



AMPD VENTURES INC.

(formerly E-Gaming Ventures Corp.)

Consolidated Financial Statements

For the years ended May 31, 2020 and 2019

Expressed in Canadian Dollars

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

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AMPD Ventures Inc. (formerly E-Gaming Ventures Corp.)

Opinion

We have audited the consolidated financial statements of AMPD Ventures Inc. (formerly E-Gaming Ventures Corp.) (the "Company"), which comprise the consolidated statement of financial position as at May 31, 2020 and the consolidated statement of changes in equity, loss and comprehensive loss and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2020, and its financial performance and its cash flows for the year 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 1 to the financial statements, which describes events or conditions that indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended May 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on October 11, 2019.

Other Information

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

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

(cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

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

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

September 25, 2020



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

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	May 31, 2020	May 31, 2019
ASSETS			
Cash		\$ 938,661	\$ 106,176
Receivables	5	335,537	34,423
Prepays and deposits		28,358	200
		1,302,556	140,799
Property and equipment	6	1,468,466	1,010
		\$ 2,771,022	\$ 141,809
LIABILITIES			
Trade payables and accrued liabilities	7, 11	\$ 393,752	\$ 361,611
Deferred revenue		39,022	-
Convertible debt	8, 11	306,175	379,515
Loans payable	8	59,220	153,467
Lease liabilities, current	9	333,410	-
Finance loan, current	13	174,691	-
		1,306,270	894,593
Lease liabilities, long-term	9	324,662	-
Finance loan, long-term	13	133,064	-
		1,763,996	894,593
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	10	8,290,127	325,086
Reserve	10	2,193,456	172,615
Foreign currency translation		5,798	(7)
Deficit		(9,482,355)	(1,250,478)
		1,007,026	(752,784)
		\$ 2,771,022	\$ 141,809

Nature and continuance of business (Note 1)
Reverse takeover (Note 4)
Commitments (Note 13)
Events after the reporting period (Note 18)

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

Approved on behalf of the board of directors:

"Anthony Brown"
Anthony Brown, Director

"Rob Kang"
Rob Kang, Director

AMPD VENTURES INC.

(formerly E-Gaming Ventures Corp.)

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

	Note	Share Capital		Reserve			Total shareholders' equity (deficiency)	
		Number of common shares *	Amount	Share-based compensation	Equity component of convertible notes	Foreign currency translation adjustment		Deficit
Balance at May 31, 2018		16,146,355	\$ 300,086	\$ 86,250	\$ -	\$ (167)	\$ (645,095)	\$ (258,926)
Share-based compensation	10	-	-	53,750	-	-	-	53,750
Shares issued for cash	10	53,786	25,000	-	-	-	-	25,000
Conversion feature of convertible debt	8	-	-	-	32,615	-	-	32,615
Foreign exchange translation		-	-	-	-	160	-	160
Net loss for the year		-	-	-	-	-	(605,383)	(605,383)
Balance at May 31, 2019		16,200,141	325,086	140,000	32,615	(7)	(1,250,478)	(752,784)
Shares issued for consulting services	10	169,962	50,000	-	-	-	-	50,000
Shares issued for employment incentive	10	2,185,224	764,828	-	-	-	-	764,828
Share-based compensation	10	-	-	1,460,858	-	-	-	1,460,858
Shares issued for equipment purchase	10	594,865	175,000	-	-	-	-	175,000
Rescind cancellation of shares	10	849,808	-	-	-	-	-	-
Recapitalization transaction:								
Equity of AMPD Ventures	4,10	17,138,940	6,018,542	-	-	-	-	6,018,542
Shares issued for cash	10	4,119,000	978,263	-	-	-	-	978,263
Share issuance costs	10	-	(24,532)	-	-	-	-	(24,532)
Shares issued on exercise of warrants	10	8,400	2,940	-	-	-	-	2,940
Share-based compensation	10	-	-	564,635	-	-	-	564,635
Settlement of convertible debt	8	-	-	-	(4,652)	-	4,652	-
Foreign exchange translation		-	-	-	-	5,805	-	5,805
Net loss for the year		-	-	-	-	-	(8,236,529)	(8,236,529)
Balance at May 31, 2020		41,266,340	\$ 8,290,127	\$ 2,165,493	\$ 27,963	\$ 5,798	\$ (9,482,355)	\$ 1,007,026

* 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 consolidated financial statements

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

Consolidated Statements of Loss and Comprehensive Loss
For the years ended May 31, 2020 and 2019
(Expressed in Canadian Dollars)

	Note	2020	2019
Sales	14,15	\$ 1,173,638	\$ 1,343,082
Cost of services		701,334	1,202,965
GROSS PROFIT		472,304	140,117
Expenses			
Advertising and promotion		377,998	18,593
Amortization	6	344,876	919
Bank charges		14,995	6,664
Data center costs		104,490	-
Directors' fees	11	8,000	-
Dues and subscriptions		17,705	159,676
Insurance		32,014	7,121
Office and miscellaneous		165,818	26,475
Professional fees		177,514	51,960
Regulatory and transfer agent fees		13,866	-
Salaries and consulting fees	11	1,191,428	303,432
Share-based compensation	10,11	2,790,321	53,750
Travel and entertainment		121,330	36,895
		5,360,355	665,485
NET LOSS BEFORE OTHER ITEMS		(4,888,051)	(525,368)
Other items			
Foreign exchange loss		(4,689)	(3,891)
Interest expense and finance costs	6, 8, 11, 13	(118,708)	(63,202)
Reversal of prior year accrual	7	180,000	-
Loss on loan modification	8	-	(13,318)
Interest and other income		487	396
Listing expense	4	(3,405,568)	-
		(3,348,478)	(80,015)
NET LOSS FOR THE YEAR		(8,236,529)	(605,383)
Other comprehensive income			
Foreign currency translation adjustment		5,805	160
		5,805	160
COMPREHENSIVE LOSS FOR THE YEAR		\$ (8,230,724)	\$ (605,223)
Loss per common share			
-basic and diluted		\$ (0.26)	\$ (0.04)
Weighted average number of common shares outstanding			
-basic and diluted		31,854,245	16,165,069

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

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

Consolidated Statements of Cash Flows
For the years ended May 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
Cash provided by (used in):		
Operating:		
Net loss for the year	\$ (8,236,529)	\$ (605,383)
Items not involving cash:		
Accrued interest and finance costs	101,073	43,393
Amortization	344,876	919
Listing expense	3,184,124	-
Share-based compensation	2,790,321	53,750
Reversal of prior year accrual	(180,000)	-
Unrealized foreign exchange loss	-	603
	<u>(1,996,135)</u>	<u>(506,718)</u>
Changes in non-cash operating working capital items:		
Receivables	300,218	2,632
Prepaid expenses and deposits	(28,158)	-
Inventory	-	14,245
Trade payables and accrued liabilities	204,269	171,144
Deferred revenue	39,022	-
	<u>(1,480,784)</u>	<u>(318,697)</u>
Investing		
Net cash acquired on reverse takeover	2,290,958	-
Acquisition of property, plant and equipment	(555,219)	(515)
	<u>1,735,739</u>	<u>(515)</u>
Financing		
Proceeds from issuance of shares, net	956,670	25,000
Lease payments	(158,144)	-
Debt repayments	(226,802)	(41,848)
Proceeds from issuance of convertible debt, net	-	370,000
	<u>571,725</u>	<u>353,152</u>
Effect of foreign exchange on cash flows	<u>5,805</u>	<u>302</u>
Increase in cash during the year	832,485	34,242
Cash, beginning of year	106,176	71,934
Cash, end of year	<u>\$ 938,661</u>	<u>\$ 106,176</u>

There were no non-cash transactions during the year ended May 31, 2019.

Non-cash transactions during the year ended May 31, 2020 include:

- i. The Company issued common shares at a fair value of \$175,000 for the purchase of equipment (Note 10);
- ii. The Company recorded equipment and a corresponding finance loan (Note 13);
- iii. The Company recorded a right-of-use asset and corresponding lease liability (Notes 6 and 9).

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

AMPD VENTURES INC.

(formerly E-Gaming Ventures Corp.)

Notes to the Consolidated Financial Statements

For the years ended May 31, 2020 and 2019

(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 May 31, 2020 has a working capital deficit of \$3,714 (May 31, 2019 – working capital deficit of \$753,794) and an accumulated deficit of \$9,482,355 (May 31, 2019 - \$1,250,478). 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 Consolidated Financial Statements

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(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION

These financial statements were authorized for issue on September 25, 2020 by the directors of the Company.

Statement of compliance

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

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 consolidated financial statements include the accounts of E-Gaming Ventures from October 11, 2019, the date of the RTO to May 31, 2020. The financial statements prior to this 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

AMPD VENTURES INC.

(formerly E-Gaming Ventures Corp.)

Notes to the Consolidated Financial Statements

For the years ended May 31, 2020 and 2019

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (cont'd)

Significant accounting judgements, estimates and assumptions (cont'd)

Share-based payments

The Company uses the Black-Scholes Option Pricing Model to determine the fair value of options and warrants in order to calculate share-based payments expense and the fair value of agent warrants. The Black-Scholes Option Pricing Model involves six key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payments expense.

Recognition and valuation of deferred tax assets

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future or whether taxable temporary differences will reverse such that deferred tax assets can be utilized. Recognition therefore involves a degree of estimation and judgement regarding the future financial performance or the timing of the reversed deferred tax liabilities where deferred tax assets have been recognized.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of estimated discounts. The Company considers the terms of the sales contracts as well as industry practices, taking into consideration the type of customer, the estimated time required on each project and the specific circumstances of each arrangement. The Company recognizes revenues when the initial setup is complete and the ongoing technological service fees are billed monthly and recorded as revenue on a monthly basis, over the term of the contract.

Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of loss. For the year ended May 31, 2020, other comprehensive income is related to the effects of currency translation adjustments.

Reverse takeover

Refer to Note 4 for disclosure on the reverse takeover Transaction, which included estimates on the fair value of consideration paid, along with an assessment of fair value of net assets acquired.

Business combination

Considerable judgment is required to determine whether a set of assets acquired and liabilities assumed constitute a business and may require the Company to make certain judgments, taking into account all facts and circumstances. A business consists of inputs, including non-current assets and processes, including operational processes that when applied to those inputs have the ability to create outputs and provide a return to the Company and its shareholders.

In business combinations, it generally requires time to obtain the information necessary to identify and measure the following as of the acquisition date:

- a) The identifiable assets acquired and liabilities assumed;
- b) The consideration transferred in exchange for an interest in the acquiree;
- c) The resulting goodwill.

AMPD VENTURES INC.

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Notes to the Consolidated Financial Statements

For the years ended May 31, 2020 and 2019

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (cont'd)

Significant accounting judgements, estimates and assumptions (cont'd)

Business combination (cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete.

During the measurement period, the Company will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Company will also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date.

Estimates of useful lives of property and equipment

Management's judgment involves consideration of intended use, industry trends and other factors in determining the expected useful lives of depreciable assets and to determine depreciation methods.

Leases

The Company applies judgment to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Company is reasonably certain to exercise such options will impact the lease term, which significantly impacts the amount of lease liabilities and right-of-use assets recognized.

Cash generating units and impairment of non-financial assets

Judgment is required to assess the Company's determination of cash generating units ("CGU") for the purpose of impairment testing. The process to calculate the recoverable amount of a cash generating unit requires use of valuation methods such as the discounted cash flow method which uses assumptions of key variables including future cash flows, discount rate and terminal growth rates.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The consolidated financial statements of the Company are presented in CAD dollars.

The individual financial statements of each subsidiary are presented in its functional currency, the currency of the primary economic environment in which the entity operates. The functional currency for the Company and AMPD is the Canadian dollar and the functional currency for AMPD US is the US dollar.

Transactions in currencies other than the entity's functional currency are translated at the exchange rates in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of the exchange in effect as at the statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities. Foreign currency differences arising on translation are recognized in profit or loss. When converting to presentation currency, all resulting exchange gains or losses are recognized as a foreign currency translation adjustment and included as a separate component of equity, Accumulated Other Comprehensive Loss ("AOCI").

AMPD VENTURES INC.

(formerly E-Gaming Ventures Corp.)

Notes to the Consolidated Financial Statements

For the years ended May 31, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments

The following table shows the classification of the Company's financial instruments under IFRS 9:

Financial assets	
Cash	FVTPL
Receivables	Amortized cost
Financial liabilities	
Trade payables	Amortized cost
Convertible debt	Amortized cost
Loan payable	Amortized cost
Finance loan	Amortized cost

The Company classifies its financial assets in one of the following categories: (1) at fair value through profit or loss ("FVTPL"), (2) at amortised cost or (3) at fair value through other comprehensive income ("FVTOCI"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of (loss) income in the period in which they arise.

Amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

AMPD VENTURES INC.

(formerly E-Gaming Ventures Corp.)

Notes to the Consolidated Financial Statements

For the years ended May 31, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

The Company's financial instruments at May 31, 2020 are as follows:

	<i>Level 1</i>		<i>Level 2</i>		<i>Level 3</i>	
Financial assets						
Cash	\$	938,661	\$	–	\$	–
Receivables	\$	–	\$	285,859	\$	–
Financial liabilities						
Trade payables	\$	–	\$	361,548	\$	–
Convertible debt	\$	–	\$	306,175	\$	–
Loans payable	\$	–	\$	59,220	\$	–
Finance loan	\$	–	\$	307,755	\$	–

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- i) Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- ii) Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- iii) Level 3 – Applies to assets or liabilities for which there are unobservable market data.

Cash deposits have been measured at fair value using Level 1 inputs. The carrying value of receivables, trade payables, loans payable, and convertible debt approximate their fair value because of the short-term nature of these instruments or their ability of prompt liquidation.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and accumulated impairment write-downs. These assets are depreciated over the estimated useful lives as follows:

Equipment:	Computer equipment	-	55% declining balance
	Servers	-	3 years straight-line method
Right of use assets:	Office and data centre leases	-	Term of lease

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its property and equipment to determine whether there is an indication of impairment. If any such indication exists, the extent of the impairment charge is determined based on the estimated recoverable amount of the asset.

The recoverable amount of the asset used for this purpose is the higher of the fair value less costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assignments of the time value of money and the risks specific to the asset.

If the recoverable amount of the asset is estimated to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the statement of loss and comprehensive loss, unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset when it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably. There were no provisions recorded for the years presented in these consolidated financial statements.

Revenue recognition

The Company sells computer hardware and software and provides technological services to customers in the United States of America and Canada, under fixed price contracts for a specified period of time. Service contracts are typically for the initial setup and ongoing technological services over a specified period of time at specified fees for each service.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition (cont'd)

The Company follows a five step recognition and measurement approach for revenue arising from contracts with customers:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the entity satisfies a performance obligation

When collectability is reasonably assured, fees relating to the initial setup are recorded when the setup is complete and the ongoing technological service fees are billed monthly and recorded as revenue on a monthly basis, over the term of the contract.

Credits are offered to customers for service outages and are based on rates specified in the customer's contracts. When the Company can reliably estimate the amount of credits to be issued for service outages, these credits are recorded as a reduction in revenue when issued.

Income taxes

The provision for income taxes consists of current and deferred tax expense and is recorded in operations. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the period, adjusted for amendments to tax payable for previous years.

Deferred tax assets and liabilities are computed using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities on the statement of financial position and their corresponding tax values, using the enacted or substantially enacted, income tax rates at each statement of financial position date.

Deferred tax assets also result from unused losses and other deductions carried forward. The valuation of deferred tax assets is reviewed on a regular basis and adjusted to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized by use of a valuation allowance to reflect the estimated realizable amount.

Warrants

Equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded in the reserve account.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based compensation

The Company has a share option plan. The fair value of share-based compensation to employees is measured at grant date using the Black-Scholes Option Pricing Model, and is recognized over the vesting period using the graded vesting method. The fair value of share-based compensation to non-employees is measured at the date the goods or services are received, at either the fair value of the goods or services received or the fair value of the equity instruments issued using the Black-Scholes Option Pricing Model, if the fair value of the goods or services received cannot be readily measured.

For both employees and non-employees, the fair value is recognized as an expense with a corresponding increase in the reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. For share options granted with vesting terms conditional upon the achievement of a performance condition, and the performance condition is not a market condition, the Company revises its estimates of the length of the vesting period, if necessary, when information arises that indicates that the length of the vesting period differs from previous estimates. When this occurs, the change in estimate is accounted for prospectively.

Compensation expense is recorded in the consolidated statement of loss and comprehensive loss as share-based compensation expense with a corresponding credit to reserve. When stock options are exercised, the proceeds, together with the amount recorded in the reserve account, are recorded in share capital.

Adoption of new accounting standard

The Company has adopted the following new standard, with a date of initial application of June 1, 2019 and has been applied in preparing these financial statements:

IFRS 16 - Leases replaces IAS 17, Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases, with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; and introduces new disclosure requirements. Under IFRS 16, a lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Right-of-use assets will be initially measured at cost, which includes the initial measurement of the lease liabilities and other costs, less lease incentives. Lease liabilities will initially be measured at the present value of future lease payments and subsequently measured at amortized cost using the effective interest method. IFRS 16 became effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances and may be applied retrospectively to each prior period presented (full retrospective approach) or with the cumulative effect of adoption recognized at initial application (modified retrospective approach). The modified retrospective approach offers the option, on a lease by lease basis, to either measure the right-of-use asset retrospectively using the discount rate as at the date of initial application or to measure the right-of-use asset at an amount equal to the lease liability.

The Company adopted IFRS 16 on June 1, 2019. On initial adoption, the Company has elected to record right-of-use assets based on the corresponding lease obligation. At inception, the Company recorded \$782,660 in right-of-use asset and lease obligation, with no impact on deficit. When measuring the present value of lease obligations, the Company discounted remaining lease payments using its incremental borrowing rate of 10%.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Lease accounting policy

At inception of a contract, the Company assesses whether a contract is, or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date. The assets are depreciated over the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of future economic benefits.

The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease obligation. The lease obligation is subsequently measured at amortized cost using the effective interest rate method.

Recent accounting pronouncements

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.

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4. REVERSE TAKEOVER OF AMPD (cont'd)

- 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.

- 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
<hr/>		
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
	\$	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.
- f. The comparative figures as at May 31, 2019 and for the year ended are those of AMPD.

5. RECEIVABLES

	May 31, 2020	May 31, 2019
Trade receivables	\$ 285,859	\$ 26,427
Goods and services tax recoverable	49,678	7,996
	\$ 335,537	\$ 34,423

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6. PROPERTY AND EQUIPMENT

	Equipment (Note 13)	Right of Use Assets (Note 3, 9, and 13)	Total
Cost			
Balance, May 31, 2018	\$ 4,334	\$ -	\$ 4,334
Additions	515	-	515
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
Accumulated amortization			
Balance, May 31, 2018	\$ 2,920	\$ -	\$ 2,920
Amortization	919	-	919
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
Balance			
May 31, 2019	\$ 1,010	\$ -	\$ 1,010
May 31, 2020	\$ 827,326	\$ 641,140	\$ 1,468,466

7. TRADE PAYABLES AND ACCRUED LIABILITIES

	May 31, 2020	May 31, 2019
Trade payables (Note 11)	\$ 361,548	\$ 54,611
Accrued liabilities	32,204	307,000
	\$ 393,752	\$ 361,611

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 May 31, 2020, the Company recorded \$47,860 (2019 -\$23,422) in accrued interest on the promissory note. To May 31, 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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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 year ended May 31, 2020, the Company recorded \$11,355 (2019 -\$1,200) in interest expense on the promissory note. During the year ended May 31, 2020, the Company repaid the promissory note and accrued interest in full. Accordingly, the Company relocated \$4,652 from reserve to deficit.

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

	May 31, 2020	May 31, 2019
Balance, beginning of year	\$ 379,515	\$ -
Net proceeds from issue	-	368,271
Net loan repayments	(132,555)	
Equity component – value of conversion rights	-	(32,615)
Interest expense at effective interest rate	59,215	30,541
Loss on modification	-	13,318
Balance, end of year	\$ 306,175	\$ 379,515

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:

	May 31, 2020	May 31, 2019
Carrying value, beginning of year	\$ 153,467	\$ 193,307
Net loan repayments	(94,247)	(41,848)
Interest expense at effective interest rate	17,395	32,662
Interest paid	(17,395)	(30,654)
Carrying value, end of year	\$ 59,220	\$ 153,467

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 year ended and as at May 31, 2020 and 2019, 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 May 31, 2020, the Company was in compliance with this covenant.

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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, 2019	\$ -	\$ -	\$ -
Lease liability for ROU asset (Notes 3 and 13)	169,347	613,314	782,660
Imputed interest	10,693	22,863	33,555
Payments	(61,400)	(96,744)	(158,144)
Balance, May 31, 2020	118,639	539,433	658,072
Current portion	55,795	277,615	333,410
Long-term portion	\$ 62,844	\$ 261,817	\$ 324,662

10. SHARE CAPITAL

a. Authorized

Unlimited number of common shares without par value.

b. Issued and outstanding

During the year ended May 31, 2019, AMPD completed the following transaction:

- i) On October 5, 2018, issued 53,786 (31,646 pre-forward stock split) common shares for gross proceeds of \$25,000.

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.

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10. SHARE CAPITAL (cont'd)

b. Issued and outstanding

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.

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 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.

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10. SHARE CAPITAL (cont'd)

e. Stock options and share purchase warrants

During the year ended May 31, 2019, AMPD recorded \$53,750 in share-based compensation for vested common share purchase options issued in a previous year. During the year ended May 31, 2019, AMPD did not issue any stock options or warrants.

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.

- i) 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 EBTIDA 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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10. SHARE CAPITAL (cont'd)

e. Stock options and share purchase warrants

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	
	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019
Risk free rate	1.13%	-	1.38%	-
Expected dividend yield	0%	-	0%	-
Expected stock price volatility	195.73%	-	142.60%	-
Weighted average expected life	3.78 years	-	4.50 years	-
Weighted average fair value	\$0.39	-	\$0.001	-

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10. SHARE CAPITAL (cont'd)

e. Stock options and share purchase warrants

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, 2018	1,699,000	\$ 0.15	-	\$ -
Cancelled	(1,699,000)	0.15	-	-
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
Number currently exercisable	370,828	\$ 0.42	3,271,191	\$ 0.006

As at May 31, 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 24, 2024*	700,000	\$ 0.35	4.40 years
	October 25, 2024*	700,000	\$ 0.50	4.41 years
	January 19, 2025	50,000	\$ 0.39	4.64 years
	March 4, 2025	150,000	\$ 0.25	4.76 years
		1,600,000	\$ 0.41	4.45 years
Warrants	May 9, 2021	253,849	\$ 0.35	0.97 years
	June 2, 2021	500,000	\$ 0.006	1.01 years
	June 2, 2022	500,000	\$ 0.006	2.01 years
	June 2, 2024	4,000,000	\$ 0.006	4.01 years
	September 18, 2021	17,342	\$ 0.35	1.30 years
	December 1, 2021	424,904	\$ 0.35	1.50 years
	February 7, 2021	2,059,500	\$ 0.50	0.69 years
		7,755,595	\$ 0.05	2.62 years

* - subsequently cancelled

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11. 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 years ended May 31, 2020 and 2019, the remuneration of the key management personnel were as follows:

May 31,		2020		2019
Chief Executive Officer	\$	114,500	\$	54,000
Chief Financial Officer		13,500		-
Chief Strategy Officer		170,000		35,127
Chief Technology Officer		120,000		-
Vice President of Client Services		207,452		78,000
Vice President of Operations		103,500		54,000
Director Fees		8,000		-
Total	\$	736,952	\$	221,127

Other related party transactions and balances

The Company recognized an aggregate of \$2,069,188 (2019 - \$26,875) 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 \$47,860 (2019 – debt of \$250,000 and interest of \$23,422) is owed to the CEO at May 31, 2020 (Note 8(a)).

During the year ended May 31, 2020, the Company paid or accrued \$8,000 in director's fees (2019 - consulting fees and commission expenses of \$221,127 for management services provided by its directors and officers) to a director of the Company.

Included in trade payables and accrued liabilities at May 31, 2020 is \$2,000 (May 31, 2019 - \$Nil) owing to a related party.

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12. INCOME TAXES

The following table reconciles the expected income tax recovery at the Canadian Federal and Provincial statutory rate of 27% (2019 - 27%) and a United States tax rate of 21% (2019 - 21%) to the amounts recognized in the consolidated statements of loss and comprehensive loss:

	2020	2019
Loss before income taxes	\$ (8,236,529)	\$ (94,942)
Expected income tax at statutory tax rates	\$ (2,040,000)	\$ (26,000)
Permanent difference	1,475,000	-
Change in statutory, foreign tax, foreign exchange rates and other	(5,000)	-
Adjustments and change in unrecognized deductible temporary differences	570,000	26,000
Total income tax expense	\$ -	\$ -

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statement of financial position are as follows:

	2020	Expiry dates	2019	Expiry dates
Share issue costs	130,000	2021 to 2024	-	-
Non-capital losses	2,987,000	2037 to 2040	916,000	2037 to 2039
Capital assets	944,000	No expiry	1,000	No expiry
	4,061,000		917,000	

13. COMMITMENTS

Finance lease

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.

	Server
Balance, May 31, 2019	\$ -
Finance liability	426,303
Imputed interest	8,302
Payments	(126,850)
Balance, May 31, 2020	307,755
Current portion	174,691
Long-term portion	\$ 133,064

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13. COMMITMENTS (cont'd)

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.

14. SALES AND RELIANCE ON MAJOR CUSTOMERS

The Company's sales by category are:

Years ended May 31,	2020	2019
Sales for the year		
Hardware sales and installation	\$ 349,774	703,631
Software licensing fees	142,656	111,432
Platform fees	583,842	211,583
Support and maintenance	1,798	246,735
Rental fees	48,576	-
Consulting services	11,806	-
Other	35,186	69,701
	<u>\$ 1,173,638</u>	<u>\$ 1,343,082</u>

During the year ended May 31, 2020, sales to seven of the Company's customers amounted to 15%, 10%, 9% and 8%, respectively, for a combined total of 42% of sales. For the year ended May 31, 2019, sales to two of the Company's customers amounted to 47%, and 11%, respectively, for a combined total of 58% 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.

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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. A breakdown of the Company's sales by geographical area is as follows:

Years ended May 31,	2020	2019
Sales by location		
Canada	\$ 1,120,897	\$ 1,289,727
USA	52,741	53,355
	<u>\$ 1,173,638</u>	<u>\$ 1,343,082</u>

16 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, accounts receivable, 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 accounts receivable 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 May 31, 2020 is \$285,859 (May 31, 2019 - \$26,427), 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 May 31, 2020 and 2019, the Company did not have any material overdue accounts.

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 and cash equivalent 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 May 31, 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 May 31, 2020, the Company had a working capital deficiency of \$3,714 (May 31, 2019 – working capital deficiency of \$753,794).

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

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. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year ended May 31, 2020, the Company:

- a) 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.
- b) completed an arrangement through which the Company will settle \$308,000 of future transactions with a third party in exchange for 1,540,000 units at a price of \$0.20 per unit. 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.
- c) granted 2,550,000 incentive stock options to directors, employees and an advisor at an exercise price of \$0.19 per share for a period of 5 years.
- d) 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.

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18. EVENTS AFTER THE REPORTING PERIOD (cont'd)

- e) On June 1, 2020, under the Canada Emergency Business Account (“CEBA”) program, the Company received a \$40,000 loan (the “CEBA Loan”). The CEBA Loan was made available on certain terms and conditions, and in reliance on attestations made by the Company in the loan agreement.

The CEBA Loan is an interest-free loan, available to the Company until December 31, 2022. On January 1, 2023, the CEBA Loan will be converted to a 2-year, 0% interest term loan, to be repaid by December 31, 2025. If the Company repays \$30,000 by December 31, 2022, a balance of \$10,000 will be forgiven. If on December 31, 2022, the Company has not repaid the \$30,000, it may exercise the option for a 3-year term extension and, accordingly, a 5% interest rate will be applied during this extension period on any balance remaining.

The funds from the CEBA Loan shall only be used by the Company to pay non-deferrable operating expenses including, without limitation, payroll, rent, utilities, insurance, property tax and regularly scheduled debt service, and may not be used to fund any payments or expenses such as prepayment/refinancing of existing indebtedness, payments of dividends, distributions and increases in management compensation.