> |                                    |                                    |
| <b>Expenses</b>                                    |             |                                    |                                    |
| Depreciation                                       | 5           | \$ -                               | \$ 560,167                         |
| Advertising and promotion                          |             | 522,385                            | 563,548                            |
| Office and miscellaneous                           |             | 173,600                            | 239,726                            |
| Professional fees                                  |             | 309,225                            | 285,120                            |
| Regulatory and transfer agent                      |             | 62,749                             | 61,976                             |
| Management and consulting                          | 9           | 784,445                            | 1,415,643                          |
| Share-based compensation                           | 10          | 699,719                            | -                                  |
| Travel                                             |             | 93,840                             | 197,720                            |
| <b>Total expenses</b>                              |             | (2,645,963)                        | (3,323,900)                        |
| Interest and other income                          |             | 140,906                            | 17,763                             |
| Foreign exchange                                   |             | 10,760                             | 59,023                             |
| Impairment - Blockchain Media Tech LLC             | 4           | -                                  | (170,000)                          |
| Impairment - Token Media Tech LLC                  | 5           | -                                  | (1,881,395)                        |
| Impairment - Temporary investment                  |             | -                                  | (21,845)                           |
| Loss from investment in associate                  | 6           | (742)                              | (273,433)                          |
| Loss on debt settlement                            |             | (19,666)                           | -                                  |
| Gain (loss) on sale of long-term investments       | 8           | (352,957)                          | 14,000                             |
| Unrealized gain (loss) on long-term investments    | 8           | (1,152,577)                        | 246,217                            |
| <b>Net loss before tax</b>                         |             | (4,020,239)                        | (5,333,570)                        |
| Deferred tax recovery                              |             | -                                  | 373,000                            |
| <b>Net loss for the year</b>                       |             | (4,020,239)                        | (4,960,570)                        |
| Comprehensive loss:                                |             |                                    |                                    |
| Items that may be reclassified to profit and loss: |             |                                    |                                    |
| Translation adjustment                             |             | (4,140)                            | (6,055)                            |
| <b>Comprehensive loss for the year</b>             |             | \$ (4,024,379)                     | \$ (4,966,625)                     |
| <b>Net loss attributable to:</b>                   |             |                                    |                                    |
| Net loss - shareholders of the Company             |             | \$ (4,026,789)                     | \$ (4,954,020)                     |
| Net loss - non-controlling interest                |             | 6,550                              | (6,550)                            |
|                                                    |             | \$ (4,020,239)                     | \$ (4,960,570)                     |
| <b>Loss per share</b>                              |             |                                    |                                    |
| Basic and diluted                                  |             | \$ (0.09)                          | \$ (0.20)                          |
| <b>Weighted average number of common shares</b>    |             |                                    |                                    |
| Basic and diluted                                  |             | 45,869,423                         | 26,334,947                         |

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

**Codebase Ventures Inc.**  
Consolidated Statements of Cash Flows  
(Expressed in Canadian Dollars)

|                                                 | Year ended<br>December 31,<br>2020 | Year ended<br>December 31,<br>2019 |
|-------------------------------------------------|------------------------------------|------------------------------------|
| <b>Operating activities</b>                     |                                    |                                    |
| Net loss for the year                           | \$ (4,020,239)                     | \$ (4,960,570)                     |
| Adjusted for:                                   |                                    |                                    |
| Depreciation                                    | -                                  | 560,167                            |
| Impairment - Blockchain Media Tech LLC          | -                                  | 170,000                            |
| Impairment - Token Media Tech LLC               | -                                  | 1,881,395                          |
| Impairment - Temporary investment               | -                                  | 21,845                             |
| Loss from investment in associate               | 742                                | 273,433                            |
| Accrued interest income                         | (86,905)                           | (17,890)                           |
| Deferred tax recovery                           | -                                  | (373,000)                          |
| Loss on debt settlement                         | (19,666)                           | -                                  |
| Loss (gain) on sale of long-term investments    | 352,956                            | (14,000)                           |
| Share-based payments                            | 699,719                            | -                                  |
| Unrealized foreign exchange loss (gain)         | (20,481)                           | (54,700)                           |
| Unrealized loss (gain) on long-term investments | 1,152,577                          | (246,217)                          |
| Changes in non-cash working capital:            |                                    |                                    |
| Receivables                                     | (22,750)                           | (5,136)                            |
| Prepaid expenses and deposits                   | (12,723)                           | 83,475                             |
| Accounts payable and accrued liabilities        | 99,786                             | 127,246                            |
| Cash flows from operating activities            | (1,876,984)                        | (2,553,952)                        |
| <b>Investing activities</b>                     |                                    |                                    |
| Acquisition of long-term investment             | (285,045)                          | (1,327,000)                        |
| Proceeds on disposition of long-term investment | 518,268                            | 115,000                            |
| Loan advanced                                   | (693,175)                          | -                                  |
| Cash flows from investing activities            | (459,952)                          | (1,212,000)                        |
| <b>Financing activities</b>                     |                                    |                                    |
| Proceeds from private placements                | 3,150,604                          | 2,515,945                          |
| Proceeds from exercise of warrants and options  | 151,562                            | 500,000                            |
| Share issuance costs                            | (149,960)                          | (170,738)                          |
| Cash flows from financing activities            | 3,152,206                          | 329,262                            |
| Effect of exchange rate changes on cash         | -                                  | (20,696)                           |
| <b>Change in cash</b>                           | 815,270                            | (3,457,386)                        |
| <b>Cash, beginning of year</b>                  | 79,278                             | 1,020,719                          |
| <b>Cash, end of year</b>                        | \$ 894,548                         | \$ (2,436,667)                     |
| <b>Supplemental cash flow information</b>       |                                    |                                    |
| Tax paid                                        | \$ -                               | \$ -                               |
| Interest paid                                   | \$ -                               | \$ -                               |
| Shares issued to settle debt                    | \$ 137,661                         | \$ -                               |
| Glanis acquisition for shares                   | \$ 990,000                         | \$ -                               |
| Fair value of warrants granted as finders' fees | \$ 203,307                         | \$ 121,650                         |

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

**Codebase Ventures Inc.**  
Consolidated Statements of Changes in Equity  
(Expressed in Canadian Dollars)

|                                        | Number of common<br>shares | Share Capital | Contributed surplus | Accumulated other<br>comprehensive<br>income | Accumulated Deficit | Non-controlling<br>interest | Total equity |
|----------------------------------------|----------------------------|---------------|---------------------|----------------------------------------------|---------------------|-----------------------------|--------------|
| <b>Balance, December 31, 2018</b>      | 22,826,883                 | \$ 13,446,163 | \$ 2,833,833        | \$ 545                                       | \$ (12,158,505)     | \$ 10,460                   | \$ 4,132,496 |
| Shares issued for private placements   | 7,650,367                  | 2,515,945     | -                   | -                                            | -                   | -                           | 2,515,945    |
| Shares issued for warrants exercised   | 1,000,000                  | 500,000       | -                   | -                                            | -                   | -                           | 500,000      |
| Finders' fees - cash                   | -                          | (170,738)     | -                   | -                                            | -                   | -                           | (170,738)    |
| Finders' fees - warrants               | -                          | (121,650)     | 121,650             | -                                            | -                   | -                           | -            |
| Translation adjustment                 | -                          | -             | -                   | (6,055)                                      | -                   | -                           | (6,055)      |
| Net loss for the year                  | -                          | -             | -                   | -                                            | (4,954,020)         | (6,550)                     | (4,960,570)  |
| <b>Balance, December 31, 2019</b>      | 31,477,250                 | 16,169,720    | 2,955,483           | (5,510)                                      | (17,112,525)        | 3,910                       | 2,011,078    |
| Shares issued for private placements   | 37,375,061                 | 2,989,588     | 161,016             | -                                            | -                   | -                           | 3,150,604    |
| Shares issued for warrants exercise    | 2,020,833                  | 151,562       | -                   | -                                            | -                   | -                           | 151,562      |
| Shares issued for debt conversion      | 1,966,583                  | 137,661       | -                   | -                                            | -                   | -                           | 137,661      |
| Finders' fees - cash                   | -                          | (149,960)     | -                   | -                                            | -                   | -                           | (149,960)    |
| Shares issued to acquire 49% of Glanis | 6,600,000                  | 990,000       | -                   | -                                            | -                   | -                           | 990,000      |
| Finders' fees - warrants               | -                          | (203,307)     | 203,307             | -                                            | -                   | -                           | -            |
| Share-based payments                   | -                          | -             | 699,719             | -                                            | -                   | -                           | 699,719      |
| Translation adjustment                 | -                          | -             | -                   | (4,140)                                      | -                   | -                           | (4,140)      |
| Net loss for the year                  | -                          | -             | -                   | -                                            | (4,026,789)         | 6,550                       | (4,020,239)  |
| <b>Balance, December 31, 2020</b>      | 79,439,727                 | \$ 20,085,264 | \$ 4,019,525        | \$ (9,650)                                   | \$ (21,139,314)     | \$ 10,460                   | \$ 2,966,285 |

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

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Codebase Ventures Inc. (the “Company”) was incorporated in British Columbia on February 19, 2009. The Company’s registered address is 1780-355 Burrard Street, Vancouver, British Columbia, Canada.

Shares of the Company are listed on the Canadian Securities Exchange (“CSE”) under the symbol CODE, and are quoted on the Frankfurt Stock Exchange (“FWB”) under the symbol C5B, and on the OTCQB under the symbol BKLLF. The Company’s principal activities relate to identifying investments in the technology, biotechnology, cannabis, and CBD wellness sectors.

On June 26, 2020 the Company completed a consolidation of its common shares (“share consolidation”) on the basis of one post-consolidation common share for every ten pre-consolidation common shares held (10-to-1). All references contained in these consolidated financial statements to issued and outstanding common shares, warrants, options, per share amounts, and exercise prices, have been retrospectively restated to reflect the effect of the share consolidation.

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for at least the next twelve months. The Company has incurred losses since its inception and has an accumulated deficit of \$21,139,314 as at December 31, 2020. In addition, the Company has experienced negative cash flows from operations.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Company’s environment and in the global markets, possible disruption in supply chains, as a result of measures introduced and being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and physical distancing) could have a material impact on the Company’s future operations. As of the issue date of these consolidated financial statements the extent of the impact of this outbreak and related containment measures on the Company’s operations cannot be reliably estimated.

These events and conditions, create a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, identifying and acquiring businesses or assets, and generating profitable operations in the future. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

**2. SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

*Basis of Measurement*

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Codebase Ventures Inc.**  
Notes to the Consolidated Financial Statements  
December 31, 2020 and 2019  
(Expressed in Canadian Dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Basis of Consolidation*

These consolidated financial statements include the accounts of the Company and its subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. These consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

| <b>Name of subsidiary</b>      | <b>Abbreviation</b>   | <b>Country of Incorporation</b> | <b>Percentage Ownership</b> | <b>Functional Currency</b> | <b>Principal Activity</b> |
|--------------------------------|-----------------------|---------------------------------|-----------------------------|----------------------------|---------------------------|
| 360 Blockchain USA Inc.        | 360 USA               | USA                             | 100%                        | USD                        | Holding Company           |
| SV CryptoLab Inc.              | SV Crypto             | USA                             | 80%                         | USD                        | Inactive                  |
| Blockchain Media Tech LLC      | Blockchain Media Tech | USA                             | 100%                        | USD                        | Inactive                  |
| Token Media Tech LLC           | Token Media Tech      | USA                             | 100%                        | USD                        | Inactive                  |
| Code Cannabis Investments Inc. | Code Cannabis         | CAN                             | 100%                        | CAD                        | Holding Company           |

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. The accounting policies of its subsidiaries are consistent with the policies adopted by the Company.

During the year ended December 31, 2020, Blockchain Media Tech and Token Media Tech were wound up by the Company.

*Foreign Currencies*

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and Code Cannabis. The functional currency of 360 USA, SV Crypto, Blockchain Media Tech and Token Media Tech is the US dollar.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate in effect at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss).

Subsidiaries

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at period-end rates; and
- Income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations in each period are classified in the consolidated statement of comprehensive income (loss) and the cumulative effect as at the period end is reported as accumulated other comprehensive income. Cumulative differences are recognized in profit or loss in the period in which the operation is disposed of.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Financial Instruments*

*Recognition*

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

*Classification and Measurement*

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified into the following measurement categories:

- i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and,
- ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

The classification and measurement bases of the Company's financial instruments are as follows:

| <b>Financial Instrument</b>                       | <b>Classification</b> |
|---------------------------------------------------|-----------------------|
| Cash                                              | FVTPL                 |
| Receivables                                       | Amortized cost        |
| Loan receivable                                   | Amortized cost        |
| Long-term investments                             | FVTPL                 |
| Long-term investments – in convertible debentures | Amortized cost        |
| Accounts payable and accrued liabilities          | Amortized cost        |

After initial recognition at fair value, financial liabilities are classified and measured at either:

- i) amortized cost;
- ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost or FVTOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed within profit or loss in the period incurred.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Cash and Cash Equivalents*

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. There were no cash equivalents as at December 31, 2020 and December 31, 2019.

*Impairment*

At the end of each reporting period the carrying amounts of the Company's non-monetary assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss in the period in which the impairment arises. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

*Investment in Associates*

The Company follows the equity method of accounting for its investments in associates in which it owns less than 50% and over which it exercises significant influence. Under this method, the Company includes in profit or loss its share of the net earnings or losses of the associate less dividends received, if any.

Once management determines that it no longer has significant influence, it recognizes the investment at fair value, with any gain or loss recognized in profit or loss. Following recognition at fair value, the investment is treated as FVTOCI.

*Share Capital*

Financial instruments issued by the Company are classified as equity only to the extent they do not meet the definition of a financial liability or financial asset. The Company's common shares, options and warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued as consideration for goods or services are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the fair value of the goods or services cannot be estimated reliably, then the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the value of the common shares, based on the market value of the common shares on the date that the common shares are issued.

Equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are assigned value based on the residual value method and included in contributed surplus. Warrants that are issued as transaction costs are accounted for as share-based payments.

*Share Issue Costs*

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to profit or loss.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Share-based Payment Transactions*

The Company offers equity-settled share-based payments to directors, officers, employees and non-employees. Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are valued at the date the goods or services are received.

The fair value of instruments granted is measured using the Black-Scholes Option Pricing Model, taking into account the terms and conditions under which the instruments are granted. The fair value of the awards is adjusted by an estimate of the number of awards that are expected to vest as a result of non-market conditions. At each consolidated statement of financial position date, the Company revises its estimates of the number of options that are expected to vest based on the non-market conditions including the impact of the revision to original estimates, if any, with corresponding adjustments to equity.

Consideration received on the exercise of stock options and warrants is recorded as share capital and the related contributed surplus is transferred to share capital.

*Earnings (Loss) per Share*

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is based on the weighted average number of common shares, stock options, and warrants outstanding at the beginning of or granted during the period, calculated using the treasury stock method. Under this method, the proceeds from the exercise of the options and warrants are assumed to be used to repurchase the Company's shares. The difference between the number of shares assumed purchased and the number of options and warrants assumed exercised is added to the actual number of shares outstanding to determine diluted shares outstanding for purposes of calculating diluted earnings per share. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive, in which case the diluted loss per share is equivalent to the basic loss per share.

*Income Taxes*

Income tax expense is comprised of current and deferred tax components. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the related tax is recognized in equity or other comprehensive income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the asset and liability method. Under this method, the Company calculates all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the period end date. Deferred tax is calculated based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply to the year of realization or settlement based on tax rates and laws enacted or substantively enacted at the period end date.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses and tax credits can be utilized. The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Significant Accounting Estimates and Judgements*

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which affect the application of accounting policies and the reported amounts of assets, liabilities, revenue 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. Significant estimates include:

- the determination of deferred income tax assets and liabilities;
- the valuation and measurement of the long-term investments, including the determination of fair value; and
- the valuation of investments in associates.

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements include the following:

- the determination of the functional currency of the Company and each subsidiary; and
- the evaluation of the Company's ability to continue as a going concern.

**3. ADOPTED AND UPCOMING ACCOUNTING PRONOUNCEMENTS**

There were no new accounting standards or amendments that became effective for the year ended December 31, 2020 which had a material impact on the consolidated financial statements.

New accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

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**4. BLOCKCHAIN MEDIA TECH LLC**

On March 19, 2018, the Company completed the acquisition of Blockchain Media Tech by issuing 200,000 common shares to the vendor. The fair value of the 200,000 common shares of the Company was determined to be \$0.85 per common share, or \$170,000 based on the market value at the date of issuance.

The transaction did not constitute a business combination as the operations of Blockchain Media Tech did not meet the definition of a business under IFRS 3, Business Combinations. As a result, the acquisition was accounted for as an asset acquisition, the assets acquired, and liabilities assumed were recorded at fair value. Upon closing of the transaction, Blockchain Media Tech became a subsidiary of the Company. The net assets acquired pursuant to the acquisition are as follows:

| <b>Consideration</b>                 |    |         |
|--------------------------------------|----|---------|
| 200,000 common shares                | \$ | 170,000 |
| <b>Fair value of assets acquired</b> |    |         |
| Blockchain based tracking technology | \$ | 170,000 |

The Company's investment in Blockchain Media Tech was put on hold during the year ended December 31, 2019. As such the Company recognized an impairment charge of \$170,000 in relation to this investment as at December 31, 2019.

**5. TOKEN MEDIA TECH LLC**

On July 23, 2018, the Company acquired all of the assets of Token Media Tech (formerly known as ICO Ranker), a platform that houses resources for token sale data and insight, in consideration for US\$1,500,000 in cash and US\$250,000 payable in common shares of the Company. The fair value of the 488,806 common shares of the Company was determined to be \$0.55 per common share, based on the market value at the date of issuance.

The acquisition has been accounted for as a business combination. The purchase price has been allocated to the assets acquired based on their estimated fair values as follows:

| <b>Consideration</b>                     |    |           |
|------------------------------------------|----|-----------|
| Cash - US \$1,500,000                    | \$ | 1,979,737 |
| 488,806 common shares                    |    | 268,843   |
|                                          | \$ | 2,248,580 |
| <b>Fair value of net assets acquired</b> |    |           |
| ICO Ranker Trademark                     | \$ | 718,000   |
| Editorial mailing list                   |    | 262,500   |
| Instagram account                        |    | 200,000   |
| Accredited investor list                 |    | 500,000   |
| Goodwill                                 |    | 1,005,080 |
| Deferred tax liability                   |    | (437,000) |
| <b>Total</b>                             | \$ | 2,248,580 |

A business combination is defined in IFRS 3, Business Combinations, as a transaction in which an acquirer obtains control of a business, which is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return to investors. For an integrated set of activities and assets to be considered a business, the set must include inputs and processes. The acquisition of Token Media Tech met the definition of a business combination. Consequently, the transaction was accounted for as a business combination.

During the year ended December 31, 2019 the Company recorded an impairment charge of \$1,881,395 in relation to the goodwill recorded at acquisition of \$1,005,080, and the remaining value of the intangible assets acquired of \$876,315, as development funding to Token Media Tech was halted.

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**5. TOKEN MEDIA TECH LLC (continued)**

The Company calculated depreciation on the intangible asset, using the straight-line method and based on a three-year useful life. Details are as follows:

| <b>Intangible assets - Token Media Tech LLC:</b> |             |
|--------------------------------------------------|-------------|
| Balance, December 31, 2017                       | \$ -        |
| Acquisition of intangible assets                 | 1,680,500   |
| Depreciation                                     | (244,018)   |
| Balance, December 31, 2018                       | 1,436,482   |
| Depreciation                                     | (560,167)   |
| Impairment                                       | (876,315)   |
| <b>Balance, December 31, 2019</b>                | <b>\$ -</b> |

**6. INVESTMENT IN ASSOCIATE – CAPITAL BLOCKTECH INC.**

The following entity, related by common directors of the Company, has been included in the consolidated financial statements using the equity method, recognizing that the Company has significant influence, but not control over the entity:

| Legal Name             | Place of Incorporation | Proportion of ownership interest held as at |                   |
|------------------------|------------------------|---------------------------------------------|-------------------|
|                        |                        | December 31, 2020                           | December 31, 2019 |
| Capital Blocktech Inc. | Alberta, Canada        | 30%                                         | 30%               |

During the year ended December 31, 2018, the Company entered into an agreement with Capital Blocktech Inc. (“Capital Blocktech”), a private Canadian blockchain technology company. During the year ended December 31, 2018, the Company advanced \$1,000,000 to earn a 30% interest in Capital Blocktech. The Company also has the right to earn an additional 21% interest in Capital Blocktech for an additional \$1,000,000 to be paid on or before January 1, 2021. The right to earn an additional 21% interest in Capital Blocktech was extended to January 1, 2022, subsequent to year end.

The tables below provide summarised financial information for the Company’s equity investment in Capital Blocktech. The information disclosed reflects the amounts presented in the financial statements of Capital Blocktech and not the Company’s share of those amounts:

|                                 | <b>December 31,</b> |                  |
|---------------------------------|---------------------|------------------|
| <b>Summarized Balance Sheet</b> | <b>2020</b>         | <b>2019</b>      |
| Cash                            | \$ 5,000            | \$ 5,000         |
| Computer equipment              | 62,080              | 68,978           |
| <b>Total Assets</b>             | <b>\$ 67,080</b>    | <b>\$ 73,978</b> |

|                                     |                  |                  |
|-------------------------------------|------------------|------------------|
| Accounts payable                    | \$ 1,320,022     | \$ 1,320,022     |
| Share capital                       | 1,009,337        | 1,009,337        |
| Deficit                             | (2,262,279)      | (2,255,381)      |
| <b>Total liabilities and equity</b> | <b>\$ 67,080</b> | <b>\$ 73,978</b> |

|                                    | <b>December 31,</b> |                   |
|------------------------------------|---------------------|-------------------|
| <b>Summarized Income Statement</b> | <b>2020</b>         | <b>2019</b>       |
| Software development               | \$ -                | \$ 899,213        |
| Depreciation                       | 6,898               | 12,229            |
| <b>Net loss for the year</b>       | <b>\$ 6,898</b>     | <b>\$ 911,442</b> |

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**6. INVESTMENT IN ASSOCIATE – CAPITAL BLOCKTECH INC. (continued)**

Summarized aggregated financial information of the Company's share in the associate is as follows:

|                                                | <b>December 31,</b> | <b>December 31,</b> |
|------------------------------------------------|---------------------|---------------------|
| <b>Equity Accounting Investment Continuity</b> | <b>2020</b>         | <b>2019</b>         |
| Balance, beginning of year                     | \$ 332,722          | \$ 606,155          |
| Equity pick up - 30% of net loss               | (742)               | (273,433)           |
| Balance, end of year                           | \$ 331,980          | \$ 332,722          |

**7. INVESTMENT IN ASSOCIATE – GLANIS PHARMACEUTICALS INC**

The following entity, related by common directors of the Company, has been included in the consolidated financial statements using the equity method:

| Legal Name                  | Place of Incorporation   | Proportion of ownership interest held as at<br>December 30, 2020 |
|-----------------------------|--------------------------|------------------------------------------------------------------|
| Glanis Pharmaceuticals Inc. | British Columbia, Canada | 49%                                                              |

During the year ended December 31, 2020, the Company entered into an agreement with the shareholders of Glanis Pharmaceuticals Inc. ("Glanis"), a private Canadian pharmaceutical company. During the year ended December 31, 2020 the Company issued 6,600,000 common shares with a fair value of \$990,000 to acquire a 49% interest in Glanis, and paid \$28,000 of expenses toward the ongoing research studies to develop Glanis' technology. As at December 31, 2020, the \$28,000 was due and receivable from Glanis.

The tables below provide summarised financial information for the Company's equity investment in Glanis. The information disclosed reflects the amounts presented in the financial statements of Glanis and not the Company's share of those amounts:

| <b>Summarized Balance Sheet</b> | <b>December 31,</b> |
|---------------------------------|---------------------|
|                                 | <b>2020</b>         |
| Cash                            | \$ 3,982            |
| Total assets                    | \$ 3,982            |
| Accounts payable                | \$ 28,000           |
| Share capital                   | 100                 |
| Deficit                         | (24,118)            |
| Total liabilities and equity    | \$ 3,982            |

Summarized aggregated financial information of the Company's share in the associate is as follows:

| <b>Equity Accounting Investment Continuity</b> | <b>December 31,</b> |
|------------------------------------------------|---------------------|
|                                                | <b>2020</b>         |
| Balance, beginning of year                     | \$ -                |
| Paid to earn - 49%                             | 990,000             |
| Balance, end of year                           | \$ 990,000          |

During the year ended December 31, 2020, Glanis has not had any significant expenses to equity account for.

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**8. LONG-TERM INVESTMENTS**

A continuity of the Company's long-term investments is as follows:

|                                   | World High Life | 1933 Industries | Nerds on Site | Red Light<br>Holland Corp | Aerosax    | Total        |
|-----------------------------------|-----------------|-----------------|---------------|---------------------------|------------|--------------|
| Balance, December 31, 2019        | \$ 1,741,712    | \$ 7,000        | \$ 24,403     | \$ -                      | \$ -       | \$ 1,773,115 |
| Purchase of investments           | -               | -               | -             | 50,000                    | 235,045    | 285,045      |
| Accrued interest                  | 86,905          | -               | -             | -                         | -          | 86,905       |
| Shares issued for debt settlement | 678,515         | -               | -             | -                         | -          | 678,515      |
| Sale of investment                | (346,394)       | (4,013)         | (15,059)      | (152,802)                 | -          | (518,268)    |
| Foreign exchange                  | 16,342          | -               | -             | -                         | -          | 16,342       |
| Gain (loss) on sale of investment | (354,700)       | (5,187)         | (95,872)      | 102,802                   | -          | (352,957)    |
| Unrealized fair value loss        | (1,175,975)     | 2,200           | 86,528        | -                         | (65,330)   | (1,152,577)  |
| Balance, December 31, 2020        | \$ 646,405      | \$ -            | \$ -          | \$ -                      | \$ 169,715 | \$ 816,120   |

  

|                                   | World High Life | 1933 Industries | Nerds on Site | ePic       | DreamBlock | Total        |
|-----------------------------------|-----------------|-----------------|---------------|------------|------------|--------------|
| Balance, December 31, 2018        | \$ -            | \$ 9,400        | \$ 117,908    | \$ 100,000 | \$ 1,000   | \$ 228,308   |
| Purchase of investments           | 1,317,000       | -               | -             | -          | -          | 1,317,000    |
| Exercise of warrants              | -               | 10,000          | -             | -          | -          | 10,000       |
| Sale of investment                | -               | -               | -             | (115,000)  | -          | (115,000)    |
| Accrued interest                  | 17,890          | -               | -             | -          | -          | 17,890       |
| Foreign exchange                  | 54,700          | -               | -             | -          | -          | 54,700       |
| Gain (loss) on sale of investment | -               | -               | -             | 15,000     | (1,000)    | 14,000       |
| Unrealized fair value gain (loss) | 352,122         | (12,400)        | (93,505)      | -          | -          | 246,217      |
| Balance, December 31, 2019        | \$ 1,741,712    | \$ 7,000        | \$ 24,403     | \$ -       | \$ -       | \$ 1,773,115 |

The Company's investment in World High Life Plc consists of 2,920,000 ordinary shares and 5,000,000 convertible debentures exercisable at £0.10 (CDN\$0.17) accruing interest of 10% per annum maturing September and October 2021. The Company also holds 5,000,000 ordinary share purchase warrants exercisable at £0.15 (CDN\$0.26) per share for a period of two years (expiry October 2021) and 1,500,000 warrants exercisable at £0.20 (CDN\$0.35) per share exercisable for two years (expiry August 2021). A continuity of the valuation of the Company's investment in World High Life Plc is as follows:

During the year ended December 31, 2020, the Company advanced loans to World High Life Plc totaling \$693,175, and accrued interest of \$5,940, \$678,515 of which was settled during the year through the issuance of shares. At December 31, 2020, \$20,600 remained receivable and was repayable by March 1, 2021 (past due). The loans were all unsecured and bore interest of 5% per annum.

|                                   | Ordinary<br>Shares | Warrants<br>£0.20 | Warrants<br>£0.15 | Convertible<br>Debenture | Conversion<br>feature | Total        |
|-----------------------------------|--------------------|-------------------|-------------------|--------------------------|-----------------------|--------------|
| Cost                              | \$ 492,000         | \$ -              | \$ -              | \$ 825,000               | \$ -                  | \$ 1,317,000 |
| Conversion feature allocation     | -                  | -                 | -                 | (374,044)                | 374,044               | -            |
| Warrants - fair value             | -                  | 61,449            | 277,681           | -                        | -                     | 339,130      |
| Fair value gain (loss)            | 50,400             | (8,045)           | (16,591)          | -                        | (12,772)              | 12,992       |
| Accrued interest                  | -                  | -                 | -                 | 17,890                   | -                     | 17,890       |
| Foreign exchange gain             | 25,200             | -                 | -                 | 29,500                   | -                     | 54,700       |
| Balance, December 31, 2019        | 567,600            | 53,404            | 261,090           | 498,346                  | 361,272               | 1,741,712    |
| Fair value gain (loss)            | (485,161)          | (52,205)          | (260,882)         | (17,517)                 | (360,210)             | (1,175,975)  |
| Accrued interest                  | -                  | -                 | -                 | 86,905                   | -                     | 86,905       |
| Shares issued for debt settlement | 678,515            | -                 | -                 | -                        | -                     | 678,515      |
| Sale of investment                | (346,394)          | -                 | -                 | -                        | -                     | (346,394)    |
| Foreign exchange gain             | 16,342             | -                 | -                 | -                        | -                     | 16,342       |
| Loss on sale of investment        | (354,700)          | -                 | -                 | -                        | -                     | (354,700)    |
| Balance, December 31, 2020        | \$ 76,202          | \$ 1,199          | \$ 208            | \$ 567,734               | \$ 1,062              | \$ 646,405   |

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**8. LONG-TERM INVESTMENTS (Continued)**

At December 31, 2020, the Company held 2,920,000 (2019 – 3,000,000) ordinary common shares of World High Life Plc, which were valued based on prices in a quoted market in accordance with level 1 of the fair value hierarchy. The convertible debentures were recorded at fair value on initial recognition and are subsequently measured at amortized cost; the fair value of the convertible debentures approximates their carrying value due to the inclusion of a market rate of interest. The World High Life Plc warrants (6,500,000 warrants at December 31, 2020 and 2019) and conversion feature were valued using the Black-Scholes Option Pricing Model, in accordance with level 3 of the fair value hierarchy, with the following assumptions:

|                         | <b>Warrants<br/>December 31,<br/>2020</b> | <b>Warrants<br/>Initial<br/>recognition</b> | <b>Conversion<br/>Feature<br/>December 31,<br/>2020</b> | <b>Conversion<br/>Feature<br/>Initial<br/>recognition</b> |
|-------------------------|-------------------------------------------|---------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------|
| Exercise price          | £0.15 - 0.20                              | £0.15 - 0.20                                | £0.10                                                   | £0.10                                                     |
| Value date share price  | £0.0195                                   | £0.10                                       | £0.0195                                                 | £0.10                                                     |
| Duration to maturity    | 0.80 years                                | 2 years                                     | 0.80 years                                              | 2 years                                                   |
| Risk-free interest rate | 0.70%                                     | 2.25%                                       | 2.25%                                                   | 2.25%                                                     |
| Volatility              | 80%                                       | 80%                                         | 80%                                                     | 80%                                                       |
| Dividend rate           | Nil                                       | Nil                                         | Nil                                                     | Nil                                                       |

The Company's investment in Aerosax Research & Technology Limited ("Aerosax") is an investment in common shares. The investment was initially recognized at the cost of the investment, and was subsequently adjusted to the estimated fair value. Aerosax is a private company, as such the estimated fair value and unrealized loss on investment were based on recent sales of common shares by Aerosax, which were considered to represent market price in accordance with level 3 of the fair value hierarchy. At December 31, 2020, the investment in Aerosax consists of 326 common shares with an original cost of £786 per share (CDN\$1,352 per share), fair valued at £300 per share (CDN\$521 per share).

**9. RELATED PARTY TRANSACTIONS AND BALANCES**

The key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company. The Company has identified its directors and senior officers as its key management personnel. Total compensation to key management personnel for the years ended December 31, 2020 and 2019 was as follows:

|                                   | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|-----------------------------------|------------------------------|------------------------------|
| <b>Related party transactions</b> |                              |                              |
| Consulting fees                   | \$ 293,390                   | \$ 439,900                   |
| Share-based compensation          | 67,704                       | -                            |
| <b>Total</b>                      | <b>\$ 361,094</b>            | <b>\$ 439,900</b>            |

Details of outstanding balances with related parties including key management personnel are as follows:

|                               | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|-------------------------------|------------------------------|------------------------------|
| <b>Related party balances</b> |                              |                              |
| Accounts payable              | \$ 7,275                     | \$ 27,456                    |

**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS**

**Authorized Share Capital**

The Company is authorized to issue an unlimited number of common shares without par value.

**Issued and Outstanding – Common Shares Fiscal 2020:**

- a) The Company issued 4,019,285 units at a price of \$0.21 per unit, for gross proceeds of \$844,050. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at \$0.50 for a period of two years from the date of closing. The Company valued the warrant portion of the units, using the residual method, at \$148,571. The Company paid finders fees of \$36,204, share issuance costs of \$4,630 and issued 180,400 broker warrants at their fair value of \$27,072, which are on the same terms as the warrants forming part of the units.
- b) The Company issued 1,229,476 units at a price of \$0.21 per unit, for gross proceeds of \$258,190. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at \$0.50 for a period of two years. The Company valued the warrant portion of the units, using the residual method, at \$12,295. The Company incurred \$3,997 of share issuance costs.
- c) The Company issued 750,000 units at a price of \$0.20 per unit, for gross proceeds of \$150,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at \$0.50 for a period of two years from the date of closing. The Company paid finder's fees of \$5,000.
- d) The Company completed a second closing of the non-brokered private placement. The Company issued 2,047,000 units at a price of \$0.20 per unit, for gross proceeds of \$409,400. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at \$0.50 for a period of two years from the date of closing. The Company paid finder's fees of \$13,072, incurred share issuance costs of \$725 and issued 65,360 finder's warrants at their fair value of \$9,399, which are on the same terms as the warrants forming part of the units.
- e) The Company issued 6,600,000 common shares to acquire a 49% interest in Glanis Pharmaceutical Inc. with a fair value of \$990,000 (Note 7). The Company incurred \$2,329 of share issuance costs.
- f) The Company completed a non-brokered private placement. In the first tranche the Company raised proceeds of \$135,000 through the sale of 2,250,000 units. In the final tranche the Company settled \$93,250 of accounts payable through the issuance of 1,554,167 units resulting in a loss of \$15,542. The Company paid finder's fees of \$3,500, incurred share issuance costs of \$723 and issued a total of 55,833 broker warrants at their fair value of \$2,780, which are on the same terms as the warrants forming part of the units. No finder's fees were payable on the final tranche. Each unit consists of one common share in the equity of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.075 per share for a period of two years.
- g) The Company issued 412,416 common shares at a fair value of \$52,659 (\$0.07 per common share) to settle \$24,745 in accrued liabilities, resulting in a loss on settlement of debt of \$4,124. The Company incurred \$3,203 of share issuance costs.
- h) The Company completed a non-brokered private placement. In the first tranche the Company raised proceeds of \$687,000 through the sale of 13,740,000 units. In the second and final tranche the Company raised proceeds of \$666,965 through the sale of 13,339,300 units. The Company paid finders fees of \$18,000, incurred share issuance costs of \$2,699 and issued 160,000 broker warrants at their fair value of \$23,456 in the first tranche, and paid finders fees of \$49,717, incurred share issuance costs of \$6,161 and issued 994,344 broker warrants at their fair value of \$140,600 on the final tranche, which are on the same terms as the warrants forming part of the units. The Company raised a total of \$1,353,965. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.075 per share for a period of two years, subject to the option of the Company to accelerate the expiry date in the event that its shares trade at \$0.15 or more for 10 consecutive days.

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**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

- i) Issued 2,020,833 common shares upon the exercise of warrants at a price of \$0.075 for total proceeds \$151,562.

**Issued and Outstanding – Common Shares Fiscal 2019:**

- a) The Company completed a non-brokered private placement for 3,233,667 units at a price of \$0.30 per unit for gross proceeds of \$970,100. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at \$0.50 for a period of two years from the date of closing. The Company paid finders fees of \$76,088, issued 253,627 broker's warrants with the same terms as the units valued at \$52,300 and incurred other share issuance costs of \$5,872.
- b) The Company completed a non-brokered private placement for 4,416,700 units at a price of \$0.35 per unit for gross proceeds of \$1,545,845. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at \$0.50 for a period of two years from the date of closing. The Company paid finders fees of \$88,778, issued 253,650 broker's warrants with the same terms as the units valued at \$69,350.
- c) The Company issued 1,000,000 common shares upon the exercise of warrants at a price of \$0.50 for total proceeds \$500,000.

**Stock Options**

The Company grants options under the terms of its rolling stock option plan to executive officers, directors, employees, and consultants, enabling them to acquire up to 10% of the then issued and outstanding shares of the Company. The exercise price of each option equals the market price of the Company's shares, less allowable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years.

On April 9, 2020 the Company granted a total of 1,735,000 options to management, employees and consultants. The options were fully vested upon issuance. Each option entitles the holder to subscribe for one common share of the Company for \$0.50 for a period of 5 years.

On November 30, 2020 the Company granted a total of 1,500,000 options to management, employees and consultants. The options were fully vested upon issuance. Each option entitles the holder to subscribe for one common share of the Company for \$0.19 for a period of 5 years.

A summary of change in stock options as follows:

|                                     | <b>Number of<br/>Options</b> | <b>Average<br/>Price</b> |
|-------------------------------------|------------------------------|--------------------------|
| <b>Balance at December 31, 2018</b> | 1,990,000                    | \$ 0.90                  |
| Cancelled                           | (90,000)                     | 0.80                     |
| <b>Balance at December 31, 2019</b> | 1,900,000                    | 0.90                     |
| Cancelled                           | (2,480,000)                  | 0.77                     |
| Issued                              | 3,235,000                    | 0.36                     |
| <b>Balance at December 31, 2020</b> | 2,655,000                    | \$ 0.36                  |

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**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

The following table summarizes stock options outstanding at December 31, 2020:

| <b>Expiry date</b> | <b>Number of Options</b> | <b>Number of Exercisable Options</b> | <b>Weighted Average Exercise Price</b> | <b>Weighted Average Remaining Years</b> |
|--------------------|--------------------------|--------------------------------------|----------------------------------------|-----------------------------------------|
| February 16, 2022  | 100,000                  | 100,000                              | \$0.50                                 | 1.13                                    |
| September 25, 2022 | 10,000                   | 10,000                               | \$0.80                                 | 1.73                                    |
| February 3, 2025   | 75,000                   | 75,000                               | \$1.20                                 | 4.10                                    |
| June 10, 2025      | 140,000                  | 140,000                              | \$0.75                                 | 4.44                                    |
| April 9, 2025      | 830,000                  | 830,000                              | \$0.50                                 | 4.27                                    |
| November 30, 2025  | 1,500,000                | 1,500,000                            | \$0.19                                 | 4.92                                    |
|                    | 2,655,000                | 2,655,000                            | \$0.36                                 | 4.51                                    |

During the year ended December 31, 2020, the Company recorded share-based compensation of \$699,719 (2019 - \$Nil) with respect to options granted. The weighted average fair value of these options was \$0.22 (2019 - \$Nil) and was estimated using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair value are as follows:

|                          | <b>December 31, 2020</b> | <b>December 31, 2019</b> |
|--------------------------|--------------------------|--------------------------|
| Exercise price           | \$0.35                   | -                        |
| Spot price               | \$0.22                   | -                        |
| Risk-free interest rate  | 0.52%                    | -                        |
| Expected life of options | 5                        | -                        |
| Annualized volatility    | 202.67%                  | -                        |
| Dividend rate            | 0%                       | -                        |

**Warrants**

A summary of change in warrants as follows:

|                                     | <b>Number of Warrants</b> | <b>Average Exercise Price</b> |
|-------------------------------------|---------------------------|-------------------------------|
| <b>Balance at December 31, 2018</b> | 9,939,053                 | \$ 1.10                       |
| Granted                             | 8,157,644                 | 0.50                          |
| Expired                             | (237,936)                 | 0.70                          |
| Exercised                           | (1,000,000)               | 0.50                          |
| <b>Balance at December 31, 2019</b> | 16,858,760                | 0.80                          |
| Granted                             | 40,385,164                | 0.16                          |
| Exercised                           | (2,020,833)               | 0.08                          |
| Expired                             | (1,425,384)               | 0.71                          |
| <b>Balance at December 31, 2020</b> | 53,797,708                | \$ 0.36                       |

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**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

The following table summarizes warrants outstanding at December 31, 2020:

| <b>Expiry date</b>   | <b>Number of Warrants</b> | <b>Weighted Average Exercise Price</b> | <b>Weighted Average Remaining Years</b> |
|----------------------|---------------------------|----------------------------------------|-----------------------------------------|
| February 12, 2021 *  | 207,644                   | \$0.50                                 | 0.12                                    |
| September 20, 2021   | 4,670,350                 | \$0.50                                 | 0.72                                    |
| October 16, 2021     | 2,315,100                 | \$1.00                                 | 0.79                                    |
| January 3, 2022      | 2,562,890                 | \$0.50                                 | 1.01                                    |
| January 28, 2022     | 1,636,795                 | \$0.50                                 | 1.08                                    |
| February 12, 2022 ** | 3,233,666                 | \$0.50                                 | 1.12                                    |
| February 24, 2022    | 1,229,476                 | \$0.50                                 | 1.15                                    |
| February 28, 2022    | 4,099,950                 | \$1.50                                 | 1.16                                    |
| April 15, 2022       | 750,000                   | \$0.50                                 | 1.29                                    |
| May 2, 2022          | 906,667                   | \$0.50                                 | 1.33                                    |
| May 4, 2022          | 2,047,000                 | \$0.50                                 | 1.34                                    |
| May 4, 2022          | 65,360                    | \$0.50                                 | 1.34                                    |
| July 15, 2022        | 1,083,333                 | \$0.08                                 | 1.54                                    |
| July 15, 2022        | 55,833                    | \$0.08                                 | 1.54                                    |
| August 7, 2022       | 700,000                   | \$0.08                                 | 1.60                                    |
| December 4, 2022     | 13,740,000                | \$0.08                                 | 1.93                                    |
| December 4, 2022     | 160,000                   | \$0.08                                 | 1.93                                    |
| December 21, 2022    | 13,339,300                | \$0.08                                 | 1.97                                    |
| December 21, 2022    | 994,344                   | \$0.08                                 | 1.97                                    |
|                      | 53,797,708                | \$0.36                                 | 1.47                                    |

\* Expired subsequently

\*\* Expiry date extended to February 12, 2022 subsequent to year end

During the year ended December 31, 2020, the Company recorded share issue costs of \$203,307 (December 31, 2019 - \$121,650) with respect to broker warrants granted as finders' fees. The weighted average fair value of these broker warrants was \$0.14 (December 31, 2019 - \$0.30) and was estimated using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair value are as follows:

|                         | <b>December 31, 2020</b> | <b>December 31, 2019</b> |
|-------------------------|--------------------------|--------------------------|
| Exercise price          | \$0.08                   | \$0.05                   |
| Spot price              | \$0.16                   | \$0.04                   |
| Risk-free interest rate | 0.27%                    | 1.79%                    |
| Expected life           | 2                        | 2                        |
| Annualized volatility   | 105%                     | 150%                     |
| Dividend rate           | 0%                       | 0%                       |

## 11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

### *Fair values*

The Company's financial instruments consist of cash, receivables, loan receivable, long-term investments, and accounts payable and accrued liabilities. Cash and long-term investments are carried at fair value, except for long-term investments in convertible debentures which are carried at amortized cost. The fair values of receivables, loan receivable, and accounts payable and accrued liabilities approximate their carrying amounts due to their current nature. The carrying value of long-term investments in convertible debentures approximate their fair values due to the inclusion of a market rate of interest.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable. The three levels of the fair value hierarchy are:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial assets measured at fair value on a recurring basis were calculated as follows:

| <b>December 31, 2020</b> | <b>Balance</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
|--------------------------|----------------|----------------|----------------|----------------|
| Cash                     | \$ 894,548     | \$ 894,548     | \$ -           | \$ -           |
| Long-term investments*   | 248,386        | 76,202         | -              | 172,184        |
| <b>December 31, 2019</b> | <b>Balance</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
| Cash                     | \$ 79,278      | \$ 79,278      | \$ -           | \$ -           |
| Long-term investments*   | 1,274,769      | 599,003        | -              | 675,766        |

\*Excludes long-term investments in convertible debentures of \$567,734 (December 31, 2019 - \$498,346), which are measured at amortized cost.

### *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. Credit risk associated with cash is minimal as the Company deposits the majority of its cash with a large Canadian financial institution. The Company's credit risk associated with its receivables, loan receivable, and long-term investment in convertible debentures is monitored by management. The Company's maximum exposure to credit risk is the carrying value of the cash, receivables, loan receivable, and long-term investment in convertible debentures.

### *Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to ensure it has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company ensures that sufficient funds are raised from private placements to meet its working capital requirements, after taking into account existing cash and expected exercise of share purchase warrants and options. Management believes that it will be successful in raising the necessary funds however, given the current market conditions, management believes that the raising of the required funds will take longer than is normal and will be at prices that may be less than desirable. There are no assurances that additional funds will be available on terms acceptable to the Company or at all. All of the Company's financial liabilities have maturities of one year or less as at December 31, 2020 and December 31, 2019.

**11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (continued)**

*Market Risk*

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

*a) Interest Rate Risk*

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company's long-term investment in convertible debentures is at a fixed rate of interest, as is its loan receivable. The Company is not exposed to significant interest rate risk with respect to these financial instruments as a change in the prevailing interest rates would not impact the future cash flows associated with the fixed rates of interest, nor would they be expected to impact the fair value of future cash flows unless and until such time as these financial instruments matured and were renewed or extended, instead of being collected.

*b) Price Risk*

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The Company is exposed to price risk associated with its long-term investments in marketable securities and warrants, classified in levels 1 and 3 of the fair value hierarchy, respectively. A 10% change in market prices of the common shares underlying the long-term investments in marketable securities and warrants would result in a gain or loss of approximately \$24,800.

*c) Currency Risk*

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. At December 31, 2020 the Company held an insignificant balance of US dollar assets. A 10% change in the foreign exchange rate would not impact profit or loss by a material amount. The Company's investment in World High Life Plc is denominated in Pounds Sterling. A 10% change in the Pound Sterling versus the Canadian dollar would result in a gain or loss of approximately \$190,000.

**12. CAPITAL MANAGEMENT**

The Company's objectives for managing capital (defined as all components of equity of \$2,966,285) are to safeguard its ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders. The Company manages capital by issuing new common shares, options, and warrants, and may in the future issue new debt. There are no externally imposed capital requirements.

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**13. INCOME TAX**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

|                                                         | December 31<br>2020 | December 31<br>2019 |
|---------------------------------------------------------|---------------------|---------------------|
| Earnings (loss) for the year before tax                 | \$ (4,026,792)      | \$ (5,333,570)      |
| Expected income tax (recovery)                          | \$ (1,087,000)      | \$ (1,440,000)      |
| Impact of tax rate changes and other                    | (30,000)            | (28,000)            |
| Non-deductible amounts                                  | 6,000               | 140,000             |
| Share issue costs                                       | (40,000)            | (46,000)            |
| Change in unrecognized deductible temporary differences | 1,151,000           | 1,001,000           |
| <b>Total income tax expense (recovery)</b>              | <b>\$ -</b>         | <b>\$ (373,000)</b> |

The significant components of the Company's unrecorded deferred tax assets are as follows:

|                                                       | December 31<br>2020 | December 31<br>2019 |
|-------------------------------------------------------|---------------------|---------------------|
| Deferred Tax Assets (liabilities)                     |                     |                     |
| Share issue costs                                     | 121,000.00          | 141,000.00          |
| Intangible assets                                     | 219,000.00          | 219,000.00          |
| Marketable securities and other long term investments | 185,000             | 51,000              |
| Non-capital losses                                    | 3,778,000           | 2,750,000           |
|                                                       | 4,303,000           | 3,161,000           |
| Unrecognized deferred tax assets                      | (4,303,000)         | (3,161,000)         |
| <b>Net deferred tax assets (liabilities)</b>          | <b>\$ -</b>         | <b>\$ -</b>         |

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

|                                                       | December 31<br>2020 | Expiry<br>Date Range | December 31<br>2019 | Expiry<br>Date Range |
|-------------------------------------------------------|---------------------|----------------------|---------------------|----------------------|
| <b>Temporary Differences</b>                          |                     |                      |                     |                      |
| Share issue costs                                     | 447,000             | 2021-2024            | 521,000             | 2019-2023            |
| Intangible assets                                     | 812,000             | No expiry date       | 812,000             | No expiry date       |
| Marketable securities and other long term investments | 1,375,000           | No expiry date       | 381,000             | No expiry date       |
| Non-capital losses                                    | 14,060,000          | 2029-2040            | 10,250,000          | 2029-2039            |
| Canada                                                | 11,687,000          | 2029-2040            | 7,898,000           | 2029-2039            |
| USA                                                   | 2,373,000           | no expiry date       | 2,352,000           | no expiry date       |

**14. SUBSEQUENT EVENTS**

Subsequent to December 31, 2020 the Company:

- i) granted 4,400,000 options to management, employees and consultants. Each option is exercisable at \$0.23 for a period of 5 years
- ii) entered into a US\$2,500,000 arms-length definitive agreement to acquire bit mining infrastructure based in the USA for an initial cash payment of US\$500,000 (CDN\$636,500) (paid subsequently in January 2021) and the issuance of 7,000,000 common shares (4,000,000 common shares were issued subsequently at their fair value of \$1,004,000). As part of the transaction, the vendor will provide hosting and management services at an all-in price of US\$0.075 per kilowatt hour for a period of 2 years. If the Company exercises its option to acquire a second tranche, a similar number of mining rigs will cost US\$500,000 cash and US \$750,000 to be paid by way of shares issued at market price.
- iii) completed a 3,981,825 unit non-brokered private placement for total proceeds of \$637,092. The Company paid finders fees to qualified finders of \$30,094 and issued 188,110 broker warrants, which are on the same terms as the warrants forming part of the units. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.22 per share until February 3, 2023, subject to the option of the Company to accelerate the expiry date in the event that its shares trade at \$0.30 or more for 10 consecutive days.
- iv) granted 6,050,000 stock options to management, employees and consultants. Each option entitles the holder to subscribe for one common share of the Company for \$0.30 for a period of 5 years.
- v) granted 7,500,000 stock options to management, employees and consultants. Each option entitles the holder to subscribe for one common share of the Company for \$0.265 for a period of 5 years.
- vi) granted 200,000 stock options to management, employees and consultants. Each option entitles the holder to subscribe for one common share of the Company for \$0.30 for a period of 1 year.
- vii) issued 18,668,703 common shares upon the exercise of warrants for total proceeds \$3,007,814.
- viii) issued 9,300,000 common shares pursuant to the exercise of options for total proceeds of \$2,373,000.
- ix) purchased 50% of the share capital of InstaCoin, a UK based company for £100,000 (CDN\$175,000).