ChargaCard

# ChargaCard, Inc.

## *Audited Financial Statements*

December 31, 2017

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

# INDEPENDENT AUDITORS' REPORT

To the Directors of ChargaCard, Inc.

We have audited the accompanying financial statements of ChargaCard, Inc., which comprise the statement of financial position as at December 31, 2017 and the statement of loss and comprehensive loss, shareholders' equity, and cash flows for the period from August 29, 2017 (date of incorporation) to December 31, 2017, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, these financial statements present fairly, in all material respects, the financial position of ChargaCard, Inc. as at December 31, 2017 and its financial performance and its cash flows for the period from August 29, 2017 (date of incorporation) to December 31, 2017, in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about ChargaCard, Inc.'s ability to continue as a going concern.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP**
Chartered Professional Accountants

Vancouver, Canada
April 18, 2018

# ChargaCard, Inc.

Financial Statements

# ChargaCard, Inc.
## Statement of Financial Position
(Expressed in US dollars)

| | As at December 31, 2017 |
|---|---|
| ASSETS | |
| Cash | $ 1,788,001 |
| Receivables | 295 |
| | 1,788,296 |
| Equipment, net of depreciation of $759 | 6,854 |
| | $ 1,795,150 |
| LIABILITIES | |
| Accrued liabilities | $ 111,000 |
| SHAREHOLDERS' EQUITY | |
| Share capital (Note 4) | 3,175 |
| Reserve (Note 4) | 203,122 |
| Subscriptions received in advance (Note 9) | 1,711,213 |
| Deficit | (233,360) |
| | 1,684,150 |
| | $ 1,795,150 |

Subsequent events (Note 9)

Approved by the Board of Directors and authorized for issue on April 18, 2018:

"John Eagleton" Director

"Maria Eagleton" Director

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

ChargaCard, Inc.
# Statement of Loss and Comprehensive Loss
(Expressed in US dollars)

| | | For the period from August 29, 2017 (date of incorporation) to December 31, 2017 |
|---|---|---|
| EXPENSES | | |
| Advertising and marketing | $ | 556 |
| Bank charges and fees | | 2,352 |
| Consulting fees | | 110,000 |
| Contractors | | 28,834 |
| Depreciation | | 759 |
| Management fees (Note 8) | | 21,000 |
| Office supplies and administration | | 28,089 |
| Professional fees | | 25,228 |
| Rent and lease | | 5,235 |
| Travel | | 11,307 |
| NET LOSS AND COMPREHENSIVE LOSS | $ | 233,360 |

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

# ChargaCard, Inc.
## Statement of Shareholders' Equity
(Expressed in US dollars)

| | Share capital | | Reserve | | | |
|---|---|---|---|---|---|---|
| | Number of shares | Amount | Share premium | Subscriptions received in advance | Deficit | Total shareholders' equity |
| Balance at August 29, 2017 (date of incorporation) | 19,754,000 | $ 1,975 | $ 18,420 | $ - | $ - | $ 20,395 |
| Shares issued for cash (Note 4) | 12,000,000 | 1,200 | 184,702 | - | - | 185,902 |
| Subscriptions received in advance (Note 9) | - | - | - | 1,711,213 | | 1,711,213 |
| Net loss for the period | - | - | - | - | (233,360) | (233,360) |
| Balance at December 31, 2017 | 31,754,000 | $ 3,175 | $ 203,122 | $ 1,711,213 | $ (233,360) | $ 1,684,150 |

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

## ChargaCard, Inc.
### Statements of Cash Flows
(Expressed in US dollars)

| | | For the period from August 29, 2017 (date of incorporation) to December 31, 2017 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss for the period | $ | (233,360) |
| Items not involving cash: | | |
| Depreciation | | 759 |
| Change in non-cash working capital item: | | |
| Receivables | | (295) |
| Accrued liabilities | | 111,000 |
| | | (121,896) |
| Cash flows from investing activity: | | |
| Purchase of equipment | | (7,613) |
| | | (7,613) |
| Cash flows from financing activities: | | |
| Shares issued for cash | | 206,297 |
| Subscriptions received in advance | | 1,711,213 |
| | | 1,917,510 |
| Net increase, being cash at end of period | $ | 1,788,001 |

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

1. NATURE OF OPERATIONS

ChargaCard, Inc. (the "Company") was incorporated in the State of Delaware in United States of America on August 29, 2017. The Company is classified as a C Corporation. The address of the Company is headquartered at 2060 Broadway, Suite B1, Boulder, Colorado, 80302.

The Company has developed a full-service blockchain and cryptocurrency payment processing technology with end-to-end payment solutions.

On January 9, 2018, the Company entered into a definitive agreement (the "Definitive Agreement") with Westbay Ventures Inc. ("Westbay"), a public company listed on the TSX Venture Exchange ("TSX-V") and Westbay Ventures Merger Co. ("Merger Co."), Westbay's wholly-owned subsidiary. Pursuant to the Definitive Agreement, the Company, Westbay and Merger Co. will complete a business combination (the "Transaction") by way of a reverse triangle merger whereby the shareholders of the Company will become shareholders of the combined entity. See Note 9.

2. BASIS OF PRESENTATION

(a) 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 of the International Financial Reporting Interpretations Committee ("IFRIC").

(b) Going concern

The Company's continuing operations as intended are dependent upon its ability to fully develop its blockchain and cryptocurrency payment processing network. These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PRESENTATION (continued)

(c) Basis of measurement

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments as fair value through profit or loss, which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of estimates and judgments include the following:

*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.

*Research and development costs*

Evaluating whether or not costs incurred by the Company in developing its technology meet the criteria for capitalizing as intangible assets. Management determined that as at December 31, 2017, it was not yet able to demonstrate with sufficient certainty that it is probable the economic benefits will flow to the Company. Accordingly, all development costs incurred to date have been expensed.

(e) Presentation and functional currency

The functional currency for the Company is the US dollar and financial statements are presented in US dollars.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Share capital

Common shares issued for non-monetary consideration are recorded at their fair value on the measurement date and classified as equity. The measurement date is defined as the earliest of the date at which the commitment for performance by the counterparty to earn the common shares is reached or the date at which the counterparty`s performance is complete. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

(b) Income taxes

Income taxes are recognized for the estimated taxes payable for the current period, and deferred taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities, and for the benefit of losses available to be carried forward for tax purposes that are more likely than not to be realized. To the extent that the Company does not consider it more likely than not that a deferred tax asset will be recovered, it provides a valuation allowance against the excess. Deferred tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply in the years in which the temporary differences are expected to be recovered or settled.

(c) Research and development

Research costs are expensed when incurred. Internally-generated software costs, including personnel costs of the Company's development group, are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. The Company did not have any development costs that met the capitalization criteria for the period ended December 31, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments – recognition and measurement

The Company classifies all financial instruments as held-to-maturity financial assets, fair value through profit or loss ("FVTPL"), available for sale or other financial liabilities, as follows:

- Held-to-maturity financial assets are initially recognized at their fair values and subsequently measured at amortized cost using the effective interest method. Impairment losses are charged to earnings in the period in which they arise.
- FVTPL financial instruments are carried at fair value with changes in fair value charged or credited to earnings in the period in which they arise.
- Available-for-sale financial instruments are carried at fair value with changes in the fair value charged or credited to other comprehensive income. Impairment losses are charged to net earnings in the period in which they arise.
- Other financial liabilities are initially measured at cost or amortized cost, net of transaction costs and any embedded derivatives that are not closely related to the financial liability, depending upon the nature of the instrument with any resulting premium or discount from the face value being amortized to earnings using the effective interest method.

The Company classifies cash as FVTPL.

(e) Equipment

Equipment is stated at cost, less accumulated depreciation. Amortization is calculated using the declining balance method applying an annual rate of 20%.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment.

Expenditures incurred to replace a component of an item of equipment that is accounted for separately; including major inspection and overhaul expenditures are capitalized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Recent accounting pronouncements

IFRS 9 – Financial Instruments

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety with IFRS 9, Financial Instruments ("IFRS 9") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions.

Certain new accounting standards, amendments to standards and interpretations have been issued, effective for annual periods beginning on or after December 31, 2017. These standards have been assessed to not have a significant impact on the Company's financial statements.

4. SHARE CAPITAL

(a) Authorized

The Company is authorized to issue 50,000,000 common shares with a par value of $0.0001 per share.

(b) Issued

During the period from August 29, 2017 (date of incorporation) to December 31, 2017, the Company issued 31,754,000 common shares for proceeds of $206,297, of which $3,175 has been allocated to share capital and $203,122 to reserves.

(c) Reserve

The reserve records a share premium for proceeds received from the issuance of common shares in excess of the par value.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2017, the Company`s only financial instruments is comprised of cash. The fair value of these financial instruments approximates its carrying value due to its short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

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.

As at December 31, 2017, the fair value of cash held by the Company was based on level 1 inputs of the fair value hierarchy.

The Company can be exposed, in varying degrees, to a variety of financial related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts which is held with a reputable US bank. Therefore, credit risk is assessed as low.

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.

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.

(a) 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 the market interest rates. The Company's cash is held in an account with a major US financial institution. The funds may be withdrawn at any time without penalty.

(b) Foreign currency risk
The Company does not have assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk.

(c) Price risk
The Company is not exposed to price risk.

(Expressed in US dollars)

6. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns and benefits to shareholders. The capital structure of the Company consists of equity comprised of issued share capital and any debt that it may issue.

The Company manages its capital structure and makes adjustments to it in light of economic conditions.

The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

7. INCOME TAXES

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

| | | |
|---|---|---|
| Loss for the period | $ | (233,360) |
| Tax rate | | 15% |
| Expected income tax recovery | | 35,004 |
| Change in unrecognized benefit of non-capital losses | | (35,004) |
| Income tax recovery | $ | - |

The Company has accumulated non-capital losses of approximately $233,360 which may be deducted in the calculation of taxable income in future years. The losses expire in 2037.

8. RELATED PARTY TRANSACTIONS

During the period from August 29, 2017 (date of incorporation) to December 31, 2017, the Company paid $21,000 in management fees to directors of the Company.

(Expressed in US dollars)

9. SUBSEQUENT EVENTS

a) Concurrent with the Definitive Agreement (Note 1), the Company was obligated to complete a financing (the "Bridge Financing"). To December 31, 2017, the Company had received $1,711,213 ($2,141,925 Canadian dollars) in subscriptions in advance towards the Bridge Financing. Subsequent to December 31, 2017, the Company received a further $159,399 ($199,520 Canadian dollars).

On March 9, 2018, the Transaction contemplated in Note 1 was completed and constituted a reverse take-over of Westbay. Westbay issued 39,558,733 common shares to the shareholders of the Company. The combined entity applied and was approved to list its common shares on the Canadian Stock Exchange and effected a name change to Cryptanite Blockchain Technologies Corp.

The following unaudited table summarizes the fair value of the consideration given, the value of assets acquired and liabilities assumed at the acquisition date. The information is based on the unaudited interim financial statements of Westbay for the six month period ended November 30, 2017:

| | Number | Amount |
|---|---|---|
| Consideration | | |
| Outstanding shares of Westbay | 7,006,669 | $ 2,562,717 |
| Identifiable assets acquired | | |
| Cash | | $ 162,427 |
| Receivables | | 2,627 |
| Prepaids | | 325 |
| Trade payables and accrued liabilities | | (2,742) |
| Due to related parties | | (6,226) |
| Obligation to issue shares | | (108,559) |
| | | 47,852 |
| Unidentifiable assets acquired | | |
| Transaction costs | | 2,514,866 |
| Total net identifiable assets and transaction costs | | $ 2,562,717 |

b) The Company acquired title to a facility located in Nederland, Colorado for a purchase price of $335,000.