



AMPD VENTURES INC.

(formerly E-Gaming Ventures Corp.)

Condensed Consolidated Interim Financial Statements

For the six months ended November 30, 2020

Expressed in Canadian Dollars

AMPD VENTURES INC.
(formerly E-Gaming Ventures Corp.)

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AMPD VENTURES INC.

NOTICE TO READER

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

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

January 25, 2021

AMPD VENTURES INC.
(formerly E-Gaming Ventures Corp.)

Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	November 30, 2020	May 31, 2020
ASSETS			
Cash		\$ 295,546	\$ 938,661
Receivables	5	111,411	335,537
Subscriptions receivable	18	129,500	-
Prepays and deposits		33,907	28,358
		570,364	1,302,556
Property and equipment	6	1,220,172	1,468,466
		\$ 1,790,536	\$ 2,771,022
LIABILITIES			
Trades payable and accrued liabilities	7	\$ 269,892	\$ 393,752
Subscriptions	18	219,500	-
Deferred revenue		-	39,022
Convertible debt	8	327,054	306,175
Lease liability, current	6,9	147,087	333,410
Loans payable, current	8	4,554	59,220
Finance loan, current	6,13	180,864	174,691
		1,148,951	1,306,270
Lease liabilities, long term	6,9	185,309	324,662
Finance loan, long term	6,13	30,776	133,064
Government loan	10	32,506	-
		1,397,542	1,763,996
SHAREHOLDERS' EQUITY			
Share capital	11	8,676,157	8,290,127
Reserves	11	2,597,647	2,193,456
Foreign currency translation		7,786	5,798
Deficit		(10,888,596)	(9,482,355)
		392,994	1,007,026
		\$ 1,790,536	\$ 2,771,022

Nature and continuance of business (Note 1)
Reverse takeover (Note 4)
Commitments (Note 13)
Subsequent events (Note 18)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

AMPD VENTURES INC.

(formerly E-Gaming Ventures Corp.)

Condensed Consolidated Interim Statement of Changes in Equity (Expressed in Canadian Dollars)

		Share Capital			Equity component of convertible notes	Foreign currency translation adjustment	Deficit	Total Shareholders' equity
		Number of Common Shares	Amount	Reserves				
Balance at May 31, 2019		16,200,141	\$ 325,086	\$ 140,000	\$ 32,615	\$ (7)	\$ (1,250,478)	\$ (752,784)
Rescind cancellation of shares	11	849,808	-	-	-	-	-	-
Shares issued for employment incentive	11	2,185,224	1,286	-	-	-	-	1,286
Shares issued for equipment purchase	11	594,865	175,000	-	-	-	-	175,000
Shares issued for consulting services	11	169,962	50,000	-	-	-	-	50,000
Recapitalization transaction:								
Equity of AMPD Ventures	4,11	17,138,940	6,018,542	-	-	-	-	6,018,542
Shares issued on exercise of warrants	11	8,400	2,940	-	-	-	-	2,940
Share based compensation	11	-	-	284,039	-	-	-	284,039
Foreign exchange translation	-	-	-	-	-	(14)	-	(14)
Net loss for the period	-	-	-	-	-	-	(4,542,236)	(4,542,236)
Balance at November 30, 2019		37,147,340	6,572,854	424,039	32,615	(21)	(5,792,714)	1,236,773
Shares issued for employment incentive adjustment	11	-	763,542	-	-	-	-	763,542
Share-based compensation	11	-	-	1,460,858	-	-	-	1,460,858
Shares issued for cash	11	4,119,000	978,263	-	-	-	-	978,263
Share issuance costs	11	-	(24,532)	-	-	-	-	(24,532)
Share based compensation	11	-	-	280,596	-	-	-	280,596
Settlement of convertible debt	8	-	-	-	(4,652)	-	4,652	-
Foreign exchange translation	-	-	-	-	-	5,819	-	5,819
Net loss for the period	-	-	-	-	-	-	(3,694,293)	(3,694,293)
Balance at May 31, 2020		41,266,340	8,290,127	2,165,493	27,963	5,798	(9,482,355)	1,007,026
Shares issued for cash	11	600,000	120,000	-	-	-	-	120,000
Share issuance costs	11	-	(200)	-	-	-	-	(200)
Shares issued on debt settlement	9,11	1,540,000	178,689	113,911	-	-	-	292,600
Exercise of options	-	250,000	87,541	(87,391)	-	-	-	150
Share based compensation	11	-	-	377,671	-	-	-	377,671
Foreign exchange translation	-	-	-	-	-	1,988	-	1,988
Net loss for the period	-	-	-	-	-	-	(1,406,241)	(1,406,241)
Balance at November 30, 2020		43,656,340	\$ 8,676,157	\$ 2,569,684	\$ 27,963	\$ 7,786	\$ (10,888,596)	\$ 392,994

* Prior to the completion of the Transaction (Note 4), a forward-stock split was completed on the basis of 1.6996. All share amounts have been stated on a post-forward share split basis.

The accompanying notes form an integral part of these condensed consolidated interim financial statements

AMPD VENTURES INC.
(formerly E-Gaming Ventures Corp.)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the three and six months ended November 30, 2020 and, 2019
(Expressed in Canadian Dollars)

	Note	Three months ended November 30,		Six months ended November 30,	
		2020	2019	2020	2019
Sales	14,15	\$ 248,430	\$ 142,025	\$ 680,644	\$ 355,504
Cost of Services		65,870	131,955	224,840	326,527
GROSS PROFIT		182,560	10,070	455,804	28,977
Expenses					
Advertising and promotion		13,101	303,839	45,432	304,339
Amortization	6	157,621	22,697	313,735	22,927
Bank charges		(1,238)	2,354	3,508	3,732
Data center costs		19,661	-	56,467	-
Directors fees	12	3,000	-	6,000	-
Dues and subscriptions		175	1,334	201	1,905
Insurance		9,750	9,728	18,701	11,683
Office and miscellaneous		55,833	22,842	106,514	33,822
Professional fees		131,593	(20,767)	205,447	17,978
Regulatory and transfer agent fees		8,183	4,838	12,499	4,838
Salaries and consulting fees	12	374,838	241,089	678,049	389,117
Share based compensation	11,12	158,954	284,039	377,671	284,039
Travel and entertainment		247	20,520	7,046	33,660
		931,718	892,513	1,831,270	1,108,040
NET LOSS BEFORE OTHER ITEMS		(749,158)	(882,443)	(1,375,466)	(1,079,063)
Other items					
Foreign exchange loss		(330)	10	(565)	24
Interest expense and finance costs	6,8,9,13	(29,148)	(31,013)	(56,392)	(57,629)
Interest and other income	9,10	(499)	-	26,182	-
Listing expense	4	-	(3,405,568)	-	(3,405,568)
		(29,977)	(3,436,571)	(30,775)	(3,463,173)
NET LOSS FOR THE YEAR		(779,135)	(4,319,014)	(1,406,241)	(4,542,236)
Other comprehensive income					
Foreign currency translation adjustment		2,655	-	1,988	-
		2,655	-	1,988	-
NET AND COMPREHENSIVE LOSS FOR THE PERIOD		\$ (776,480)	\$ (4,319,014)	\$ (1,404,253)	\$ (4,542,236)
Loss per common share					
-basic and diluted		\$ (0.02)	\$ (0.20)	\$ (0.03)	\$ (0.26)
Weighted average number of common shares outstanding					
-basic and diluted		43,518,977	21,649,990	43,286,941	17,283,149

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

AMPD VENTURES INC.
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Condensed Consolidated Interim Statements of Cash Flows
For the six months ended November 30, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
Cash provided by (used in):		
Operating:		
Net loss for the period	\$ (1,406,241)	\$ (4,542,236)
Items not involving cash:		
Accretion of interest for convertible debenture	-	10,921
Accrued interest and finance costs	49,557	21,357
Amortization	313,735	22,927
Other income	(9,073)	-
Listing expense	-	3,184,124
Stock-based compensation	377,671	284,039
Gain on debt settlement	(15,400)	-
	<u>(689,751)</u>	<u>(1,018,868)</u>
Changes in non-cash operating working capital items:		
Receivables	224,126	15,723
Prepaid expenses and deposits	(5,549)	-
Inventory	-	-
Accounts payable and accrued liabilities	(171,439)	(65,543)
Deferred revenue	(39,022)	-
	<u>(681,635)</u>	<u>(1,068,688)</u>
Investing		
Acquisition of equipment	(65,441)	(292,778)
	<u>(65,441)</u>	<u>(292,778)</u>
Financing		
Net cash acquired on reverse takeover	-	2,704,763
Cash received subsequent to RTO	-	186,195
Proceeds from issuance of shares, net	119,950	4,226
Subscriptions received	90,000	-
Lease payments	(36,320)	(14,172)
Debt repayments	(111,657)	(51,923)
Government loan	40,000	-
	<u>101,973</u>	<u>2,829,089</u>
Effect of foreign exchange on cash flows	1,988	(14)
Change in cash during the period	(643,115)	1,467,609
Cash, beginning of period	938,661	106,176
Cash, end of period	<u>\$ 295,546</u>	<u>\$ 1,573,785</u>

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

AMPD VENTURES INC.

(formerly E-Gaming Ventures Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended November 30, 2020

(Expressed in Canadian Dollars)

1. NATURE OF BUSINESS

AMPD Ventures Inc. (the "Company") was incorporated under the laws of the Province of British Columbia on June 27, 2018.

The Company's head office and principal address is located at #210-577 Great Northern Way, Vancouver, BC, V5T 1E1. The registered and records office is suite 2900-550 Burrard Street, Vancouver, BC, V6C 0A3.

On October 11, 2019, the Company (formerly E-Gaming Ventures Corp.) ("E-Gaming Ventures") completed a reverse takeover (the "RTO") with AMPD Holdings Corp., ("AMPD"), a private company incorporated under the Canada Business Corporations Act and its wholly owned subsidiary, AMPD Game Technologies US Inc., ("AMPD US"). The Company acquired 100% of the issued and outstanding common shares of AMPD (the "Transaction") resulting in AMPD becoming a wholly owned subsidiary of the Company. See Note 4.

As a result of the Transaction, effective October 24, 2019, the Company commenced trading its common shares on the Canadian Securities Exchange ("CSE") under the symbol "AMPD". On November 4, 2019, the Company's common shares were listed on the Frankfurt Exchange trading under the symbol "2Q0".

The Company is a technology company that builds high performance computing and cloud infrastructure to service the needs of companies with low-latency applications, including multiplayer video games and eSports, next-gen digital media production, and big data analysis, collection, and visualization.

These consolidated financial statements have been prepared on the basis of a going concern which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on being able to raise the necessary funding to continue operations, through public equity, debt financings, joint arrangements and other contractual arrangements, or being able to operate profitably in the future. The Company has incurred losses since inception and as at November 30, 2020 has a working capital deficit of \$578,587 (May 31, 2020 – working capital deficit of \$3,714) and an accumulated deficit of \$10,888,596 (May 31, 2020 - \$9,482,355). There is no assurance that additional funding will be available on a timely basis or on terms acceptable to the Company. If the Company is unable to obtain sufficient funding, the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles as a going concern will be in doubt. These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities which might be necessary should the Company be unable to continue in existence.

Further, in March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the pandemic's impact on its business, results of operations, financial position and cash flows in the future.

AMPD VENTURES INC.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended November 30, 2020

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION

These financial statements were authorized for issue on January 25, 2021 by the directors of the Company.

Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company’s May 31, 2020 consolidated audited financial statements. It is therefore recommended that these condensed consolidated interim financial statements be read in conjunction with the Company’s May 31, 2020 consolidated audited financial statements.

Basis of preparation and consolidation

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3.

These consolidated financial statements include accounts of the Company and its wholly-owned subsidiaries, AMPD and AMPD US. The financial statements prior to October 11, 2020, the RTO completion date, include only the accounts of AMPD and AMPD US. Inter-company transactions and balances are eliminated upon consolidation.

Subsidiaries are corporations in which the Company is able to control the financial operating, investing and financing activities and policies, which is the authority usually connected with holding majority voting rights. The consolidated financial statements include the accounts of the Company and its controlled entity from the date on which control was acquired. The subsidiaries use the same reporting period and the same accounting policies as the Company.

All significant inter-company balances and transactions have been eliminated on consolidation.

Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

The preparation of these consolidated financial statements requires management to make judgments regarding going concern of the Company as discussed in Note 1.

AMPD VENTURES INC.

(formerly E-Gaming Ventures Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended November 30, 2020

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Accounting standard issued but not yet effective

Certain 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 financial statements.

4. REVERSE TAKEOVER OF AMPD

On October 11, 2019, the Company completed an RTO transaction with AMPD (Note 1), whereby the Company acquired 100% of the issued and outstanding common shares of AMPD.

Pursuant to the Transaction, the Company issued an aggregate of 20,000,000 common shares of the Company in exchange for all of the issued and outstanding shares of AMPD. Upon closing of the Transaction, the shareholders of AMPD owned 55% of the common shares of the Company and, as a result, the Transaction is considered a reverse acquisition of the Company by AMPD.

For accounting purposes, the acquisition was considered to be a reverse acquisition under IFRS 3 *Business Combinations* ("IFRS 3") as the shareholders of AMPD obtained control of E-Gaming Ventures. However, as E-Gaming Ventures does not meet the definition of a business as defined by IFRS 3, it has been accounted for as a share-based payment transaction in accordance with IFRS 2. The accounting for this transaction resulted in the following:

- a. The consolidated financial statements of the combined entity are issued under the legal parent, E-Gaming Ventures, but are considered a continuation of the financial statements of the legal subsidiary, AMPD.
- b. As AMPD is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.
- c. Since the shares allocated to the former shareholders of AMPD on closing the Transaction is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or service received in return for the allocation of the shares, the value in excess of the net identifiable assets or obligations of AMPD acquired on closing was expensed in the consolidated statement of loss and comprehensive loss as a listing expense.

The fair value of the consideration for all the share of E-Gaming Ventures was calculated as follows:

The fair value of the 17,138,940 common shares of E-Gaming Ventures was determined to be \$5,998,629 or \$0.35 per common share.

The fair value of 279,591 warrants of E-Gaming Ventures was estimated using the Black-Scholes Option Pricing Model using the following assumptions: risk-free rate of 1.61%, expected life of 0.66 years, volatility of 63.21% and no expected dividends.

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Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in Canadian Dollars)

4. REVERSE TAKEOVER OF AMPD (cont'd)

d. The fair value of all the consideration given and charged to listing expense was comprised of:

Consideration		
Outstanding common shares of E-Gaming Ventures	\$	5,998,629
Outstanding warrants of E-Gaming Ventures		19,913
	\$	6,018,542
Net identifiable assets acquired – At October 11, 2019		
Cash	\$	2,290,958
Receivables		601,332
Trade payables		(7,872)
		2,884,418
Unidentified assets acquired		
Listing expense (See Note (e))		3,134,124
Total net identifiable assets and transaction costs	\$	6,018,542

e. The Company incurred additional listing expenses of \$271,444, for a total listing expense of \$3,405,568. Included in this amount is 169,962 common shares issued in exchange for \$50,000 in consulting services.

5. RECEIVABLES

	November 30, 2020	May 31, 2020
Trade receivables	\$ 69,424	\$ 285,859
Goods and services tax recoverable	41,987	49,678
	\$ 111,411	\$ 335,537

AMPD VENTURES INC.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended November 30, 2020

(Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT

	Equipment (Note 13)	Right of Use Assets (Note 9, and 13)	Total
Cost			
Balance, May 31, 2019	\$ 4,849	\$ -	\$ 4,849
Additions	1,029,672	782,660	1,812,332
Balance, May 31, 2020	1,034,521	782,660	1,817,181
Additions	65,441	-	65,441
Balance, November 30, 2020	\$ 1,099,962	\$ 782,660	\$ 1,882,622
Accumulated amortization			
Balance, May 31, 2019	\$ 3,839	\$ -	\$ 3,839
Amortization	203,356	141,520	344,876
Balance, May 31, 2020	207,195	141,520	348,715
Amortization	181,374	132,361	313,735
Balance, November 30, 2020	\$ 388,569	\$ 273,881	\$ 662,450
Balance			
May 31, 2020	\$ 827,326	\$ 641,140	\$ 1,468,466
November 30, 2020	\$ 711,393	\$ 508,779	\$ 1,220,172

7. TRADE PAYABLES AND ACCRUED LIABILITIES

	November 30, 2020	May 31, 2020
Trade payables (Note 12)	\$ 234,892	\$ 361,548
Accrued liabilities	35,000	32,204
	\$ 269,892	\$ 393,752

During the year ended May 31, 2020, the Company recorded a \$180,000 reversal of previously accrued liabilities.

8. CONVERTIBLE DEBT AND LOANS PAYABLE

a. Convertible debt

On August 29, 2018, the Company issued a \$250,000 unsecured convertible promissory note to one of its principal shareholders who is also an officer and director of the Company. The Convertible Debt accrues interest at 12% per annum, compounded monthly in arrears. The principal and accrued interest are due and payable on August 29, 2021. The principal and accrued interest are convertible to common shares of the Company at any time prior to the maturity date, at the holder's discretion, at a conversion price of \$0.79 per common share. On May 1, 2019, the Company amended the maturity date of the unsecured convertible promissory note to May 1, 2020 and the conversion price to \$0.70 per common share. Accordingly, the Company recorded a loss on modification of \$13,318. As of November 30, 2020, the Company recorded \$77,054 (May 31, 2020 -\$58,099) in accrued interest on the promissory note. To November 30, 2020, the Company has not repaid the convertible promissory note and the holder has not demanded repayment nor exercised their right to convert.

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For the six months ended November 30, 2020

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8. CONVERTIBLE DEBT AND LOANS PAYABLE (cont'd)

a. Convertible debt (cont'd)

On May 1, 2019, the Company issued an additional \$120,000 unsecured convertible promissory note to an unrelated party under the same terms. During the period ended November 30, 2020, the Company recorded \$nil (May 31, 2020 -\$11,355) in interest expense on the promissory note. The Company repaid the promissory note and accrued interest in full during the year ended May 31, 2020. Accordingly, the Company relocated \$Nil (May 31, 2020 - \$4,652) from reserve to deficit.

The reconciliation of the carrying amount of the convertible debt is:

	November 30, 2020	May 31, 2020
Balance, beginning of period	\$ 306,175	\$ 379,515
Net loan repayments	-	(132,555)
Interest expense at effective interest rate	20,879	59,215
Balance, end of period	\$ 327,054	\$ 306,175

b. Non-revolving credit facility

On October 13, 2017, the Company entered into a \$200,000 non-revolving credit facility agreement (the "Loan") with Runway Finance Group Inc. (the "Lender"). The Loan bears interest at 16% per annum and matures on October 13, 2020. The Company is required to make interest plus monthly principal repayments of the greater of \$7,250 or 45% of proceeds received from customers of assigned contracts, as defined in the agreement, in a given month.

The Company provided the following as security:

- General security agreement charging all of the Company's assets;
- Assignment of the Company's May 31, 2018 and 2019 SRED refund claims; and
- Assignment of certain of the Company's sales contracts.

The reconciliation of the carrying amount of the non-revolving credit facility is:

	November 30, 2020	May 31, 2020
Carrying value, beginning of period	\$ 59,220	\$ 153,467
Net loan repayments	(54,666)	(94,247)
Interest expense at effective interest rate	6,965	17,395
Interest paid	(6,965)	(17,395)
Carrying value, end of period	\$ 4,554	\$ 59,220

The Company is required to meet certain covenants imposed by the Lender which includes a financial covenant to maintain a minimum net worth, defined as its share capital plus retained earnings. During the six months ended and as at November 30, 2020 and May 31, 2020, the Company, from time to time, may not be in compliance with its financial covenant and, accordingly, the balance of the Loan has been classified as a current liability on the statement of financial position. At November 30, 2020, the Company was in compliance with this covenant. Subsequent to the period ended November 30, 2020, the Company repaid the remainder of this loan.

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(Expressed in Canadian Dollars)

9. LEASE LIABILITIES

The Company incurs lease payments related to its office premises, data centre and server equipment.

	Office	Data Centre	Total
Balance, May 31, 2020	\$ 118,639	\$ 539,433	\$ 658,072
Imputed interest	4,802	13,842	18,644
Payments	(36,320)	(308,000)	(344,320)
Balance, November 30, 2020	87,121	245,275	332,396
Current portion	47,416	99,671	147,087
Long-term portion	\$ 39,705	\$ 145,604	\$ 185,309

During the period ended November 30, 2020, the Company arranged to settle future payments of \$308,000 of its lease for the Data Centre by issuing 1,540,000 units of the Company's equity. (Note 11(b))

10. GOVERNMENT LOAN

On June 1, 2020, the Company received the Canada Emergency Business Account ("CEBA") loan which is an interest-free loan to cover operating costs. The CEBA loan was launched by the government of Canada to support businesses by providing financing for their expenses that cannot be avoided or deferred, and assisting businesses for successful relaunch when the economy recovers from COVID-19. Repaying the balance of the loan on or before December 31, 2022 will result in a loan forgiveness of \$10,000.

Pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 *Financial Instruments*: the benefit of below-market rate shall be measured as the difference between initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company has estimated the initial carrying value of the CEBA Loan at \$30,927, using a discount rate of 10%, which was the estimated rate for a similar loan without interest-free component. The difference of \$9,073 will be accredited to the loan liability over the term of the CEBA Loan and offset to other income on the statement of loss and comprehensive loss.

		2020		2019
Balance, beginning of period	\$	–	\$	–
Loan received		40,000		–
Interest free benefit		(9,073)		–
Finance expense		1,579		–
Balance, end of period	\$	32,506	\$	–

11. SHARE CAPITAL

a. Authorized

Unlimited number of common shares without par value.

AMPD VENTURES INC.

(formerly E-Gaming Ventures Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended November 30, 2020

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (cont'd)

b. Issued and outstanding

During the six months ended November 30, 2020, the Company completed the following transactions:

- i) issued 250,000 common shares on the exercise of 250,000 stock options for gross proceeds of \$150. In addition, a reallocation of \$87,391 from reserves to share capital was recorded on the exercise of these options. This amount constitutes the fair value of options recorded at the original grant date.
- ii) completed a private placement of 600,000 units at a price of \$0.20 per unit for gross proceeds of \$120,000. Each unit includes one common share and one-half share purchase warrant. Each whole warrant is exercisable at a price of \$0.30 per share for a period of one year. The CEO and director of the Company was the sole subscriber for this private placement. The Company incurred \$200 in share issuance costs in connection to this private placement.
- iii) completed an arrangement through which the Company settled \$308,000 of future transactions with a third party in exchange for 1,540,000 units (Note 9). Each unit will be comprised of one common share and one common share purchase warrant having an exercise price of \$0.30 and a term of 24 months from the date of closing. The Company recorded a fair value of \$178,689 on 1,540,000 common shares and \$113,911 on 1,540,000 share purchase warrants. In addition, the Company recorded a gain of \$15,400 in connection to this settlement.

During the year ended May 31, 2020, AMPD completed the following transactions:

- i) On June 1, 2019, issued 169,962 (100,000 pre-forward stock split) common shares at a fair value of \$50,000 for consulting services, which has been recorded in listing costs.
- ii) On June 1, 2019, issued 2,185,224 (1,285,7116 pre-forward stock split) common shares at a fair value of \$764,828 as employment sign-on incentives to an officer and director of AMPD, which has been recorded in share-based compensation
- iii) On July 1, 2019, issued 594,865 (350,000 pre-forward stock split) common shares at a fair value of \$175,000 as consideration for the purchase of equipment.
- iv) On July 3, 2019, rescinded an agreement to repurchase 849,808 (500,000 pre-forward split) common shares, which were initially cancelled at a nominal value, from a director and officer of the Company.

During the year ended May 31, 2020, E-Gaming Ventures completed the following transaction:

- i) Between July 25, 2019 and September 10, 2019, in connection with and prior to the completion of the Transaction, E-Gaming issued an aggregate of 8,684,854 special warrants at a price of \$0.35 per special warrant for total gross proceeds of \$2,866,299. Each special warrant entitled the holder to one common share at no additional consideration and were fully converted into 8,684,854 common shares prior to the completion of the Transaction. In connection to the financing, an aggregate of 279,591 agent's warrants were issued. Each agent warrant is exercisable at a price of \$0.35 expiring between May 9, 2021 and September 18, 2021. The Company recognized a fair value of \$19,913 on the agent's warrants.

During the year ended May 31, 2020, the Company completed the following transactions:

- i) On October 11, 2019, in accordance with the Transaction (Note 4), the Company issued 20,000,000 common shares to acquire all the issued and outstanding shares of AMPD.
- ii) Issued 8,400 common shares on the exercise of agent's finder's warrants, which were previously issued by E-Gaming Ventures, for gross proceeds of \$2,940.
- iii) On February 7, 2020, the Company closed its private placement financing of 4,119,000 units for gross proceeds of \$978,263. Each unit is comprised of one common share and one-half of one common share purchase warrant having an exercise price of \$0.50 per whole warrant expiring February 7, 2021. The Company incurred \$24,532 in share issuance costs in connection to this private placement.

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11. SHARE CAPITAL (cont'd)

c. Escrow

16,170,456 common shares issued to the principals of the Company under the Transaction are subject to escrow conditions required by applicable securities laws and the CSE requirements. Pursuant to the terms of the escrow agreements, 10% of the escrowed shares were released from escrow on October 24, 2019 and 15% of the escrowed shares to be released every 6 months over a period of 36 months. As at November 30, 2020, 9,702,281 (May 31, 2020 – 12,127,847) common shares are held within escrow.

d. Reserve

Conversion rights of debt

This reserve records the equity component of debt which has both a liability and equity component. On conversion, the amount recorded is transferred to share capital. On redemption or settlement, the amount is transferred to deficit.

Share-based compensation

The reserve records the fair value recognized on stock options granted and on the share purchase warrants issued in connection to the private placement until such time that the stock options or share purchase warrants are exercised, at which time the corresponding amount will be transferred to share capital.

e. Stock options and share purchase warrants

The Company adopted a 10% rolling share option plan (the "Plan") that enables management to grant options to directors, officers, employees and other service providers. The Company follows the CSE policies where the number of common shares which may be issued pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding shares of the Company from time to time at the date of granting of options. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price, expiry date, and the vesting conditions of the options as determined by the Board of Directors.

During the six months ended November 30, 2020, The Company issued the following stock options transactions:

- i) granted 2,550,000 incentive stock options to directors, employees and an advisor at an exercise price of \$0.19 per share expiring Jun 23, 2025. During the period, the Company recorded \$199,837 in share-based compensation on the vested portion of the options.
- ii) 700,000 stock options at an exercise price of \$0.35 per share and 400,000 stock options at an exercise price of \$0.50 were forfeited.
- iii) Issued 300,000 share purchase warrants at an exercise price of \$0.30 per share expiring June 15, 2021 in connection to a private placement. (Note 11(b))
- iv) Issued 1,540,000 share purchase warrants at an exercise price of \$0.30 per share expiring June 15, 2022 in connection to a settlement of future transactions. (Note 11(b))

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11. SHARE CAPITAL (cont'd)

e. Stock options and share purchase warrants (cont'd)

During the year ended May 31, 2020, AMPD entered into the following stock option and share purchase warrant transactions:

- i) issued 5,000,000 (2,941,840 pre-forward stock split) common share purchase options with an exercise price of \$0.01 (\$0.001 pre-forward stock split) to certain directors and officers. The options were subject to the following vesting conditions and expiry dates:
 - i) 3,000,000 (1,765,104 pre-forward stock split) vest immediately and expire in five years;
 - ii) 500,000 (294,184 pre-forward stock split) vest after the Company generates not less than \$750,000 in total revenues in a single fiscal year, and expire in two years;
 - iii) 500,000 (294,184 pre-forward stock split) vest after the Company generates not less than \$1.5 million in total revenues in a single fiscal year, and expire in three years;
 - iv) 500,000 (294,184 pre-forward stock split) vest after the Company generates not less than \$4 million in total revenues in a single fiscal year, and expire in five years; and
 - v) 500,000 (294,184 pre-forward stock split) vest after the Company closes a single recurring revenue deal in which the aggregate top-line value exceeds \$2 million, and expire in five years.

The fair value of the options at grant date was \$1,747,813. During the year ended May 31, 2020, the Company recorded \$1,456,511 in share-based compensation on the vested portion of the options. Prior to the completion of the Transaction, these options were converted and replaced with 5,000,000 share purchase warrants.

- ii) 250,000 previously issued special warrants were replaced with 424,904 (250,000 pre-forward stock split) common share purchase warrants. The common share purchase warrants will be exercisable at \$0.35 (\$0.60 pre-forward stock split) per share for a period of 12 months once the holders of the previous special warrants have received royalty payments equal to the purchase price of the royalty units as follows:

Holders of the special warrants are entitled to receive a pro-rata share of 0.83% of the Company's annualized gross sales, to a maximum of 80% of net profit for that year, so long as the Company maintains a positive annual EBITDA. Once holders of the special warrants have received an amount equal to the aggregate purchase price of the royalty units, the Company may at its sole discretion convert each special warrant to one-half of one share purchase warrant.

Following conversion of the special warrants, provided that the Company maintains a positive annual EBITDA and receives board of director approval, the Company will pay to all holders of common shares an annual dividend of no less than 5% of the Company's annualized gross sales in excess of \$5 million.

The purchase price of the special warrants was initially allocated to the common shares issued and no value was allocated to the special warrants as the Company had incurred recurring losses and there was no certainty that the Company will achieve positive annual earnings in future years.

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11. SHARE CAPITAL (cont'd)

e. Stock options and share purchase warrants (cont'd)

During the year ended May 31, 2020, AMPD issued an aggregate of 279,591 agent's warrants which were issued on completion of a financing. Each agent warrant is exercisable at a price of \$0.35 expiring between May 19, 2021 and September 18, 2021.

During the year ended May 31, 2020, the Company granted the following stock options:

- i) 900,000 stock options to directors and officers of the Company at an exercise price of \$0.35 per share expiring on October 24, 2024. The stock options granted are subject to vesting terms over a 3 year period. During the year, the Company recorded \$169,282 in share-based compensation on the vested portion of the options.
- ii) 700,000 stock options to directors, officers, and employees of the Company at an exercise price of \$0.50 per share expiring on October 25, 2024. The stock options granted are subject to vesting terms over a 3 year period. During the year, the Company recorded \$171,964 in share-based compensation on the vested portion of the options.
- iii) 650,000 stock options to consultants of the Company at an exercise price of \$0.63 per share expiring on April 7, 2020. During the year, the Company recorded \$210,518 in share-based compensation on the options. These options expired unexercised on April 7, 2020.
- iv) 50,000 stock options to an employee of the Company at an exercise price of \$0.39 per share expiring on January 19, 2025. During the year, the Company recorded \$7,630 in share-based compensation on the vested portion of the options.
- v) 150,000 stock options to two employees of the Company at an exercise price of \$0.22 per share expiring on March 4, 2025. During the year, the Company recorded \$9,588 in share-based compensation on the vested portion of the options.

During the year ended May 31, 2020, the Company issued the following warrants:

- i) 279,591 warrants issued and outstanding in E-Gaming Ventures were converted to warrants of the Company upon completion of the Transaction (Note 4).
- ii) 2,059,500 warrants in conjunction with the private placement financing.

The Company applies the fair value method in accounting for its stock options and warrants using the Black-Scholes Option Pricing Model using the following estimates:

	Stock options		Warrants	
	November 30, 2020	May 31, 2020	November 30, 2020	May 31, 2020
Risk free rate	0.43%	1.13%	1.37%	1.38%
Expected dividend yield	0%	0%	0%	0%
Expected stock price volatility	148.10%	195.73%	142.60%	142.60%
Weighted average expected life	5 years	3.78 years	4.50 years	4.50 years
Weighted average fair value	\$0.19	\$0.39	\$0.35	\$0.001

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11. SHARE CAPITAL (cont'd)

e. Stock options and share purchase warrants (cont'd)

Stock options and share purchase warrant transactions are summarized as follows:

	Stock Options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, May 31, 2019	-	\$ -	-	\$ -
Reissued	-	-	279,591	0.35
Converted from options and special warrants	-	-	5,424,904	0.03
Granted	2,450,000	0.46	2,059,500	0.05
Exercised	-	-	(8,400)	0.35
Forfeited	(200,000)	0.35	-	-
Expired	(650,000)	0.63	-	-
Outstanding, May 31, 2020	1,600,000	0.41	7,755,595	0.04
Forfeited	(1,100,000)	0.40	-	-
Exercised	-	-	(250,000)	0.0006
Granted	2,550,000	0.19	1,840,000	0.30
Outstanding, November 30, 2020	3,050,000	\$ 0.23	9,345,595	\$ 0.19
Number currently exercisable	579,150	\$ 0.25	7,670,691	\$ 0.22

As at November 30, 2020, the following stock options and share purchase warrants were outstanding:

	Expiry Date	Number of Shares	Weighted Average Exercise Price	Weighted Average Period
Stock options	October 26, 2024	300,000	\$ 0.50	3.90 years
	January 19, 2025	50,000	\$ 0.39	4.14 years
	March 4, 2025	150,000	\$ 0.25	4.26 years
	June 23, 2025	2,550,000	\$ 0.19	4.56 years
		3,050,000	\$ 0.23	4.48 years
Warrants	May 9, 2021	253,849	\$ 0.35	0.47 years
	June 2, 2021	250,000	\$ 0.006	0.50 years
	June 2, 2022	500,000	\$ 0.006	1.50 years
	June 2, 2024	4,000,000	\$ 0.006	3.51 years
	September 18, 2021	17,342	\$ 0.35	0.80 years
	December 1, 2021	424,904	\$ 0.35	1.00 years
	February 7, 2021	2,059,500	\$ 0.50	0.19 years
	June 15, 2021	300,000	\$ 0.30	0.54 years
	June 15, 2022	1,540,000	\$ 0.30	1.54 years
	9,345,595	\$ 0.19	1.97 years	

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12. RELATED PARTY TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers.

During the six months ended November 30, 2020 and 2019, the remuneration of the key management personnel were as follows:

November 30,		2020		2019
Chief Executive Officer	\$	57,231	\$	54,500
Chief Financial Officer		39,050		750
Chief Strategy Officer		98,077		61,203
Chief Technology Officer		60,000		60,750
Vice President of Client Services		55,371		39,500
Vice President of Operations		60,000		43,500
Director Fees		6,000		-
Total	\$	375,729	\$	358,160

Other related party transactions and balances

The Company recognized an aggregate of \$231,152 (November 30, 2019 - \$nil) in share-based compensation on the vested portion of stock options and performance based warrants granted to directors and officers of the Company.

Convertible debt of \$250,000 and interest earned of \$77,054 (November 30, 2019 – debt of \$250,000 and interest of \$42,242) is owed to the CEO at May 31, 2020 (Note 8(a)).

During the six months ended November 30, 2020, the Company paid or accrued \$6,000 in director's fees (November 30, 2019 - \$nil) to a director of the Company. As at November 30, 2020, \$2,000 (May 31, 2020 - \$2,000) was included in trade payables and accrued liabilities in director fees owed to a director of the Company.

As at November 30, 2020, included in trade payables and accrued liabilities, is \$5,989 (May 31, 2020 - \$Nil) owing to the CFO for professional services.

On June 15, 2020, the Company issued 600,000 units consisting of 600,000 common shares and 300,000 share purchase warrants exercisable at \$0.30 per share for a period of one year for total proceeds of \$120,000. (Note 11(b)). The CEO purchased these units.

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13. COMMITMENTS

Finance lease

- a. Equipment finance agreement dated December 2, 2019 for server equipment for a period of 2 years commencing January 1, 2020 and expiring December 31, 2022, in exchange for \$14,558 per month plus applicable taxes.
- b. Insurance premium financing agreement dated October 2, 2020 for the Company's directors' and officers' liability insurance for a period of nine months commencing October 21, 2020, in exchange for a down payment of \$8,663 and \$2,282 per month.
- c. Insurance premium financing arrangement dated October 8, 2020 for general liability and information technology insurance for a period of one year commencing November 29, 2020, in exchange for \$740 per month.

	Server	Insurance	Total
Balance, May 31, 2020	\$ 307,755	\$ -	\$ 307,755
Proceeds	-	37,072	37,072
Imputed interest	8,455	1,183	9,638
Payments and other	(130,139)	(12,686)	(134,162)
Balance, November 30, 2020	186,071	25,569	211,640
Current portion	155,295	25,569	180,864
Long-term portion	\$ 30,776	\$ -	\$ 30,776

Lease agreements

- a. Office sublease dated July 12, 2019 for a portion of the office premises for a period of three years commencing August 1, 2019 and expiring July 31, 2022, in exchange for \$7,450 per month plus applicable taxes for the first two years and base rent of \$4,750 per month plus Landlord's projected operating costs and applicable taxes for the final year. The lease agreement includes an option to renew for an additional 3 year term at the end of its initial term.
- b. Data Centre lease dated June 1, 2019 for a portion of the premises for a period of three years commencing November 1, 2019 and expiring October 31, 2022 in exchange for \$23,185 per month plus applicable taxes. The monthly rent includes base rent, operating costs, and capital cost recoveries. The lease agreement includes an option to renew for an additional 3 year term at the end of its initial term.

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14. SALES AND RELIANCE ON MAJOR CUSTOMERS

The Company's sales by category are:

Six months ended November 30,	2020	2019
Sales for the period		
Hardware sales and installation	\$ 88,243	\$ 244,982
Software licensing fees	47,671	22,705
Platform fees	519,013	73,170
Support and maintenance	2,331	592
Rental fees	20,172	13,720
Other	3,214	335
	<u>\$ 680,644</u>	<u>\$ 355,504</u>

During the six months ended November 30, 2020, sales to three of the Company's customers amounted to 34%, 14%, and 11%, respectively, for a combined total of 59% of sales. For the six months ended November 30, 2019, sales to four of the Company's customers amounted to 27%, 15%, 13% and 9%, respectively, for a combined total of 64% of sales.

The digital media and computer technology industry is highly competitive and there is no guarantee that the Company could easily replace these customers should it cease selling products and services to them.

15. SEGMENTED INFORMATION

The Company operates in one industry segments in both Canada and the United States of America. The Company's assets are solely located in Canada. During the six months ended November 30, 2020 and 2019, the Company's total sales were generated from Canada only.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, receivables, trade payables, convertible debt, loan payable and finance loan. These financial instruments are exposed to certain risks, including credit risk, interest rate risk, liquidity risk and other market risk.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held through large Canadian financial institutions. The Company considers credit risk on its cash to be minimal.

The Company's receivables consists of Goods and Services Tax due from the Federal Government of Canada and amounts receivable from customers. The Company's maximum exposure to credit risk as at November 30, 2020 is \$69,424 (May 31, 2020 - \$285,859), representing trade receivables.

For amounts due from customers, the Company performs ongoing credit evaluations of its customers and monitors the receivable balance and the payments made in order to determine if an allowance for estimated credit losses is required.

When determining the allowance for estimated credit losses the Company will consider historical experience with the customer, current market and industry conditions and any specific collection issues. As at November 30, 2020 and 2019, the Company did not have any material overdue accounts.

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16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash balances to ensure that it is able to meet its short term and long term obligations as and when they fall due. Trades payable and accrued liabilities are due within the current operating period. The Company's loan payable matures in 2020 and has been classified as a current liability as at November 30, 2020 and 2019, as described in Note 8. The Company manages liquidity risk through the management of its capital structure as described in Note 17.

As at November 30, 2020, the Company had a working capital deficiency of \$578,587 (May 31, 2020 – working capital deficiency of \$3,714).

Market risk

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

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk from its secured loans and convertible debentures. The Company's interest rates on these loans are fixed and the sensitivity of the Company's loss before tax to a reasonably possible change in market interest rates is considered minimal.

Other Market Risk

Other market risk that the Company is exposed to includes currency risk. Currency risk is the risk of loss due to fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. The Company is not exposed to significant currency risk as the parent entity and subsidiaries primarily transact in their functional currencies.

Price risk

The Company is not exposed to price risk.

17. CAPITAL MANAGEMENT

The Company's capital management objectives are to safeguard the Company's ability to continue as a going concern in order to continue its technology services to its customers. The Company's capital is composed of its shareholders' equity, convertible debt and loan payable.

The Company manages and adjusts its capital structure whenever changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may issue new shares or acquire, dispose of or jointly operate certain of its assets. In order to facilitate the management of its capital requirements, the Company actively monitors its liquidity and short and long-term funding requirements. There was no change to the Company's approach to capital management during the year.

18. SUBSEQUENT EVENT

Subsequent to November 30, 2020, the Company completed a private placement of 4,735,500 units at a price of \$0.10 per unit for gross proceeds of \$473,500. Each unit includes one common share and one-half share purchase warrant. Each whole warrant is exercisable at a price of \$0.15 per share for a period of one year. Four directors and/or officers purchased an aggregate total of 2,745,500 units for gross proceeds of \$274,550 in this private placement. As at November 30, 2020, the Company received total subscriptions of \$219,500 for 2,195,000 units of which \$90,000 was collected.