

# **INTERLAPSE TECHNOLOGIES CORP.**

Condensed Consolidated Interim Financial Statements

Six Months ended August 31, 2020

Unaudited

(Expressed in Canadian dollars)

## **NOTICE OF NO AUDITOR REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

These consolidated interim financial statements of the Company for the six month period ending August 31, 2020 have been prepared by management and have not been subject to review by the Company's auditors.

**INTERLAPSE TECHNOLOGIES CORP.**

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

	August 31, 2020	February 29, 2020
<b>Assets</b>		
Current:		
Cash and cash equivalents	\$ 731,031	\$ 985,162
Amounts receivable	48,399	72,346
Prepaid expenses	11,217	23,715
	790,647	1,081,223
Non-Current:		
Intangible assets (Note 3)	620,640	608,264
Property and equipment (Note 4)	3,136	3,690
Restricted cash	39,816	39,688
	\$ 1,454,239	\$ 1,732,865
<b>Liabilities and Equity</b>		
Current:		
Accounts payable and accrued liabilities	\$ 44,350	\$ 76,560
	44,350	76,560
<b>Shareholders' equity</b>		
Capital stock (Note 5(b))	22,308,731	22,224,731
Contributed surplus (Note 5(d))	1,877,019	1,828,577
Deficit	(22,775,861)	(22,397,003)
	1,409,889	1,656,305
	\$ 1,454,239	\$ 1,732,865

Nature of operations and going concern (Note 1)  
Subsequent events (Note 10)

See accompanying notes.

These financial statements are authorized for issue by the Board of Directors on October 30, 2020.

*"Giuseppe (Pino) Perone"*

.....Director  
Giuseppe (Pino) Perone

*"Ashley Garnot"*

.....Director  
Ashley Garnot

**INTERLAPSE TECHNOLOGIES CORP.**

Condensed Consolidated Interim Statements of Comprehensive Loss  
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2020	2019	2020	2019
<b>Revenue</b>	<b>\$ 31,361</b>	<b>\$ 13,256</b>	<b>\$ 69,024</b>	<b>\$ 13,256</b>
<b>General and administrative expenses</b>				
Amortization of intangible assets	43,898	30,713	87,145	30,713
Amortization of property and equipment	277	421	554	433
Audit and accounting	-	18,058	-	24,058
Bank charges	1,084	4,661	2,396	5,064
Business development	-	47,825	-	122,825
Consulting and milestone fees	63,500	126,000	125,500	126,100
Director fees	500	500	500	500
Insurance	-	2,000	-	4,000
Legal	431	8,718	1,359	112,911
Management fees	10,213	29,531	20,290	48,288
Marketing	17,858	45,216	36,233	70,949
Office and administration	2,051	1,726	2,579	1,838
Office rent	683	19,221	5,486	19,594
Platform administration	17,953	16,543	29,745	16,686
Research and development	20,620	4,192	23,562	5,006
Salaries and benefits	18,915	27,035	38,397	29,127
Share-based compensation	19,022	89,641	48,442	117,231
Shareholder relations	2,061	3,510	3,446	7,696
Transfer and filing fees	17,556	49,181	20,014	53,667
Travel and entertainment	244	9,642	333	11,146
	(236,866)	(534,334)	(445,981)	(807,832)
<b>Other items</b>				
Foreign exchange	(2,255)	(330)	(2,858)	11
Interest and accretion income	284	1,580	957	6,545
	(1,971)	1,250	(1,901)	6,556
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (207,476)</b>	<b>\$ (519,828)</b>	<b>\$ (378,858)</b>	<b>\$ (788,020)</b>
<b>Loss per share, basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>	<b>\$ (0.01)</b>	<b>\$ (0.05)</b>
<b>Weighted average number of common shares outstanding</b>	<b>25,776,803</b>	<b>17,440,861</b>	<b>25,630,970</b>	<b>15,255,318</b>

See accompanying notes.

**INTERLAPSE TECHNOLOGIES CORP.**

Condensed Consolidated Interim Statements of Cash Flows  
(Unaudited - Expressed in Canadian Dollars)

<b>For the six months ended August 31,</b>	<b>2020</b>	<b>2019</b>
<b>Operating activities</b>		
Net loss for the period	\$ (378,858)	\$ (788,020)
Items not involving cash:		
Amortization of intangible assets	87,145	30,713
Amortization of property and equipment	554	433
Accrued interest on loans receivable	-	(13,913)
Milestone shares	49,000	51,000
Interest and accretion	(128)	(184)
Share-based compensation	48,442	117,231
	<b>(193,845)</b>	<b>(602,740)</b>
Changes non-cash working capital:		
Amounts receivable	23,947	68,552
Prepaid expenses	12,498	17,203
Accounts payable and accrued liabilities	(32,210)	37,513
	4,235	123,268
<b>Cash used in operating activities</b>	<b>(189,610)</b>	<b>(479,472)</b>
<b>Financing activities</b>		
Cash received by private placement	-	1,105,000
Share issued costs	-	(14,820)
<b>Cash provided by financing activities</b>	<b>-</b>	<b>1,090,180</b>
<b>Investing activities</b>		
Acquisition of intangible assets	-	(528,419)
Capitalize of intangible assets	(99,521)	(50,869)
Purchase of property and equipment	-	(1,753)
Cash acquired on acquisition of Skyrun	-	56,387
Purchase of BuyBitcoinCanada	35,000	-
Restricted cash	-	(10,000)
<b>Cash used in investing activities</b>	<b>(64,521)</b>	<b>(534,654)</b>
<b>Net (outflow) inflow of cash and cash equivalents</b>	<b>(254,131)</b>	<b>76,054</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>985,162</b>	<b>741,360</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 731,031</b>	<b>\$ 817,414</b>
<b>Supplemental cash flow information</b>		
Interest received	\$ 745	\$ 6,381
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 466,782	\$ 454,679
Short-term deposits	264,249	362,735
	<b>\$ 731,031</b>	<b>\$ 817,414</b>

See accompanying notes.

**INTERLAPSE TECHNOLOGIES CORP.**

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

	<b>Common Shares</b>				<b>Total</b>
	<b>Number<sup>(1)</sup></b>	<b>Amount</b>	<b>Contributed surplus</b>	<b>Deficit</b>	
<b>Balance, March 1, 2020</b>	25,245,644	\$22,224,731	\$1,828,577	\$ (22,397,003)	\$ 1,656,305
Share-based payments	-	-	48,442	-	48,442
Acquisition	233,333	35,000	-	-	35,000
Milestone shares	300,000	49,000	-	-	49,000
Net loss for period	-	-	-	(378,858)	(378,858)
<b>Balance, August 31, 2020</b>	<b>25,778,977</b>	<b>\$22,308,731</b>	<b>\$1,877,019</b>	<b>\$ (22,775,861)</b>	<b>\$ 1,409,889</b>
<b>Balance, March 1, 2019</b>	12,925,644	\$20,277,801	\$1,657,109	\$ (21,041,290)	\$ 893,620
Share-based payments	-	-	117,231	-	117,231
Milestone shares	120,000	51,000	-	-	51,000
Private placement – net of share issue costs	4,420,000	1,090,180	-	-	1,090,180
Net loss for period	-	-	-	(788,020)	(788,020)
<b>Balance, August 31, 2019</b>	<b>17,465,644</b>	<b>\$21,418,981</b>	<b>\$1,774,340</b>	<b>\$ (21,829,310)</b>	<b>\$ 1,364,011</b>

(1) On August 23, 2019, the Company's outstanding share capital was forward split on the basis of two (2) new common shares for each one (1) old common share.

See accompanying notes.

## **INTERLAPSE TECHNOLOGIES CORP.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the Six Month Period Ended August 31, 2020  
(Unaudited - Expressed in Canadian Dollars)

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Interlapse Technologies Corp. (the “Company” or “Interlapse”) is incorporated under the *Business Corporations Act* (British Columbia). Interlapse is a technology company that is focused on developing various web-based platforms, solutions and applications used to further advance the development of [coincurve.com](http://coincurve.com) and planned international expansion. The Company’s common shares trade on the TSX Venture Exchange (“TSX-V”) under the symbol “INLA” and on the OTCQB market under the symbol “INLAF”.

There is no assurance that the development of [coincurve.com](http://coincurve.com) and planned international expansion will result in future profitable operations. The business is subject to risk, market conditions, supply and demand, and competition. The Company currently has cash available to meet its administrative overhead and maintain its assets. The recoverability of amounts shown in assets is dependent on several factors. These factors include the ability of the Company to obtain financing to complete the planned international expansion, and future cashflow from the Company’s business.

However, there can be no assurance that the Company will be able to continue to raise funds in the future in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statement of financial position.

These condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Statement of compliance and basis of presentation**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended February 29, 2020, which have been prepared in accordance with IFRS issued by the IASB.

The accounting policies applied by the Company in the condensed consolidated interim financial statements are the same as those applied by the Company in its most recent annual consolidated financial statements for the year ended February 29, 2020.

#### **(b) Significant accounting judgments, estimates and assumptions**

The preparation of the Company’s condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed consolidated interim financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

## INTERLAPSE TECHNOLOGIES CORP.

Notes to the Condensed Consolidated Interim Financial Statements  
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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant areas requiring the use of management judgements, estimates and assumptions include:

- The determination of the useful life of the [coincurve.com](http://coincurve.com) platform.
- The assessment of whether certain factors (both internal and external) would be considered an indicator of impairment and whether impairment testing is required on the intangible assets.
- The determination that the Company will continue as a going concern for the next year.

There are no other IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that are expected to have a material impact on the Company.

#### (c) Basis of consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its wholly owned integrated subsidiaries.

The Company's subsidiaries are:

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Coronado Resources USA LLC	USA	100%	Holding Company
Skyrun Technology Corp.	Canada	100%	Technology
0980862 B.C. Ltd.	Canada	100%	Holding Company
0997680 B.C. Ltd.	Canada	100%	Holding Company
0997684 B.C. Ltd.	Canada	100%	Holding Company

#### (d) Intangible assets

Intangible assets consist of the Company's virtual currency software platform, [coincurve.com](http://coincurve.com), which was acquired in May of 2019 and [buybitcoincanada.com](http://buybitcoincanada.com), which was acquired March 31, 2020.

Intangible assets acquired separately are initially recognized at cost. The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date that the Company can demonstrate all of the following: i) the technical feasibility of completing the intangible assets so that it will be available for use or sale; ii) its intention to complete the intangible asset and use or sell it; iii) its ability to use or sell the intangible asset; iv) how the intangible asset will generate probable future economic benefits; v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development. Until these criteria are met, expenditures are expensed as incurred. Costs incurred during the operating stage of the platform relating to upgrades and enhancements are capitalized to the extent that they result in the extended life of the product.

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any.



## INTERLAPSE TECHNOLOGIES CORP.

Notes to the Condensed Consolidated Interim Financial Statements  
For the Six Month Period Ended August 31, 2020  
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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounting for an intangible asset is based on its useful life. Intangible assets with a finite useful life are amortized over their estimated useful life. Intangible assets with an indefinite useful life are not amortized. Intangible assets under development which are not ready for use are not amortized. The amortization method, estimated useful life, carrying value and residual value are reviewed each financial year-end or more frequently if required, and are adjusted as appropriate.

The [coincurve.com](http://coincurve.com) and [buybitcoincanada.com](http://buybitcoincanada.com) were assessed as having a useful life of five and two years respectively based on management's estimate.

#### (e) Revenue recognition

IFRS 15 *Revenue from Contracts with Customers* provides a five-step model for the recognition of revenue when control of goods is transferred to, or a service is performed for, the customer. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied.

The Company's revenue consists of service fees earned from customers that use the platform. Revenue is recognized when it is probable that the economic benefits will flow to the Company, delivery of the service has occurred, and collectability is reasonably assured.

#### (f) Leases

IFRS 16, Leases ("IFRS 16") using the modified retrospective approach.

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

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either: (a) the Company has the right to operate the asset; or (b) the Company designed the asset in a way that predetermines how and for what purpose it will be used.

If the contract contains a lease, a right-of-use asset and a corresponding lease liability are set-up at the date at which the leased asset is available for use by the Company. The lease payments are discounted using either the interest rate implicit in the lease, if available, or the Company's incremental borrowing rate. Each lease payment is allocated between the liability and the finance cost so as to produce a constant rate of interest on the remaining lease liability balance. The Company accounts for the lease and non-lease components separately. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

## INTERLAPSE TECHNOLOGIES CORP.

Notes to the Condensed Consolidated Interim Financial Statements  
For the Six Month Period Ended August 31, 2020  
(Unaudited - Expressed in Canadian Dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company uses the following practical expedients permitted by the standard: a) low value leases and leases with a term of less than 12 months remaining at January 1, 2019 have been accounted for as short-term leases; and c) initial direct costs for the measurement of the right-of-use asset at the date of initial application have been excluded.

The Company has determined that these standards have had no impact on its financial statements.

### 3. INTANGIBLE ASSETS

	BuyBitcoinCanada	Platform	Total
<b>Cost</b>			
At February 28, 2019	\$ -	\$ -	\$ -
Asset acquisition	-	563,506	563,506
Addition	-	144,779	144,779
At February 29, 2020	-	708,285	708,285
Addition	35,000	64,521	99,521
At August 31, 2020	\$ 35,000	\$ 772,806	\$ 807,806
<b>Accumulated depreciation</b>			
At February 28, 2019	\$ -	\$ -	\$ -
Depreciation	-	(100,021)	(100,021)
At February 29, 2020	-	(100,021)	(100,021)
Depreciation	(7,292)	(79,853)	(87,145)
At August 31, 2020	\$ (7,292)	\$ (179,874)	\$ (187,166)
<b>Net book value</b>			
February 29, 2020	\$ -	\$ 608,264	\$ 608,264
<b>August 31, 2020</b>	<b>\$ 27,708</b>	<b>\$ 592,932</b>	<b>\$ 620,640</b>

### 4. PROPERTY AND EQUIPMENT

	Computer Equipment	Total
<b>Cost</b>		
At February 28, 2019	\$ -	\$ -
Asset acquisition	3,269	3,269
Addition	1,753	1,753
At February 29, 2020	5,022	5,022
Asset acquisition	-	-
Addition	-	-
At August 31, 2020	\$ 5,022	\$ 5,022
<b>Accumulated depreciation</b>		
At February 28, 2019	\$ -	\$ -
Depreciation	(1,332)	(1,332)
At February 29, 2020	(1,332)	(1,332)
Depreciation	(554)	(554)
At August 31, 2020	\$ (1,886)	\$ (1,886)
<b>Net book value</b>		
February 29, 2020	\$ 3,690	\$ 3,690
<b>August 31, 2020</b>	<b>\$ 3,136</b>	<b>\$ 3,136</b>

## **INTERLAPSE TECHNOLOGIES CORP.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the Six Month Period Ended August 31, 2020  
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### **5. CAPITAL STOCK**

#### **(a) Authorized**

Unlimited number of common shares without par value.

#### **(b) Issued and outstanding**

*During the period ended August 31, 2020:*

On March 31, 2020, the Company acquired [buybitcoincanada.com](http://buybitcoincanada.com), a virtual currency brokerage platform from Canadian blockchain company, Bitaccess Inc., in exchange for 233,333 shares of the Company.

On April 22, 2020, the Company issued 200,000 shares to two officers of the Company at a price of \$0.16 per share in accordance with the terms of the agreement to purchase Skyrun Technology Corp. ("Skyrun").

On June 2, 2020, the Company issued 100,000 common shares to two officers of the Company at a price of \$0.17 per share in accordance with the terms of the agreement to purchase Skyrun.

*During the year ended February 29, 2020:*

On May 28, 2019, the Company completed a non-brokered private placement of 4,420,000 common shares at \$0.25 per share for gross proceeds of \$1,105,000.

On June 19, 2019, the Company issued 120,000 shares to two officers of the Company at a price of \$0.425 per share in accordance with the terms of the agreement to purchase Skyrun.

On August 29, 2019, the Company's outstanding share capital was forward split on the basis of two (2) new common shares for each one (1) old common share.

On September 10, 2019, the Company issued 60,000 shares to two officers of the Company at a price of \$0.46 per share in accordance with the terms of the agreement to purchase Skyrun.

On December 20, 2019, the Company completed a non-brokered private placement of 7,500,000 common shares at \$0.10 per share for gross proceeds of \$750,000.

On February 5, 2020, the Company issued 220,000 shares to two officers of the Company at a price of \$0.145 per share in accordance with the terms of the agreement to purchase Skyrun.

#### **(c) Incentive share options**

The Company has a stock option plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares of the Company at any given time. The term of any stock option granted under the Plan may not exceed five years and the exercise price may not be less than the discounted market price on the grant date. Unless otherwise specified by the Board of Directors at the time of granting an option, and subject to other term limits on option grants set out in the Plan, all options must vest over a minimum of two years except options granted to consultants performing investor relations activities, which options must vest in stages over twelve months with no more than one quarter of the options vesting in any three-month period.

## INTERLAPSE TECHNOLOGIES CORP.

Notes to the Condensed Consolidated Interim Financial Statements  
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### 5. CAPITAL STOCK (Continued)

The purpose of the Plan is to provide directors, officers, key employees, and certain other persons who provided services to the Company and its subsidiaries with an increased incentive to contribute to the future success and prosperity of the Company.

No stock options granted during the period ended August 31, 2020.

The following is a continuity of outstanding share options:

	Number of Options	Weight Average Price per Share
Balance at February 28, 2019	-	\$ -
Granted during the year	1,510,000	0.35
Balance at February 29, 2020	1,510,000	\$ 0.35
Cancelled during the period	(600,000)	0.35
Balance at August 31, 2020	910,000	\$ 0.35

The following summarizes information about share options that are outstanding on August 31, 2020:

Number of Options	Price per Share	Expiry Date	Options Exercisable
810,000	\$0.35	May 28, 2024	405,000
100,000	\$0.35	July 24, 2024	50,000
910,000			455,000

As of August 31, 2020, the weighted average contractual remaining life is 3.75 years.

#### (d) Share-based compensation

During the six months ended August 31, 2020 no stock options were granted. During the year ended February 29, 2020, the Company granted 1,510,000 share options and during the six months ended August 31, 2020, recorded compensation expense of \$48,442. The weighted average fair value of all share options granted during the year, using the Black-Scholes option pricing model, was \$0.2742 per option.

The following assumptions were used for the Black-Scholes option pricing model calculations:

	May 28, 2019	July 24, 2019
Risk-free interest rate	1.34%	1.33%
Expected stock price volatility	123.23%	131.29%
Expected option life in years	5 years	5 years
Dividend rate	Nil	Nil

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

#### (e) Share purchase warrants

No warrants were issued during the period or outstanding as of August 31, 2020.

## INTERLAPSE TECHNOLOGIES CORP.

Notes to the Condensed Consolidated Interim Financial Statements  
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### 6. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

	August 31, 2020	August 31, 2019
Business development	\$ -	\$ 75,000
Consulting	69,000	75,000
Director fees	500	500
Share-based compensation	32,568	60,312
	\$ 102,068	\$ 210,812

During the six month period ended August 31, 2020, the Company was charged \$19,730 (2019 - \$47,956) by a Canadian related company with similar key management personnel for management fees. At August 31, 2020, \$22,691 (2019 - \$16,139) is owing to the Canadian related company with similar key management personnel and is included in accounts payable and accrued liabilities.

During the six month period ended August 31, 2020, the Company issued 300,000 shares (2019 - 120,000) to two officers of the Company at an average price of \$0.163 (2019 - \$0.425) per share in accordance with the terms of the agreement to purchase Skyrun.

All transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### 7. FINANCIAL INSTRUMENTS RISK

The Company's financial instruments are exposed to the following risks:

#### *Credit Risk*

Credit risk is the risk of financial loss to the Company if counterparties do not fulfill their contractual obligations.

Cash and cash equivalents consist of cash bank balances and short-term deposits. The Company's short-term investments are held with a Canadian chartered bank and are monitored to ensure a stable return. The Company's short-term investments currently consist of term deposits as it is not the Company's policy to utilize complex, higher-risk investment vehicles.

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts. As of August 31, 2020, there were no significant amounts past due or impaired.

#### *Market Risk*

Market risk is the risk that changes in foreign exchange rates and interest rates will affect the Company's cash flows, net income and comprehensive income. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

#### *Foreign Exchange Risk*

The Company currently does not have significant exposure to other currencies, but this may change in the foreseeable future as the capital commitments that are expected to be carried out in United States dollars and Philippine pesos will increase.

## INTERLAPSE TECHNOLOGIES CORP.

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### 7. FINANCIAL INSTRUMENTS RISK (Continued)

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its purchases and capital commitments, and other financial obligations as they are due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking harm to the Company's reputation.

The Company's liquidity is dependent upon maintaining its current working capital balances, operating cash flows and ability to raise funds. To forecast and monitor liquidity, the Company prepares operating and capital expenditure budgets which are monitored and updated as considered necessary. Considering these circumstances and the Company's cash balance liquidity risk is assessed as low.

#### Interest Rate Risk

The Company is exposed to interest rate risk on its cash and cash equivalents. Most of these deposits have been in discounted instruments with pre-determined fixed yields. Interest rate movements will affect the fair value of these instruments so the Company manages maturity dates of these instruments to match cash flow needs, enabling realization at no loss in almost all cases.

#### Fair Value of Financial Instruments

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value classification of the Company's financial instruments are as follows:

	Fair Value Level	August 31, 2020		February 29, 2020	
		Fair value through profit or loss	Amortized cost	Fair value through profit or loss	Amortized cost
		\$	\$	\$	\$
<i>Financial assets:</i>					
Cash and cash equivalents		-	731,031	-	985,162
Amounts receivable		-	44,816	-	65,455
Restricted cash		-	39,816	-	39,688
		-	815,663	-	1,090,305
<i>Financial liability:</i>					
Accounts payable and accrued liabilities		-	44,350	-	76,560
		-	44,350	-	76,560

During the six month period ended August 31, 2020 and year ended February 29, 2020, there were no transfers between level 1, level 2, and level 3.

## **INTERLAPSE TECHNOLOGIES CORP.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the Six Month Period Ended August 31, 2020  
(Expressed in Canadian Dollars)

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### **8. ACQUISITION OF SKYRUN TECHNOLOGY CORP.**

On August 28, 2018, the Company entered into a binding share purchase agreement to acquire 100% of the outstanding common shares of Skyrun, a Vancouver-based company developing a virtual currency platform, [coincurve.com](http://coincurve.com). Under the terms of the share purchase agreement, the Company agreed to issue up to 1,320,000 common shares in exchange for 100% of the issued and outstanding shares of Skyrun. The shares of the Company will be released to the principals of Skyrun, Wayne Chen and Rod Hsu, when certain milestones are reached that are linked directly to the development, operations and overall success of the Company on or prior to December 31, 2020. As of the date of this document, the Company has issued 700,000 of the milestone shares.

On May 28, 2019, the TSX-V provided final approval for the Skyrun acquisition and change of business to a technology issuer.

The consolidated financial statements for the year ended February 29, 2020 reflect the assets, liabilities, and results of operations of the Company and Skyrun since May 28, 2019 being the date on which the Company formally became the sole shareholder.

### **9. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support future development of the business and maintaining investor, creditor and market confidence.

The Company defines its capital as shareholders' equity and working capital. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. If adjustments to the capital structure are required, the Company may consider issuing additional equity, raising debt or revising its capital investment programs.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements or restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated. The Company may require equity issues to cover administrative and operating cost.

### **10. SUBSEQUENT EVENTS**

On September 23, 2020, the company announced that it intends on completing a non-brokered private placement offering (the "Offering") of 3,500,000 units of the Company at C\$0.15 per unit, for gross proceeds of C\$525,000. Each unit comprises one common share of the Company and one share purchase warrant. Each warrant entitles the holder to subscribe for one additional share at a price of C\$0.20 per share for a period of 18 months from the date of issuance. In the event that the closing trading price of the shares on the TSX Venture Exchange is C\$0.40 or greater for a period of 10 consecutive trading days, the Company may, at its option, accelerate the warrant expiry date by issuing a press release.

On October 27, 2020, the Company announced that it intends to increase the size of the Offering to approximately 5,000,000 units of the Company for aggregate gross proceeds of up to approximately C\$750,000.