

**DeepMarkit Corp.**

**Consolidated Financial Statements  
for the years ended December 31, 2019 and 2018  
(Expressed in Canadian Dollars)**

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**DeepMarket Corp.**  
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**December 31, 2019 and 2018**  
**(Expressed in Canadian Dollars)**

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## Management's Responsibility for Financial Reporting

To the Shareholders of DeepMarkit Corp.:

The accompanying consolidated financial statements have been prepared by Management in accordance with International Financial Reporting Standards and have been approved by the Board of Directors. In support of this responsibility, Management maintains a system of internal controls to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets. The consolidated financial statements include amounts which are based on the best estimates and judgments of Management.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls. The Board of Directors exercises this responsibility principally through the Audit Committee.

The Audit Committee consists of a majority of independent directors not involved in the daily operations of the Company. The Audit Committee meets with Management and the external auditors to satisfy itself that Management's responsibilities are properly discharged and to review the consolidated financial statements prior to their presentation to the Board of Directors for approval.

The external auditors, Crowe MacKay LLP, appointed by the shareholders of the Company, have examined the consolidated financial statements and have expressed an opinion on the statements. The external auditors have free and full access to the Audit Committee with respect to their findings concerning the fairness of financial reporting and the adequacy of internal controls. Their report is included with the consolidated financial statements.

April 29, 2020

(signed) "Darold H. Parken"  
Director and President and Chief Executive Officer

(signed) "Curtis Smith"  
Chief Financial Officer

## Independent Auditor's Report

To the Shareholders of DeepMarkit Corp.

### Opinion

We have audited the consolidated financial statements of DeepMarkit Corp. ("the Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and 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 Group as at December 31, 2019 and December 31, 2018, 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 audit 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 Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group'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:

- Management's Discussion and Analysis

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 audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have

performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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.

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 Todd Freer.

A handwritten signature in black ink that reads "Crowe Mackay LLP". The signature is written in a cursive, flowing style.

**Chartered Professional Accountants**

**Calgary, Canada  
April 29, 2020**

**DeepMarkit Corp.**  
**Consolidated Statements of Financial Position**  
**As at December 31, 2019 and 2018**  
**(Expressed in Canadian Dollars)**

	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 241,953	\$ 392,790
Accounts receivable	101,170	1,145
Prepaid expenses and deposits	-	30,551
	<b>343,123</b>	<b>424,486</b>
Property and equipment (Note 6)	12,001	17,369
	<b>\$ 355,124</b>	<b>\$ 441,855</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 347,351	\$ 175,007
Debenture payable (Note 7)	2,000,000	-
	<b>2,347,351</b>	<b>175,007</b>
Debenture payable (Note 7)	-	2,000,000
	<b>2,347,351</b>	<b>2,175,007</b>
<b>Shareholders' Equity (Deficiency)</b>		
Share capital (Note 8)	13,926,489	13,499,261
Contributed surplus	2,033,445	2,034,957
Accumulated deficit	(17,952,161)	(17,267,370)
	<b>(1,992,227)</b>	<b>(1,733,152)</b>
	<b>\$ 355,124</b>	<b>\$ 441,855</b>

**Going concern (Note 2)**

**Subsequent events (Note 13)**

**Approved by the Board:**

*(signed)* "Darold H. Parken", Director

*(signed)* "Paul McKenzie", Director

**DeepMarket Corp.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Canadian Dollars)**

	2019	2018
<b>Revenue</b>	<b>\$ 7,512</b>	<b>\$ 2,546</b>
<b>Expenses</b>		
Wages and benefits (Note 9)	207,576	753,604
General and administrative (Note 9)	243,740	405,061
Stock-based compensation (Notes 8 & 9)	(1,512)	412,827
Professional fees (Note 9)	53,222	61,808
Listing and filing fees	34,903	37,682
Amortization (Note 6)	4,968	7,444
Finance costs (Notes 7 & 9)	246,259	244,363
Loss (gain) on foreign exchange	845	(620)
Interest income	(2,808)	(9,819)
Investment tax credits	(94,890)	-
Loss on disposal of property and equipment	-	1,828
	<b>692,303</b>	<b>1,914,178</b>
<b>Net Loss and Comprehensive Loss</b>	<b>\$ 684,791</b>	<b>\$ 1,911,632</b>
<b>Loss per share - basic and diluted</b>	<b>\$ (0.05)</b>	<b>\$ (0.17)</b>
<b>Weighted average number of shares outstanding</b>	<b>12,992,804</b>	<b>11,362,554</b>

**DeepMarket Corp.**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2019 and 2018**  
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	Share capital	Contributed surplus	Accumulated deficit	Total equity (deficiency)
Balance - January 1, 2018	\$ 12,245,804	\$ 1,624,080	\$ (15,355,738)	\$ (1,485,854)
Shares issued in private placements (Note 8)	1,500,000	-	-	1,500,000
Employee loans (Notes 8 & 9)	(200,000)	-	-	(200,000)
Stock options exercised (Note 8)	5,950	(1,950)	-	4,000
Share issue costs (Note 8)	(52,493)	-	-	(52,493)
Stock-based compensation (Notes 8 & 9)	-	412,827	-	412,827
Net loss and comprehensive loss	-	-	(1,911,632)	(1,911,632)
<b>Balance - December 31, 2018</b>	<b>\$ 13,499,261</b>	<b>\$ 2,034,957</b>	<b>\$ (17,267,370)</b>	<b>\$ (1,733,152)</b>
<b>Balance - January 1, 2019</b>	<b>\$ 13,499,261</b>	<b>\$ 2,034,957</b>	<b>\$ (17,267,370)</b>	<b>\$ (1,733,152)</b>
Shares issued in private placements (Note 8)	469,740	-	-	469,740
Share issue costs (Note 8)	(42,512)	-	-	(42,512)
Stock-based compensation (Notes 8 & 9)	-	(1,512)	-	(1,512)
Net loss and comprehensive loss	-	-	(684,791)	(684,791)
<b>Balance - December 31, 2019</b>	<b>\$ 13,926,489</b>	<b>\$ 2,033,445</b>	<b>\$ (17,952,161)</b>	<b>\$ (1,992,227)</b>

**DeepMarket Corp.**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Canadian Dollars)**

	2019	2018
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss	\$ (684,791)	\$ (1,911,632)
Non cash items		
Amortization (Note 6)	4,968	7,444
Short-term lease expense	76,800	-
Short-term lease payments	(76,800)	-
Stock-based compensation (Notes 8 & 9)	(1,512)	412,827
Loss on disposal of property and equipment	-	1,828
	<b>(681,335)</b>	<b>(1,489,533)</b>
Change in accounts receivable	<b>(100,025)</b>	3,499
Change in prepaid expenses	<b>30,551</b>	(27,257)
Change in accounts payable and accrued liabilities	<b>172,344</b>	88,818
	<b>578,465</b>	<b>(1,424,473)</b>
<b>Investing activities</b>		
Proceeds on disposal of property and equipment	<b>400</b>	1,120
<b>Financing activities</b>		
Issuance of common shares and warrants, net of issue costs (Note 8)	<b>427,228</b>	1,251,507
Decrease in cash	<b>(150,837)</b>	(171,846)
Cash and cash equivalents, beginning of years	<b>392,790</b>	564,636
Cash and cash equivalents, end of years	<b>\$ 241,953</b>	\$ 392,790
Cash and cash equivalents consist of:		
Cash	\$ 221,953	\$ 352,049
Redeemable term deposit	20,000	40,741
	<b>\$ 241,953</b>	<b>\$ 392,790</b>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 58,422	\$ 244,363
Interest income received	\$ 2,808	\$ 9,819

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**DeepMarkit Corp.**  
**Notes to the Consolidated Financial Statements**  
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**1. Nature of operations**

DeepMarkit Corp. (the “Corporation” or the “Company”) was incorporated in Canada under the Business Corporations Act (Alberta) on November 20, 2007 under the name Challenger Deep Resources Corp. On October 30, 2015, the Company changed its name to DeepMarkit Corp. The Company trades on the TSX-V under the symbol MKT and is a Technology Issuer. To date the Company has not generated significant revenues from operations. The registered address of the Company is Suite 202, 615 15th Avenue SW Calgary, Alberta T2R 0R4.

**2. Going concern**

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations.

The Company’s ability to maintain its current level of operations is dependent on its ability to generate sufficient cash to fund its business plan. To date, the Company has limited sources of revenue. At December 31, 2019, the Company had cash of \$241,953 (2018 - \$392,790) and a working capital deficit of \$(2,004,228) (2018 - working capital surplus of \$249,479).

During 2019, the Company completed an equity private placement for gross proceeds of \$469,740. During 2018, the Company completed an equity private placement for gross proceeds of \$1,300,000. In addition to any capital raised from new financing, if any, there are 6,263,194 (2018 – 2,600,000) share purchase warrants exercisable at \$0.10 expiring in October 2020 (2018 – exercisable at \$0.10 expiring March 2019). Each share purchase warrant is exercisable into one common share.

While Management believes the Company has sufficient cash to discharge its obligations in the normal course of operations for the short-term, future operations will continue to be dependent upon the successful development of the Company’s business plan and raising of sufficient capital to execute on that plan, and the corresponding generation of future cash flows. Management believes the going concern assumption is appropriate for these consolidated financial statements. The Company’s ability to continue as a going concern on a near, medium and longer term basis depends on its ability to successfully raise additional financing for further activity and development and achieve profitable operations. In order to fund the Company’s 2020 capital and operating budget, additional financing will be required.

While the Company has been successful to date in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. Because the Company has been unsuccessful in generating significant income from its business, there is significant risk that additional financing may not be attainable in which event the Company would not be able to continue its business operations. Note 13(a) discloses the possible negative impact that the COVID-19 virus could have on the Company and its ability to carry on activities. These matters represent a material uncertainty that may raise significant doubt about the Company’s ability to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, material adjustments might be necessary to the carrying value of assets and liabilities, reported revenues and expenses and the consolidated statement of financial position classifications used.

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**DeepMarket Corp.**  
**Notes to the Consolidated Financial Statements**  
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**3. Basis of presentation**

**(a) Statement of compliance**

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

The consolidated financial statements were authorized for issue by the Board of Directors on April 28, 2020.

**(b) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except as otherwise noted. The consolidated financial statements are presented in Canadian dollars.

**(c) Use of estimates and judgments**

The preparation of the consolidated financial statements requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results may differ from these estimates. The more significant areas requiring the use of Management estimates and assumptions are discussed below. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**(i) Estimate of recoverability for non-financial assets**

Events or changes in circumstances, may give rise to significant impairment charges or reversals of impairment in a particular year. In accordance with the Company's accounting policy, each non-financial asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed, and an impairment loss recognized to the extent that carrying amount exceeds recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of fair value less costs to sell and value in use. Impairment testing is also performed annually for goodwill, if any. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties and is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal. Value in use is also generally determined as the present value of the estimated future cash flows, but only those expected to arise from the continued use of the asset in its present form and its eventual disposal. Present values are determined using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset. Future cash flow estimates are based on expected sales volumes, operating costs and future capital expenditure. This policy requires Management to make these estimates and assumptions which are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged to the consolidated statement of loss and comprehensive loss.

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**DeepMarket Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Canadian Dollars)**

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**3. Basis of presentation, continued**

**(c) Use of estimates and judgments, continued**

**(ii) Share-based payments**

The Company provides compensation benefits to employees, directors and officers through a stock option plan. The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model. Expected volatility is based on historical volatility of the Company's share price. Historical data is utilized to estimate option exercises and forfeiture behaviour within the valuation model. The risk-free rate for the expected term of the option is based on the Government of Canada bond yield curve in effect at the time of the grant.

**(iii) Fair value of financial instruments, including embedded derivatives**

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

**(iv) Taxation**

The Company's accounting policy for taxation requires Management's judgment in assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the consolidated statement of financial position. Deferred tax assets, including those arising from tax loss carry-forwards, capital losses and temporary differences are recognized only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on Management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgments are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the consolidated statement of financial position and the amount of other tax losses and temporary differences not yet recognized. In such circumstances, some or all of the carrying amount of recognized deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the consolidated statement of loss and comprehensive loss.

**4. Summary of significant accounting policies**

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

**(a) Basis of consolidation**

The consolidated financial statements include those of DeepMarket Corp. and its wholly-owned subsidiary DeepMarket Digital Corp ("Digital"), incorporated in Canada on May 31, 2018. Digital has been inactive since incorporation.

The subsidiary is fully consolidated from the date on which control is transferred to the Company until the date the control is lost. Inter-Corporation balances and transactions, and any unrealized income and expenses arising from inter-Corporations transactions, are eliminated in preparing the consolidated financial statements.

**4. Summary of significant accounting policies, continued**

**(b) Financial instruments**

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

- (i) Financial assets at fair value through profit or loss  
Financial assets at fair value through profit or loss (“FVTPL”) are financial assets held for trading or financial assets designated as such by Management on initial recognition. Such assets are held for trading if they are acquired principally for the purpose of selling in the short-term. These assets are initially recognized, and subsequently carried, at fair value, with changes recognized in the consolidated statement of loss and comprehensive loss. Transaction costs are expensed.
- (ii) Financial assets and liabilities at amortized cost  
Financial assets and liabilities at amortized cost are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or liabilities, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets or liabilities. Financial assets and liabilities at amortized cost are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.
- (iii) Equity Instruments  
Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or asset. Common shares, warrants and share purchase options are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of tax effects if any.

In the case where common shares and warrants are issued as part of a unit offering, the Company uses the residual value method in valuing the offering’s shares and warrants. The residual value method first allocates value to the more easily measurable component based on fair value and the residual value, if any, to the less easily measurable component. The fair value of common shares issued in private placement is determined to be the more easily measurable component and are valued at the trading price on the date of closing. The balance, if any, is allocated to the attached warrants.

**(c) Cash and cash equivalents**

The “cash and cash equivalents” category consists of cash in banks, call deposits and other highly liquid investments with initial maturities of three months or less. Investments in securities, investments with initial maturities greater than three months without early redemption feature and bank accounts subject to restrictions are not presented as cash equivalents but as financial assets.

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**DeepMarket Corp.**  
**Notes to the Consolidated Financial Statements**  
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**4. Summary of significant accounting policies, continued**

**(d) Long-lived assets**

Software platform

Certain costs incurred in connection with the development of software to be used internally or for providing services to customers are capitalized once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when all of the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use or sale;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Costs that qualify for capitalization include both internal and external costs. The Company has not capitalized any development costs incurred to date as the Company's projects do not meet all of the criteria outlined above.

Property and Equipment

Property and equipment are recorded at cost and amortized starting in the month that the asset is put into use, using the declining balance method at a rate of 30% per year.

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted accordingly, if appropriate.

**(e) Impairment**

**(i) Financial assets**

Financial assets, other than those at fair value through profit or loss, are assessed for objective evidence of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Losses are recognized in profit or loss and reflected as an allowance against the related financial instrument. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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**DeepMarket Corp.**  
**Notes to the Consolidated Financial Statements**  
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**4. Summary of significant accounting policies, continued**

**(e) Impairment, continued**

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets which generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or groups of assets (the "cash-generating-unit" or "CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized directly against the carrying amount of the asset whenever the carrying amount of an asset, or its CGU, exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to the goodwill and then to the carrying amounts of the assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

**(f) Revenue recognition**

The Company principally generates revenues from monthly subscriptions for game-based marketing software. Revenue associated with these subscriptions is measured based on the consideration specified in contracts with customers. Revenue is recognized when control is transferred from the Company to its customers. The transfer of control of software usage coincides with the right-to-use passing to the customer. The Company has no further performance obligations with respect to the revenue recognized during the year. All of the Company's revenues have been generated through sales channels.

**(g) Tax credits**

Tax credits are recognized when there is reasonable assurance that the credit will be received evidenced by approval from the government agency.

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**DeepMarket Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2019 and 2018**  
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**4. Summary of significant accounting policies, continued**

**(h) Income taxes**

Income tax comprises current and deferred tax and is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity.

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

Deferred income tax assets and liabilities are determined based on the differences between the financial statement carrying values and their respective income tax basis and loss carry forwards. Deferred income tax assets and liabilities are measured using tax rates expected to be in effect when the temporary differences are likely to reverse. Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current and deferred tax assets against the respective liabilities and they relate to the same taxable entity and same taxation authority. The effect on deferred income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. Deferred tax assets are generally recognized for all deductible temporary differences, unused tax credits carried forward and unused tax losses to the extent that it is probable that there will be taxable profits against which deductible temporary differences can be utilized.

**(i) Share-based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the date of grant. Fair value is measured using the Black-Scholes pricing model. This requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share options.

The fair value determined at the grant date of the equity-settled share-based payments is expensed as services are rendered over the vesting period, based on the Company's estimate of the shares that will eventually vest. Share-based payment expense is adjusted to account for differences between estimated and actual forfeitures in the period such differences occur.

Equity-settled share-based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Upon the exercise of the options, the consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital and contributed surplus is reduced.

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**4. Summary of significant accounting policies, continued**

**(j) Finance income and expenses**

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues, using the effective interest method.

Finance expense comprises interest expense on borrowings. Borrowing costs are capitalized when such costs are attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to prepare for its intended use. Other borrowing costs that are not directly attributable to qualifying assets are expensed in the period incurred.

**(k) Currency Translation**

Transactions in currencies other than the Company's functional currency are recorded at the exchange rates prevailing on the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Differences in foreign currency translation are recorded in the consolidated statement of loss and comprehensive loss.

**(l) Loss per share**

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of shares outstanding adjusted for the effects of all dilutive potential common shares. Diluted loss per share is not presented when it is anti-dilutive in nature.

**(m) Leases**

Policy applicable from January 1, 2019

Lessee

The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. The Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Leases are recognized as a Right-of Use ("ROU") asset and a corresponding lease liability at the date on which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. These payments are discounted using the Company's incremental borrowing rate when the rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Lease payments are allocated between the liability and finance costs. The finance cost is charged to net earnings over the lease term. The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company.

**4. Summary of significant accounting policies, continued**

**(m) Leases**

Policy applicable from January 1, 2019

When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in the Statements of Loss and Comprehensive Loss if the carrying amount of the ROU asset has been reduced to zero.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability, any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located less any lease payments made at or before the commencement date. The ROU asset is depreciated, on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain re-measurements of the lease liability and impairment losses. Leases that have terms of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in the Statements of Loss and Comprehensive Loss on a straight-line basis over the lease term. A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Company will re-measure the lease liability using the Company's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset, and recognizing a gain or loss in net loss that reflects the proportionate decrease in scope.

ROU assets are assessed for impairment on initial recognition and subsequently on an annual basis, at a minimum. ROU assets subject to leases that have become onerous in nature are adjusted by the amount of any provision for onerous leases.

*Policy applicable before January 1, 2019*

Leases in which substantially all of the risks and rewards of ownership are retained by the counterparty are classified as operating leases. Operating lease payments are recognized as an expense in the period in which they are incurred.

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases.

**(n) Share capital and unit offerings**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The proceeds received from unit offerings are allocated to the instruments based on fair values using the residual value method whereby fair value is assigned to the more readily determinable instrument, being the common share, with the remaining allocated to the warrant.

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**5. New and future accounting standards, amendments and interpretations**

*New accounting standards and interpretations adopted in 2019:*

Leases

In January 2016, the IASB issued IFRS 16, “Leases”, which specifies how to recognize, measure, present and disclose leases. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration.

The Company adopted IFRS 16 effective January 1, 2019 using the modified retrospective approach.

On initial adoption, the Company elected to use the following practical expedients permitted under the standard:

- a) Account for leases with a remaining term of less than twelve months as at January 31, 2019 as short-term leases; and
- b) Account for lease payments as an expense and not recognize a ROU asset if the underlying asset is of low dollar value.

There were no transitional and subsequent adjustments required in the consolidated financial statements as a result of the adoption of this new standard as the Company’s leases are all short-term or low value in nature.

*Future accounting standards, amendments and interpretations:*

There are no new and mandatory IFRS standards, amendments or interpretations that have been issued and will be effective for accounting periods on or after January 1, 2020 that are expected to be relevant to the Company.

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**6. Property and equipment**

<b>Cost</b>	<u>Office equipment</u>
Balance, December 31, 2017	\$ 62,142
Disposals	<u>(13,476)</u>
Balance, December 31, 2018	48,666
Disposals	<u>(808)</u>
<b>Balance, December 31, 2019</b>	<b><u>\$ 47,858</u></b>
<b>Accumulated amortization</b>	
Balance, December 31, 2017	\$ (34,381)
Disposals	10,528
Amortization for the year	<u>(7,444)</u>
Balance, December 31, 2018	(31,297)
Disposals	408
Amortization for the year	<u>(4,968)</u>
<b>Balance, December 31, 2019</b>	<b><u>\$ (35,857)</u></b>
<b>Net Book Value</b>	
Balance, December 31, 2018	\$ 17,369
<b>Balance, December 31, 2019</b>	<b>\$ 12,001</b>

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**7. Debenture payable**

During the fiscal year ended December 31, 2016, the Company entered into secured participating debenture financing (the “Participating Debentures”) with various arm's length and non-arm's length investors. Under this financing, the debenture holders have advanced \$2,000,000 in long-term capital. The majority of the Participating Debentures are owned by one director of the Company.

The Participating Debentures bear both basic and participating interest. Basic interest on the Participating Debentures accrues and is payable at the rate of twelve percent (12%) per annum calculated and paid quarterly. Interest at the rate of twelve percent (12%) per annum is accrued on any unpaid quarterly interest. Participation interest will be calculated on the basis of twelve percent (12%) of gross promotion campaign sales, if any, and will be paid quarterly, one quarter in arrears. The Participating Debentures have a term of four (4) years and mature in July 2020.

The Participating Debentures are secured by a fixed and floating first charge on all of the assets of the Company. As additional security, debenture holders have been granted a nonexclusive, unrestricted license to use the promotion platform software in the event of a default in payment of any amounts due under the Participating Debentures or in the event that the Company ceases, for any reason, to diligently pursue the promotions campaigns. The license will terminate on payment of all amounts owing under the Participating Debentures, in accordance with the provisions thereof.

In the event of default of any amounts, including interest and principal, or violation of any covenants under the debenture agreements, such as dissolution, liquidation or bankruptcy proceedings by the Company, the holders of the debentures can effect an accelerated maturity of the instruments whereby any and all amounts owing become due on demand. The Company did not pay the basic interest that were due June 28, 2019, September 30, 2019 and December 31, 2019. Total unpaid interest amounted to \$187,837 (2018 - \$nil) and is included in accounts payable and accrued liabilities.

**8. Share capital**

**a) Authorized**

- Unlimited number of common shares
- Unlimited number of preferred shares, issuable in series

**Issued and outstanding common shares:**

	December 31, 2019		December 31, 2018	
	Number	Amount	Number	Amount
<b>Balance, beginning of years</b>	<b>11,482,773</b>	<b>\$ 13,499,261</b>	8,877,773	\$ 12,245,804
Issued:				
On private placement	6,263,194	469,740	3,000,000	1,500,000
Shareholder loan - cancelled	-	-	(400,000)	(200,000)
Stock options exercised	-	-	5,000	5,950
Share issue costs	-	(42,512)	-	(52,493)
<b>Balance, end of years</b>	<b>17,745,967</b>	<b>\$ 13,926,489</b>	11,482,773	\$ 13,499,261

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**8. Share capital, continued**

(i) 2019 transactions

On October 3, 2019, the Company completed the consolidation of its Common Shares on the basis of one (1) post-consolidation common Share for every ten (10) pre-consolidation Common Shares (the "Consolidation"). After the Consolidation, the Company had 11,482,773 Common Shares outstanding.

The Company and HK Datang Investment Holding Group Co. Limited ("HK Datang") entered into an investment agreement (the "Investment Agreement") to provide for a private placement consisting of 10,000,000 units (each a "Unit") of the Company, at a subscription price of \$0.075 per Unit for gross proceeds of \$750,000. Each Unit consists of one (1) common share and one common share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.10 for a period of one year from the date of issuance of the Units.

On October 4, 2019, the Company closed the first tranche of a private placement consisting of 6,263,194 Units for gross proceeds of \$469,740. The \$100,000 non-refundable deposit was applied against this tranche. Using the residual value method, the fair value assigned to the warrants was \$nil.

The private placement is to be provided in two tranches. In addition, HK Datang has agreed to certain voting restrictions which will apply until such time as the Company has repaid one-half (\$1,000,000) of the principal under the existing debentures of the Company (see Note 7). Upon completion of the second tranche closing, HK Datang will have the right to appoint one (1) nominee to the Company's board of directors.

(ii) 2018 transactions

On March 2, 2018, the Company closed a non-brokered private placement consisting of 3,000,000 units (each a "Unit") of the Company, at a subscription price of \$0.50 per Unit for gross proceeds of \$1,500,000. Each Unit consists of one common share and one common share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$1 for a period of one year from the date of issuance of the Units. Using the residual value method, the fair value assigned to the warrants was \$nil. In order to allow certain employees to participate in this financing, the Company loaned an aggregate of \$200,000 to four employees. The shares were subsequently returned to treasury and the loans were cancelled as a result - See Note 9. - Related party transactions.

The Company paid a finder's fee in connection with the private placement in the amount of \$43,580.

During fiscal 2018, 5,000 options were exercised at a price of \$0.80 per option. Stock options fair value in the amount of \$1,950 were transferred from contributed surplus to share capital upon exercise.

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**8. Share capital, continued**

b) Warrants

	<b>December 31, 2019</b>		<b>December 31, 2018</b>	
	<b>Number</b>	<b>Weighted average exercise price</b>	<b>Number</b>	<b>Weighted average exercise price</b>
Balance, beginning of years	<b>2,600,000</b>	<b>\$ 1.00</b>	2,281,666	\$ 1.90
Issued:				
On private placement	<b>6,263,194</b>	<b>0.10</b>	3,000,000	1.00
Expired	<b>(2,600,000)</b>	<b>1.00</b>	(2,281,667)	1.90
Cancelled	-	-	(400,000)	1.00
<b>Balance, end of years</b>	<b>6,263,194</b>	<b>\$ 0.10</b>	<b>2,600,000</b>	<b>\$ 1.00</b>

As at December 31, 2019, the following warrants are outstanding:

<b>Number</b>	<b>Exercise price</b>	<b>Expiry Date</b>
6,263,194	\$ 0.10	October 4, 2020

The weighted average remaining life span of the warrants is 0.76 years (2018 - 0.17 years).

c) Stock option plan

The Company has an incentive stock option plan (the "Option Plan") which provides the Board of Directors of the Company from time-to-time, in its discretion and in accordance with the Exchange requirements, the authority to grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to five years from the date of grant. Options have been granted pursuant to the Option Plan which was last approved by the shareholders of the Company at a special meeting held on August 1, 2019.

(i) 2019 transactions

During the period ended December 31, 2019, 217,917 options expired, and 50,000 options were forfeited.

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**8. Share capital, continued**

c) Stock option plan, continued

(ii) 2018 transactions

During the year, the Company granted 410,000 options with an exercise price of \$0.70 to directors and certain employees of the Company. Of the total options granted, 338,750 vested immediately, the remaining 71,250 options vest in equal 25% increments over a period of one year. The options expire five years from the date of grant.

During the year, the Company granted 25,000 options with an exercise price of \$0.80 to an employee of the Company. 1/5 of the options vested immediately and 1/5 of the options will vest on each anniversary and expire five years from the date of grant.

During the year, 5,000 options were exercised, 65,000 options expired and 77,083 options were forfeited.

The following assumptions were used for valuing the options granted during the year ended December 31, 2018, using the Black-Scholes Option Pricing Model:

Risk-free interest rate	1.9%
Expected volatility	119% to 125%
Dividend yield	0%
Expected life of each option issued	5 years
Forfeiture rate	0%

Total stock-based compensation recognized during the year ended December 31, 2019 is \$(1,512) (2018 - \$274,075).

Details as to the stock options outstanding are as follows:

	<b>December 31, 2019</b>		<b>December 31, 2018</b>	
	<b>Number of</b>	<b>Weighted</b>	<b>Number of</b>	<b>Weighted</b>
	<b>options</b>	<b>average exercise</b>	<b>options</b>	<b>average exercise</b>
		<b>price</b>		<b>price</b>
Balance, beginning of years	<b>877,917</b>	<b>\$ 1.50</b>	590,000	\$ 1.50
Issued to directors, officers, employees and consultants	-	-	435,000	0.70
Exercised	-	-	(5,000)	0.80
Expired	<b>(217,917)</b>	<b>1.10</b>	(65,000)	1.70
Forfeitures	<b>(50,000)</b>	<b>1.50</b>	(77,083)	0.80
Balance, end of years	<b>610,000</b>	<b>\$ 1.10</b>	877,917	\$ 1.20

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**8. Share capital, continued**

c) Stock option plan, continued

As at December 31, 2019, the following options are outstanding:

Number	Exercised price	Expiry Date
120,000	\$ 2.00	June 2020
50,000	\$ 1.50	January 2022
50,000	\$ 1.40	April 2022
<u>390,000</u>	\$ 0.70	April 2023
<u>610,000</u>		

As at December 31, 2019, the weighted average remaining contractual life for options outstanding is 2.54 years (2018 - 2.81 years).

As at December 31, 2019, 585,000 (2018 - 734,167) options are fully exercisable and outstanding at a weighted average exercise price of \$1.08 (2018 - \$1.12).

As at December 31, 2019 there was \$2,283 (2018 - \$29,264) in unvested stock-based compensation expense that will be recorded over the remaining vesting period of the stock options.

d) Loss per share

Basic and diluted loss per share is calculated using the weighted average number of common shares outstanding during the year as follows:

	<u>December 31, 2019</u>	December 31, 2018
Weighted average number of common shares outstanding	<b>12,992,804</b>	<b>11,362,554</b>

Options and warrants to purchase common shares were outstanding however they are anti-dilutive in nature.

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**9. Related party transactions, balances and key management compensation**

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the related parties. Related party transactions are disclosed below, unless they have been disclosed elsewhere in the consolidated financial statements.

In 2019, total compensation paid to directors, officers and key management of the Company was comprised of \$133,000 (2018 - \$330,031) in fees plus options having a fair value of \$Nil (2018- \$210,065).

During the year ended December 31, 2019, payroll compensation to officers of the Company totaled \$52,000 (2018 - \$195,500). This compensation was included in wages and benefits on the consolidated statement of loss and comprehensive loss. As at December 31, 2019, \$89,167 (December 31, 2018 - \$89,714) is included in accounts payable and accrued liabilities with respect to these fees.

During the year ended December 31, 2019, the Company incurred \$51,000 (2018 - \$104,531) in management consulting fees to officers of the Company. These fees were included in general and administrative expenses on the consolidated statement of loss and comprehensive loss. As at December 31, 2019, \$39,000 (2018 - \$39,000) is included in accounts payable and accrued liabilities with respect to these charges.

During the year ended December 31, 2019, the Company incurred \$30,000 (2018 - \$30,000) in accounting fees to a company in which an officer of the Company is the principal shareholder. These fees were included in professional fees on the consolidated statement of loss and comprehensive loss. As at December 31, 2019, \$Nil (2018 - \$2,625) is included in accounts payable and accrued liabilities with respect to these fees.

During the year ended December 31, 2019, the Company paid rental fees of \$76,800 (2018 - \$88,800) to two companies in which a director and officer of the Company is the principal or a significant shareholder. These fees were included in general and administrative expenses on the consolidated statement of loss and comprehensive loss. As at December 31, 2019, \$Nil (December 31, 2018 - \$Nil) is included in accounts payable and accrued liabilities with respect to these fees.

At December 31, 2019, \$1,900,000 (2018 - \$1,900,000) in debentures payable were owing to directors and officers and family members of a director and officer. During the year, the Company incurred \$233,946 for interest (2018 - \$232,145) of which \$178,445 remains unpaid (2018 - \$Nil). In respect of the debenture financing which is included in finance costs on the consolidated statement of loss and comprehensive loss. See Note 7. - Debenture payable, for detailed information regarding the debentures.

During the year ended December 31, 2018, the Company loaned an aggregate of \$200,000 to four employees of the Company to allow them to participate in a private placement. Each of the four employee subscribed for one million Units with the loan proceeds. Subsequently during the year, the shares were returned to treasury and, as a result, the loans were cancelled. The Company recognized share-based compensation expense of \$138,752 for the original transaction. A similar transaction did not occur in 2019.

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**10. Income taxes**

a) Income tax expense

The following is a reconciliation of the statutory combined federal and provincial income taxes to the effective income taxes for the years ended December 31, 2019 and 2018:

	2019	2018
Loss before income taxes	\$ (684,791)	\$ (1,911,632)
Statutory income tax rate	26.5%	27.0%
Expected income tax recovery	(181,470)	(516,141)
Stock-based compensation	(400)	111,000
Share issue costs	(11,000)	(14,000)
Other	1,870	2,141
Change in enacted tax rates	296,000	-
Change in tax benefits not recognized	(105,000)	417,000
Income tax recovery	\$ -	\$ -

b) Deferred income taxes

The temporary differences that give rise to deferred income tax assets and liabilities are presented below:

	2019	2018
Amounts related to tax loss carry forwards	\$ 3,151,000	\$ 3,204,000
Amounts related to capital tax loss carry forwards	497,000	536,000
Tax value of mineral properties exceeding book value	41,000	44,000
Reserves	22,000	24,000
Share issuance costs	35,000	43,000
	3,746,000	3,851,000
Less: Tax benefits not recognized	(3,746,000)	(3,851,000)
	\$ -	\$ -

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**10. Income taxes, continued**

c) Loss carry-forwards

The Company has non-capital loss carry-forwards which may be utilized against future non-capital earnings as follows:

Year of expiry		
	2028	\$ 35,000
	2029	186,000
	2030	488,000
	2031	1,355,000
	2032	1,179,000
	2033	1,029,000
	2034	353,000
	2035	1,429,000
	2036	1,989,000
	2037	2,348,000
	2038	1,473,000
	2039	740,000
		<u>12,604,000</u>
		<u>\$ 12,604,000</u>

The Company also has \$165,000 (2018 - \$165,000) in unused foreign exploration expenditures and \$3,973,000 (2018 - \$3,973,000) in capital losses. The potential tax benefit in relation to these losses has not been reflected in these consolidated financial statements.

**11. Capital management**

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern.
- To maintain appropriate cash reserves on hand to meet ongoing development and operating costs.
- To invest cash on hand in highly liquid and highly rated financial instruments.

In the management of capital, the Company includes debenture payable and shareholders' equity in the definition of capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company (upon approval from its Board of Directors, as required) may issue additional capital primarily through equity financing. The Company has no externally imposed capital requirements.

The following table describes the Company's capital structure:

<b>Capital Structure</b>	<b>December 31, 2018</b>	<b>December 31, 2018</b>
Debenture payable	\$ 2,000,000	\$ 2,000,000
Shareholders' Deficiency	(1,992,227)	(1,733,152)
<b>Total</b>	<b>\$ 7,773</b>	<b>\$ 266,848</b>

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**12. Financial instruments**

As at December 31, 2019 and 2018, the Company's financial instruments are cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and debenture payable. The amounts reflected in the consolidated statement of financial position are carrying amounts. These financial instruments are classified as follows:

- Cash and cash equivalents – fair value through profit or loss
- Accounts receivable – financial assets at amortized cost
- Accounts payable and accrued liabilities – financial liabilities at amortized cost
- Debenture payable – financial liabilities at amortized cost

The Company does not use derivative instruments or hedges to manage risks because the Company's exposure to credit risk, interest rate risk and currency risk is small.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents are exposed to credit risk, however the risk is deemed minimal as the counterparty is considered to be a low risk financial institution. Accounts receivable consists of the amount due from Canada Revenue Agency in relation to input tax credits arising as a result of the Goods and Services Tax (GST) and a refundable tax credit due under the Alberta's Interactive Digital Media Tax Credit program.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents are exposed to interest rate risk as the Company invests cash and cash equivalents at floating rates of interest in highly liquid instruments. Fluctuations in interest rates impact the value of cash and cash equivalents. For the years ended December 31, 2019 and 2018, if interest rates had been 1% higher or lower, total interest income received would have been higher or lower by approximately \$3,200 and \$4,800, respectively, on an annualized basis. Pursuant to the terms of the participating debentures, the Company is required to pay additional interest equal to 12% of the revenue generated on qualifying product sales, see Note 7. - Debentures payable.

c) Currency risk

Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company minimizes its currency risk by maintaining the majority of its liquid assets in stable currencies, including Canadian and US currencies. The Company holds US dollars, a 10% change in the exchange rate between the Canadian dollar and the US Dollar would result in the Company incurring a gain or loss of approximately \$700 (2018 - \$600).

d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable and accrued liabilities are overdue; however, its creditors are generally also related parties (Note 9). The Company ensures that it has sufficient capital to meet short term financial obligations after taking into account cash and cash equivalents on hand.

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**DeepMarket Corp.**  
**Notes to the Consolidated Financial Statements**  
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**(Expressed in Canadian Dollars)**

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**12. Financial instruments, continued**

e) Fair value risk

The methods and assumptions used to develop fair value measurements for those financial instruments carried at fair value on the statement of financial position have been prioritized into three levels of a fair value hierarchy included in IFRS 7. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities, level two includes inputs that are observable other than quoted prices included in level one and level three includes inputs that are not based on observable market data.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The Company's cash and cash equivalents are recorded using a level one fair value measurement.

The accounts receivable and accounts payable and accrued liabilities carrying values approximate fair value due to the short-term nature of the financial instruments.

The fair value of the debenture payable is impacted by changes in market yields which can result in differences between the carrying value and the fair value of the instruments. The carrying value of the debenture payable as at December 31, 2019 is \$2,000,000 (December 31, 2018 - \$2,000,000). The fair value of the debenture payable is not disclosed as it cannot be measured reliably due to the fact that there is no open market for similar debentures, the majority of the balance is held by related parties and the participating interest component is dependent on future sales, which are not reliably predictable.

**13. Subsequent events**

a) COVID 19

The current COVID 19 pandemic will have a significant negative effect on the business of the Company. The largest and controlling shareholder of the Company is a Chinese based company. The new business opportunities being pursued by the Company are all focussed on the Chinese e-commerce and consumer market. Financing opportunities for the Company are primarily focused in China. As a result of these factors, the impact of the COVID 19 pandemic will be particularly negative for the Company. The extent and duration of the impact of the COVID 19 pandemic are unknown however it's very negative impact on the ability of the Company to continue or to develop new business opportunities must be assumed.

b) Stock Options

Subsequent to year end, all stock options were cancelled.