



**CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(Expressed in US Dollars)



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CRYPTANITE

### **NOTICE TO READER**

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

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

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

May 30, 2019

**CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.**Condensed Consolidated Interim Statements of Financial Position  
(Expressed in US Dollars)

	Notes	March 31, 2019 (unaudited)	December 31, 2018 (audited)
<b>ASSETS</b>			
Cash		\$ 160,148	\$ 360,405
Receivables	4	100,698	16,865
Prepays and deposits	5	65,337	74,430
Digital currencies	7	47,000	95,781
Assets held-for-sale	8	305,209	305,209
		<b>678,392</b>	<b>852,690</b>
Property and equipment	8	45,535	44,611
Investments	6	85,000	75,000
		<b>\$ 808,927</b>	<b>\$ 972,301</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	9	\$ 158,747	\$ 175,510
Due to related parties	11	7,561	7,618
Deferred revenue		100	100
		<b>166,408</b>	<b>183,228</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	10	7,262,188	7,262,188
Reserve	10	842,228	839,172
Accumulated other comprehensive loss		(68,452)	(81,084)
Deficit		(7,393,445)	(7,231,203)
		<b>642,519</b>	<b>789,073</b>
		<b>\$ 808,927</b>	<b>\$ 972,301</b>

Nature of Operations (Note 1)  
Reverse Takeover of ChargoCard (Note 3)  
Commitments (Note 12)

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

## CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

Condensed Consolidated Interim Statement of Changes in Equity

For the three months ended March 31, 2018 and 2019

(Expressed in US Dollars – Unaudited)

		Share Capital					Accumulated other comprehensive loss	Deficit	Total shareholders' equity
	Note	Number of shares	Amount	Reserve	Subscription receipts				
<b>Balance at December 31, 2017</b>		<b>31,754,000</b>	<b>\$ 3,175</b>	<b>\$ 203,122</b>	<b>\$ 1,711,213</b>	<b>\$</b>	<b>-</b>	<b>\$ (233,360)</b>	<b>\$ 1,684,150</b>
Shares issued for cash	10	7,804,733	780	1,873,555	(1,711,213)		-	-	163,122
Share issuance costs	10	-	(24,519)	-	-		-	-	(24,519)
Fair value of finders' warrants	3,10	-	(600,426)	600,426	-		-	-	-
Reallocation of reserves		-	2,076,677	(2,076,677)	-		-	-	-
Recapitalization transaction:									
Equity of Westbay	3,10	7,006,669	2,441,810	-	-		-	-	2,441,810
Shares issued for finder's fee	3,10	1,717,000	599,267	-	-		-	-	599,267
Shares issued for cash	10	8,189,442	2,858,279	-	-		-	-	2,858,279
Share issuance costs	10	-	(65,131)	-	-		-	-	(65,131)
Fair value of finders' warrants	10	-	(27,724)	27,724	-		-	-	-
Share-based compensation	10	-	-	200,067	-		-	-	200,067
Net loss		-	-	-	-		-	(3,882,856)	(3,882,856)
Other comprehensive income		-	-	-	-		61	-	61
<b>Balance at March 31, 2018</b>		<b>56,471,844</b>	<b>7,262,188</b>	<b>828,217</b>	<b>-</b>	<b>-</b>	<b>61</b>	<b>(4,116,216)</b>	<b>3,974,250</b>
Share-based compensation	10	-	-	10,955	-		-	-	10,955
Net loss		-	-	-	-		-	(3,114,987)	(3,114,987)
Other comprehensive loss		-	-	-	-		(81,145)	-	(81,145)
<b>Balance at December 31, 2018</b>		<b>56,471,844</b>	<b>7,262,188</b>	<b>839,172</b>	<b>-</b>	<b>-</b>	<b>(81,084)</b>	<b>(7,231,203)</b>	<b>789,073</b>
Share-based compensation	10	-	-	3,056	-		-	-	3,056
Net loss		-	-	-	-		-	(162,242)	(162,242)
Other comprehensive loss		-	-	-	-		12,632	-	12,632
<b>Balance at March 31, 2019</b>		<b>56,471,844</b>	<b>\$ 7,262,188</b>	<b>\$ 842,228</b>	<b>\$ -</b>	<b>\$</b>	<b>(68,452)</b>	<b>\$ (7,393,445)</b>	<b>\$ 642,519</b>

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

## CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three months ended March 31, 2019 and 2018

(Expressed in US Dollars - Unaudited)

	Notes	Three months ended March 31,	
		2019	2018
Sales of product and services	14	\$ 245,305	\$ 4,207
Cost of sales		60,852	2,896
		<b>184,453</b>	<b>1,311</b>
Operating expenses			
Advertising and marketing		11,028	98,160
Amortization	8	10,333	4,008
Application development		86,650	41,506
Bad debt		3,333	-
Bank charges		1,581	4,621
Consulting fees		-	29,000
Management fees and salaries	11	86,734	81,594
Office and administration	11	74,044	69,444
Professional fees		64,467	92,689
Regulatory and transfer agent fees		5,762	499
Rent and utilities		21,870	11,397
Share-based compensation	10	3,056	200,067
Travel		13,245	33,981
		<b>382,103</b>	<b>666,966</b>
<b>NET LOSS BEFORE OTHER ITEMS</b>		<b>(197,650)</b>	<b>(665,655)</b>
Other items			
Interest income		81	30
Realized loss on digital currency transactions		(12,111)	(1,436)
Gain on revaluation of digital currencies		17,931	(4,667)
Write-off of Property & Equipment	8	(787)	-
Listing expense	3	-	(3,211,128)
		<b>5,114</b>	<b>(3,217,201)</b>
<b>NET LOSS FROM CONTINUING OPERATIONS</b>		<b>(192,536)</b>	<b>(3,882,856)</b>
Gain from discontinued operations	8	30,294	-
<b>NET LOSS FOR THE PERIOD</b>		<b>(162,242)</b>	<b>(3,882,856)</b>
Other comprehensive loss that may be reclassified to profit and loss:			
Unrealized foreign exchange gain		12,632	61
<b>COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>\$ (149,610)</b>	<b>\$ (3,882,795)</b>
<b>Loss per common share from continuing operations</b>			
-basic and diluted		\$ (0.00)	\$ (0.14)
<b>Weighted average number of common shares outstanding</b>			
-basic and diluted		<b>43,970,752</b>	<b>28,777,894</b>

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

**CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.**

Condensed Consolidated Interim Statements of Cash Flows

For the three months ended March 31, 2019 and 2018

(Expressed in US Dollars - Unaudited)

	Three months ended March 31,	
	2019	2018
<b>Cash provided by (used in):</b>		
<b>Operating:</b>		
Net loss for the period	\$ (162,242)	\$ (3,882,856)
Items not involving cash:		
Amortization	10,333	4,008
Share-based compensation	3,056	200,067
Bad debt	3,333	-
Realized loss on digital currency transactions	12,111	-
Gain on revaluation of digital currencies	(17,931)	-
Write-off of Property & Equipment	787	-
Listing expense	-	3,197,590
	<u>(150,553)</u>	<u>(481,191)</u>
Changes in non-cash operating working capital items:		
Receivables	(87,235)	(16,254)
Prepaid expenses and deposits	9,291	(171,981)
Accounts payable and accrued liabilities	(16,067)	17,706
Due to related party	103	-
	<u>(244,461)</u>	<u>(651,720)</u>
<b>Investing</b>		
Digital currencies	53,573	(52,617)
Acquisition of property and equipment	(12,044)	(247,005)
Investments	(10,000)	(20,000)
Assets held-for-sale	-	(335,242)
Net cash acquired on acquisition of Westbay	-	(70,721)
	<u>31,529</u>	<u>(725,585)</u>
<b>Financing</b>		
Proceeds from issuance of shares, net	-	4,642,964
Subscription receipts	-	(1,711,213)
	<u>-</u>	<u>2,931,751</u>
Effect of foreign exchange on cash flows	<u>12,675</u>	<u>61</u>
Change in cash during the period	(200,257)	1,554,507
Cash, beginning	<u>360,405</u>	<u>1,788,001</u>
<b>Cash, ending</b>	<b>\$ 160,148</b>	<b>\$ 3,342,508</b>

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

## **CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.**

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019 and 2018

(Expressed in US Dollars - Unaudited)

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### **1. NATURE OF OPERATIONS**

Cryptanite Blockchain Technologies Corp. (formerly Westbay Ventures Inc.) (the “Company” or “Cryptanite”) was incorporated on June 24, 1986 under the laws of British Columbia.

The Company’s head office, principal address and records office is Suite 2050-1055 West Georgia Street, PO Box 11121, Royal Centre, Vancouver, BC V6E 3P3. The registered office is Suite 1500-1055 West Georgia Street, PO Box 11117, Vancouver, BC V6E 4N7.

On March 7, 2018, the Company completed a reverse takeover transaction (the “RTO”), which was effected pursuant to a merger agreement between Westbay Ventures Inc. and ChargaCard, Inc. (“ChargaCard”), a private corporation existing under the laws of Delaware with its head office in Boulder, Colorado (Note 3).

As part of the transaction, the Company voluntarily delisted its common shares from the TSX Venture Exchange effective February 28, 2018, changed its name to Cryptanite Blockchain Technologies Corp. and commenced trading its shares on the Canadian Securities Exchange (“CSE”) under the symbol NITE on March 12, 2018. On June 26, 2018, the Company commenced trading on the OTCQB Venture Market in the United States of America under the symbol: CRBTF. On July 18, 2018, the Company also commenced trading on the Frankfurt Stock Exchange under the symbol 98AA.

The Company is in the business of offering its clients a full-service blockchain and cryptocurrency payment processing technology with end-to-end payment solutions and software system for recurring billing, client-to-client financing by allowing customers to pay for goods and services in monthly installments.

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 for the foreseeable future. The continuing operations of the Company are dependent upon its ability to fully develop its blockchain and cryptocurrency payment processing network. Given the volatile nature of the industry in which it operates, the Company is subject to risks and uncertainties that may adversely impact future operating results and cash flows. As at March 31, 2019, the Company has an accumulated deficit of \$7,393,445 including a loss for the three months ended March 31, 2019 of \$162,242 (2018 - \$3,882,856). 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.

The interim consolidated financial statements were authorized for issue on May 30, 2019 by the directors of the Company.

### **2. BASIS OF PRESENTATION**

#### **Statement of compliance and conversion to International Financial Reporting Standards (“IFRS”)**

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



## CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

Notes to Condensed Consolidated Interim Financial Statements  
For the three months ended March 31, 2019 and 2018  
(Expressed in US Dollars - Unaudited)

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### 2. BASIS OF PRESENTATION (cont'd)

#### ***Basis of presentation and consolidation***

The condensed consolidated interim financial statements of the Company have been prepared on an accrual basis except for cash flow information, and are based on historical costs, modified where applicable.

These condensed consolidated interim financial statements does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2018 and 2017.

The condensed consolidated interim financial statements are presented in US dollars, unless stated otherwise.

#### ***Subsidiaries***

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able directly or indirectly, to control financial and operational policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. They are de-consolidated from the date that control by the Company ceases.

The subsidiaries of the Company are as follows:

	Country of incorporation	Percentage owned		Functional currency
		March 31, 2019	December 31, 2018	
ChargaCard Inc. <sup>(1)</sup>	United States	100%	100%	USD
Cryptanite Ltd. <sup>(2)</sup>	Malta	100%	100%	EURO
Intellabridge LLC <sup>(3)</sup>	Ukraine	100%	100%	UAH

(1) Acquired on March 7, 2018. See Note 4.

(2) Incorporated on October 9, 2018.

(3) Incorporated on August 7, 2018.

The consolidated financial statements include the accounts of Westbay Ventures Inc. from March 7, 2018, the date of the RTO. The financial statements prior to this date include only the accounts of ChargaCard. Inter-company transactions and balances are eliminated upon consolidation.

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

## **CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.**

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019 and 2018

(Expressed in US Dollars - Unaudited)

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### **2. BASIS OF PRESENTATION (cont'd)**

#### ***Significant accounting judgements, estimates and assumptions***

The preparation of these condensed consolidated interim financial statements 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 condensed consolidated interim financial statements requires management to make judgments regarding the 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:

#### *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 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.

#### *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 some products are able to complete intangible assets and are able, with sufficient certainty, to demonstrate that assets will generate future economic benefits. Development costs of these products are capitalized at cost value. Research and development costs of other products are recognized as period expense.

#### *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 nature of the transaction and the specific circumstances of each arrangement.

The Company generates revenue by providing transaction processing services for digital currencies, contracting development and IT services. Revenues from IT and other development services are recognised when services are provided and billed. Revenues from crypto-mining activities is recognised at the fair value of the digital currencies received as consideration on the date of actual receipt. As of December 31, 2018, management made an assessment, given changes in the business environment, to discontinue crypto-mining activities of the Company (Note 8).

## CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019 and 2018

(Expressed in US Dollars - Unaudited)

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### 2. BASIS OF PRESENTATION (cont'd)

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

##### *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 period ended March 31, 2018, other comprehensive income is related to the effects of currency translation adjustments.

##### ***New accounting pronouncements***

IFRS 16 - On January 13, 2016, the IASB issued IFRS 16, Leases, which replaced IAS 17, Leases. IFRS 16 sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact the new standard is expected to have on its financial statements.

##### ***Reclassification of prior Year Presentation***

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. Adjustments have been made to the Consolidated Statements of Loss and Comprehensive loss for the three months ended March 31, 2018 to reclassify Application Development fees, Consulting fees, Management fees and salaries, Office and Administration expense and Professional fees to be consistent with the current period presentation. This change in classification does not affect previously reported operating expenses or cash flows of the Company.

### 3. REVERSE TAKEOVER OF CHARGACARD

On March 7, 2018 ("RTO Date"), the Company completed an RTO transaction with ChargeCard (Note 1), whereby the Company acquired 100% of the issued and outstanding common shares of ChargeCard.

Pursuant to the RTO, the Company issued an aggregate of 39,558,733 common shares of the Company in exchange for all of the issued and outstanding shares of ChargeCard. Upon closing of the transaction, the shareholders of ChargeCard owned 70% of the common shares of the Company and, as a result, the transaction is considered a reverse acquisition of the Company by ChargeCard. The Company changed its year end from May 31<sup>st</sup> to December 31<sup>st</sup> in order to align the fiscal year periods to that of ChargeCard.

In conjunction with the RTO, the Company raised capital through an equity financing consisting of 8,189,442 common shares of the Company at a price of approximately \$0.35 per share for gross proceeds of \$2,858,279 (CAD \$3,685,249) (Note 10).

For accounting purposes, the acquisition was considered to be a reverse acquisition under IFRS 3 *Business Combinations* ("IFRS 3") as the shareholders of ChargeCard obtained control of Cryptanite. However, as Cryptanite 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.

## CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

Notes to Condensed Consolidated Interim Financial Statements  
For the three months ended March 31, 2019 and 2018  
(Expressed in US Dollars - Unaudited)

### 3. REVERSE TAKEOVER OF CHARGACARD (cont'd)

The accounting for this transaction resulted in the following:

- (i) The consolidated financial statements of the combined entity are issued under the legal parent, Cryptanite, but are considered a continuation of the financial statements of the legal subsidiary, ChargaCard.
- (ii) As ChargaCard 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.
- (iii) Since the shares allocated to the former shareholders of Cryptanite on closing the RTO 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 Cryptanite acquired on closing was expensed in the consolidated statement of loss and comprehensive loss as a listing expense.

The fair value of the 7,006,669 common shares for all of Westbay was determined to be \$2,441,810 or \$0.35 per common share.

- (iv) The fair value of all the consideration given and charged to listing expense was comprised of:

Fair value of the common shares at RTO Date	\$	2,441,810
Identifiable assets acquired – At March 7, 2018		
Cash	\$	(70,721)
Receivables		6,328
Prepays		2,710
Trade payables		(94,831)
		(156,514)
Unidentified assets acquired		
Listing expense		2,598,324
Total net identifiable assets and transaction costs	\$	2,441,810

- (v) The Company paid a finder's fee of 1,717,000 shares at the completion of the RTO. Accordingly, the Company recorded the fair value of \$599,267 as a listing expense. The Company incurred additional listing expenses of \$13,537.

- (vi) The comparative figures as at December 31, 2017 and for the period from August 29, 2017 (date of incorporation) to December 31, 2017 are those of ChargaCard.

### 4. RECEIVABLES

	March 31, 2019	December 31, 2018
Trade receivable from customers	\$ 68,250	\$ -
Goods and services input tax credits, net	1,732	10,761
Other receivables	30,716	6,104
	\$ 100,698	\$ 16,865

## CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

Notes to Condensed Consolidated Interim Financial Statements  
For the three months ended March 31, 2019 and 2018  
(Expressed in US Dollars - Unaudited)

### 5. PREPAIDS AND DEPOSITS

The Company's prepaid expenses and deposits consist of the following:

		March 31, 2019		December 31, 2018
Deposit with the digital currency exchange	\$	31,960	\$	24,105
Insurance		8,192		17,653
Other		25,185		32,672
Total prepaids and deposits	\$	65,337	\$	74,430

Pursuant to a Data Service Agreement dated August 9, 2018, the Company paid a security deposit of \$365,018. The Company terminated the Data Service Agreement in January 2019 and was not able to collect the deposit back by February 21, 2019 as per the terms of the Data Service Agreement. Based on management's assessment of its credit risk, the Company recognized an impairment allowance of \$365,018 on the security deposit in the consolidated statement of loss for the year ended December 31, 2018. On April 18, 2019, the Company entered into an additional agreement, whereby the remaining balance of the deposit of \$355,518 is to be repaid to the Company, on an installment basis, by June 30, 2019. The Company collected \$10,000 of the security deposit subsequent to March 31, 2019.

### 6. INVESTMENTS

		March 31, 2019		December 31, 2018
(1) On February 1, 2018, the Company entered into a Simple Agreement for Future Equity ("SAFE") Agreement with Fanboard Inc. ("Fanboard"), a private company, to invest in future rights to shares after the Fanboard reaches a valuation cap of \$1,000,000. The maximum investment shall not be higher than \$60,000.		\$ 45,000	\$	45,000
(1) On May 1, 2018, the Company entered into a SAFE Agreement with True Sync Media, Inc. ("True Sync"), a private company to invest in future rights to shares after True Sync reaches a valuation cap of \$2,000,000 for an investment of \$30,000.		30,000		30,000
On February 28, 2019, as amended on March 21, 2019, the Company entered into a Shareholders Agreement with a group of three individuals, for provision of an investment loan for a software development project and incorporation of a common legal entity, in which the Company will acquire a 3.35% interest of shares. The investment loan has no interest and is returnable to ChargeCard from profits generated by the product after a one year hold period.		10,000		-
		\$ 85,000	\$	75,000

- (1) Pursuant to the terms of the SAFE Agreements, if there is an equity financing before the instrument expires or is terminated, the company will automatically issue to the investors either: 1) a number of shares of standard preferred stock sold in the equity financing equal to the purchase amount divided by the price per share of the standard preferred stock, if the pre-money valuation is less than or equal to the valuation cap; or 2) a number of shares of SAFE preferred stock equal to the purchase amount divided by the SAFE Price, if the pre-money valuation is greater than the valuation cap.

## CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019 and 2018

(Expressed in US Dollars - Unaudited)

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### 6. INVESTMENTS (cont'd)

If there is a liquidation event before the expiration or termination of the SAFE Agreement, the investor will at its option either: 1) receive a cash payment equal to the purchase amount or 2) automatically receive from the company a number of shares of common stock equal to the purchase amount divided by the liquidity price, if the investor fails to select the cash option. Thereafter the SAFE Agreement will terminate.

In connection with a cash payment through a liquidity event, if there are not enough funds to pay the investors and holder of the SAFE Agreements in full, funds will be distributed pro-rata and based on the purchase price and the remaining amounts will be covered with common stock equal to the remaining unpaid purchase price divided by the liquidity event. In a dissolution event, SAFE Agreement holders will be paid out of remaining assets prior to holders of the company's capital stock.

In accordance with IFRS 9, the Company has initially recorded these investments at cost, which approximates fair value. To March 31, 2019, neither Fanboard nor True Sync have met the valuation cap thresholds. As such, no shares have been distributed to the Company.

- (2) On July 10, 2018, the Company signed an agreement (the "JV Agreement") with BRC Blockchain Resources Corp. ("BRC"), a corporation existing under the laws of the Province of British Columbia, to create a joint venture company, BRC Cryptanite Mining Corp. ("JV Company"), for the purchase, assembly, siting and operation of mobile crypto-currency mining equipment to be located in the United States.

Under the terms of the agreement, the Company made an initial contribution of \$55,000 (December 31, 2018 - \$3,333), representing a 20% initial capital in the JV Company.

Pursuant to the terms of the JV Agreement, the Company also issued a non-interest bearing loan of \$520,000 (December 31, 2018 - \$520,000) to fund the purchase and assembly of certain crypto-currency mining equipment.

As at December 31, 2018 and March 31, 2019, JV Company did not generate any income from the crypto-mining operations and has not repaid any amounts of the loan. The initial contribution and the loan provided to the JV Company are not reflected in the statements of financial position of the Company as at March 31, 2019 and December 31, 2018 as a result of the impairment allowance that was recorded against the carrying value of the investment of \$575,000 in 2018.

- (3) On April 2, 2018, the Company signed a Revenue Participation Agreement ("RP Agreement") with Canyon Capital LLC ("Canyon Capital"), a corporation with directors in common, existing under the laws of the State of New Mexico, USA. Pursuant to the RP Agreement, the Company agreed to provide application development services and, in return, would earn a 10% royalty from the gross revenue from the project. As at December 31, 2018, Canyon Capital did not generate any income from the project and no royalties have been earned by the Company. The Company's management determined the investment was impaired and expensed the investment of \$86,829 in the consolidated statement of loss in fiscal 2018. As at March 31, 2019, the Company incurred a total of \$116,523 (December 31, 2018 - \$86,829) in application development costs in connection with this project.

### 7. DIGITAL CURRENCIES

As at March 31, 2019, the Company's digital currencies consisted of the below digital currencies, with a fair value of \$47,000. Digital currencies are recorded at their fair value on the date they are acquired and are revalued to their current market value at each reporting date using the closing USD price quoted on [www.coinmarketcap.com](http://www.coinmarketcap.com). During the three months ended March 31, 2019, the Company recorded a revaluation gain of \$17,931 (2018 – loss of \$4,667) on digital currencies and realized a loss of \$12,111 (2018 - \$1,436) from the trades of digital currencies.

**CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.**

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**7. DIGITAL CURRENCIES (cont'd)**

Symbol	Digital currency	Balance, March 31, 2019		Balance, December 31, 2018	
		Quantity	Fair Value (\$)	Quantity	Fair Value (\$)
BCH	Bitcoin Cash	12.18666	\$ 2,063	11.51954	\$ 1,740
BTC	Bitcoin	1.75855	7,220	7.86111	29,422
BTS	BitShares	17.93200	1	17.93200	1
BNB	Binance Coin	0.00002	0	-	-
BTT	Bit Torrent	1,100.06	23	-	-
DASH	DASH	40.26155	4,079	40.35174	3,211
DMT	DMarket	0.02744	0	4,343.60197	1,061
DOGE	Dogecoin	2,941.91952	6	2,941.91952	7
ENJ	Enjin Coin	0.63600	0	0.63600	0
EOS	EOS	0.00979	0	689.51979	1,772
ETC	Ethereum Classic	637.3777	3,052	644.43171	3,254
ETH	Ethereum	52.9746	7,534	180.13986	24,025
FUN	FunFair	0.34	0	145,380.29600	599
GAS	Gas	0.00510	0	-	-
ICX	Icon	2.29162	1	2.29162	1
IOTA	Iota	0.62	0	0.63600	0
LOOM	Loom Network	1.086	0	44,364.57300	2,011
LTC	Litecoin	121.33736	7,369	125.37740	3,820
MANA	Decentraland	1.497	0	62,985.49700	2,861
MITH	Mithril	0.113	0	0.11300	0
NEO	NEO	1.00529	10	249.64111	1,880
OMG	OmiseGo	0.00818	0	-	-
PAX	Paxos	0.0016	0	-	-
PIVX	PIVX	0.99700	1	0.99700	1
RDD	ReddCoin	-	-	415,625.00000	526
RVN	Ravencoin	87.662	6	-	-
SC	Siacoin	0.15302	0	0.15302	0
TRX	Tron	22.619	1	22.00000	0
USDT	Tether	6,641.27133	6,641	3,622.35304	3,659
WAN	Wanchain	4.99000	2	4.99000	2
WAVES	Waves	0.00356	0	-	-
XEM	NEM	0.76600	0	0.76600	0
XLM	Stellar	34,541.801	3,727	49,240.89377	5,555
XMR	Monero	0.06209	3	0.06209	3
XRP	XRP	19,789.58814	4,841	19,789.02326	6,980
ZEC	Zcash	7.16592	420	32.33292	1,828
ZEN	Horizen	0.00019	0	94.21119	501
ZIL	Zilica	0.345	0	-	-
ZRX	0x	0.172	0	3,651.13700	1,061
<b>TOTAL</b>			<b>\$ 47,000</b>		<b>\$ 95,781</b>

**CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.**

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**8. PROPERTY AND EQUIPMENT**

	Land and building <sup>(1)</sup>	Crypto- mining Equipment <sup>(2)</sup>	Leasehold Improvements	Furniture & Equipment	Computer Equipment	Other Assets	Total
<b>Cost:</b>							
At December 31, 2017	\$ -	\$ -	\$ -	\$ -	\$ 7,152	\$ 461	\$ 7,613
Additions	368,331	225,056	9,105	7,784	48,690	3,901	662,867
Impairment	(63,122)	(38,733)	-	-	-	-	(101,855)
Assets held-for-sale	(305,209)	-	-	-	-	-	(305,209)
Reallocated to discontinued operations	-	(186,323)	-	-	-	-	(186,323)
At December 31, 2018	-	-	9,105	7,784	55,842	4,362	77,093
Additions	-	-	-	2,114	7,633	2,297	12,044
Sales and disposal	-	-	-	-	(897)	(4,362)	(5,259)
At March 31, 2019	\$ -	\$ -	\$ 9,105	\$ 9,898	\$ 62,578	\$ 2,297	\$ 83,878
<b>Depreciation and impairment:</b>							
At December 31, 2017	\$ -	\$ -	\$ -	\$ -	\$ 298	\$ 461	\$ 759
Amortization	-	45,457	9,105	1,530	17,187	3,901	77,180
Reallocated to discontinued operations	-	(45,457)	-	-	-	-	(45,457)
At December 31, 2018	-	-	9,105	1,530	17,485	4,362	32,482
Sales and disposal	-	-	-	-	(110)	(4,362)	(4,472)
Amortization	-	-	-	728	7,308	2,297	10,333
At March 31, 2019	\$ -	\$ -	\$ 9,105	\$ 2,258	\$ 24,683	\$ 2,297	\$ 38,343
<b>Net book value:</b>							
At December 31, 2018	\$ -	\$ -	\$ -	\$ 6,254	\$ 38,357	\$ -	\$ 44,611
At March 31, 2019	\$ -	\$ -	\$ -	\$ 7,640	\$ 37,895	\$ -	\$ 45,535



## CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

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### 8. PROPERTY AND EQUIPMENT (cont'd)

- (1) During the year ended December 31, 2018, the Company acquired title to a facility located in Nederland, Colorado. This facility was to be used as a data center for its crypto-currency mining operations. As at March 31, 2019, the facility remained vacant and was not used in operations. As of December 31, 2018, management made an assessment of the market value of the facility and recognized an impairment loss of \$63,122 (2017 - \$Nil) against its carrying value. In addition, as at December 31, 2018, the remaining carrying value of the property of \$305,209 (2017 - \$Nil) was reclassified to assets held-for-sale, following management's decision to offer the facility for sale. The facility remains unsold as at March 31, 2019 and up to the date of the release of these financial statements.
- (2) During the year ended December 31, 2018, the Company purchased equipment to mine crypto-currency. As of December 31, 2018, management made an assessment, given changes in the business environment, to discontinue crypto-mining activities. During the three months ended March 31, 2019, the Company sold 48 units of the crypto-mining equipment for net proceeds of \$30,294.

The following accounts have been reclassified to discontinued operations:

	March 31, 2019	December 31, 2018
Cost of crypto-mining equipment	\$ -	\$ 225,056
Revenue from crypto-mining	-	(4,456)
Cost of crypto-mining revenue	-	4,706
Gain on sale of crypto-mining equipment	30,294	-
	\$ 30,294	\$ 225,306

### 9. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	March 31, 2019	December 31, 2018
Accounts payable	\$ 103,147	\$ 137,813
Accrued liabilities	55,600	37,697
	\$ 158,747	\$ 175,510

### 10. SHARE CAPITAL

#### (a) Authorized

Unlimited number of common shares without par value.

#### (b) Issued

There were no transactions affecting share capital during the three months ended March 31, 2019.

## CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

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### 10. SHARE CAPITAL (cont'd)

#### (b) Issued (cont'd)

During the year ended December 31, 2018, the Company completed the following transactions:

- (i) ChargoCard completed a private placement of 7,804,733 common shares for gross proceeds of \$1,874,335, of which \$1,711,213 was collected in fiscal 2017 and recorded in subscription receipts at December 31, 2017. ChargoCard's authorized share capital was issued with a par value of \$0.0001 per share, with the excess of par value recorded in reserve. Accordingly, ChargoCard recorded \$780 in share capital and \$1,873,555 in reserve. ChargoCard paid \$24,519 in share issuance costs related to the private placement, which was recorded in reserve. ChargoCard also issued 2,000,000 finders' warrants in connection to the private placement. Each share purchase warrant is exercisable at a price of CAD\$0.10 per common share for an 18 month period expiring September 9, 2019. Accordingly, ChargoCard recorded a fair value of \$600,426 in the reserve account.
- (ii) On March 7, 2018, in accordance with the RTO (Note 1), the Company issued 39,558,733 common shares to acquire all the issued and outstanding shares of ChargoCard and adopted the Company's authorized share capital without par value (Note 3). Accordingly, all amounts previously allocated to reserve were reallocated to share capital.

Concurrent with the completion of the RTO, the Company issued 1,717,000 common shares to the finder of the Company's acquisition of ChargoCard. The fair value of these common shares of \$599,267 and additional expenses of \$13,537 were recorded as a listing expense during the year ended December 31, 2018 (Note 3).

- (iii) Completed a non-brokered private placement of 8,189,442 common shares at a price of \$0.35 (CAD \$0.45) per share for total gross proceeds of \$2,858,279 (CAD \$3,685,249). The Company paid finders' fees totaling \$65,131 and issued an aggregate of 184,299 warrants, each of which is exercisable to acquire one common share of the Company at a price of CAD\$0.45 per share over a period of one year from date of issue. The Company recognized a fair value of \$27,724 on the finder's warrants.

#### (c) Escrow shares

17,648,600 shares issued to the principals of the Company under the RTO 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 on March 7, 2018, and 15% will be released from escrow every six months over a period of 36 months until March 7, 2021. As at March 31, 2019, 10,589,160 (December 31, 2018 – 13,236,450) shares remained in escrow.

In addition, 2,750,000 shares issued under the RTO have a restrictive resale legend and are subject to an 18-month voluntary hold period with 10% of shares being released four, eight and twelve months from the CSE listing date, and 35% released every three months thereafter.

#### (d) Stock options and warrants

The Company maintains 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 and have a maximum of 10 years. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price and the vesting conditions of the options as determined by the Board of Directors.

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### 10. SHARE CAPITAL (cont'd)

#### (d) Stock options and warrants (cont'd)

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

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, August 24, 2017 and December 31, 2017	-	CAD\$ -	-	CAD\$ -
Granted	2,184,299	CAD\$ 0.13	920,000	CAD\$ 0.60
Outstanding, December 31, 2018	2,184,299	CAD\$ 0.13	920,000	CAD\$ 0.60
Expired	(184,299)	CAD\$ 0.45	-	CAD\$ -
Outstanding, March 31, 2019	2,000,000	CAD\$ 0.10	920,000	CAD\$ 0.60
Number currently exercisable	2,000,000	CAD\$ 0.10	620,000	CAD\$ 0.47

As at March 31, 2019, the following were outstanding:

	Expiry Date	Number of Shares	Weighted Average Exercise Price	Weighted Average Period
Options	March 12, 2023	620,000	CAD\$0.47	3.95 years
	September 12, 2019	100,000	CAD\$ 0.60	0.45 years
	September 12, 2020	100,000	CAD\$ 0.60	1.45 years
	September 12, 2021	100,000	CAD\$ 0.60	2.45 years
<b>Total options:</b>		<b>920,000</b>	<b>CAD\$ 0.51</b>	<b>3.14 years</b>
Warrants	September 7, 2019	2,000,000	CAD\$ 0.10	0.44 years
<b>Total warrants:</b>		<b>2,000,000</b>	<b>CAD\$ 0.10</b>	<b>0.44 years</b>

There were no stock options or share purchase warrants granted during the three months ended March 31, 2019.

Stock option and warrant activities during the year ended December 31, 2018:

- (i) On March 12, 2018, the Company issued 620,000 incentive stock option to a consultant for the purchase of up to 620,000 common shares of the Company at an exercise price of CAD\$0.47 per share on or before March 12, 2023 with no vesting provisions. The Company recorded share based compensation expense of \$200,067 as the fair value of these options during the three months ended March 31, 2018.

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options granted. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

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### 10. SHARE CAPITAL (cont'd)

#### (d) Stock options and warrants (cont'd)

- (ii) On April 30, 2018, the Company issued three blocks of 100,000 stock options, for a total of 300,000, incentive stock options to an officer of the Company for the purchase of up to 300,000 common shares of the Company at an exercise price of CAD\$0.60 per share. Each block of stock options are subject to vesting provisions and expire between September 21, 2019 and 2021.

The Company recorded share based compensation expense of \$10,955 in fiscal 2018 and \$3,056 during the first quarter ended March 31, 2019 (2018 - \$Nil) to recognize the fair value of the vested portions of these options.

- (iii) In connection with the private placement, the Company issued to finders an aggregate of 184,299 common share purchase warrants. Each finder warrant was exercisable for one common share of the Company at an exercise price of CAD\$0.45 per share until March 2, 2019. During the three months ended March 31, 2018, the Company recognized \$27,724 in share-based compensation as the fair value of the finder's warrants in reserves. These warrants expired unexercised during the three months ended March 31, 2019.

- (iv) In connection with the private placement completed by ChargaCard, 2,000,000 finder's warrants were issued to a company for its efforts in raising funds exceeding the minimum target amount during the period up to and including 18 months from the date of listing of the Company. Each whole warrant is exercisable for one common share of the Company at an exercise price of CAD \$0.10 per share until September 7, 2019. During the three months ended March 31, 2018, the Company recognized \$600,426 in share-based compensation as the fair value of the finder's warrants in reserves.

#### (e) Reserves

The reserve records items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

	Stock options	Finders warrants	ChargaCard shares issued in excess of par value	Total
Balance, December 31, 2017	\$ -	\$ -	\$ 203,122	\$203,122
Shares issued by ChargaCard (Note 10(b))	-	-	1,873,555	1,873,555
RTO reallocation of reserve	-	-	(2,076,677)	(2,076,677)
Share-based compensation (Note 10(d))	200,067	628,150	-	828,217
Balance, March 31, 2018	200,067	628,150	-	828,217
Share-based compensation (Note 10(d))	10,955	-	-	10,955
Balance, December 31, 2018	211,022	628,150	-	839,172
Share-based compensation (Note 10(d))	3,056	-	-	205,649
Balance, March 31, 2019	\$ 214,078	\$ 628,150	-	\$ 842,228

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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.

The remuneration of management fees to key personnel were as follows:

March 31,		2019		2018
Chief Executive Officer <sup>(2)</sup>	\$	22,500	\$	22,500
Chief Operating Officer <sup>(1)</sup>		22,500		22,500
Chief Technology Officer <sup>(3)</sup>		30,000		24,205
President <sup>(4)</sup>		11,734		12,389
Total	\$	86,734	\$	81,594

(1) Management fees paid to the Chief Operating Officer pursuant to an Operations Management and Product Development Services contract dated December 4, 2017. The contract is for a one year term with an extension for renewal for an additional year at the end of the original term.

(2) Salary of the Chief Executive Officer.

(3) Salary of the CTO of ChargaCard, who has been appointed to the Board of Directors of the Company effective January 1, 2019.

(4) Management fees paid to Katmando Holdings Inc., a company owned by Keith Turner, President of the Company, pursuant to a consulting agreement dated April 30, 2018, which was terminated effective January 31, 2019, and a new agreement dated February 1, 2019 for provision of commission-based consulting services.

#### Other related party transactions and balances

(a) On March 1, 2018, the Company entered into an administrative agreement with Varshney Capital Corp. ("VCC"), a company controlled by a common director. (Note 12(a))

Pursuant to this agreement during the three months ended March 31, 2019, the Company paid \$22,566 (2018 -\$7,910) for administrative fees to VCC.

(b) As at March 31, 2019, \$380 (December 31, 2018 - \$600) in cost recoveries was due from companies with a director in common. The amounts were included in receivables and collected subsequent to the period ends.

(c) On February 1, 2019, the Company entered into a new service agreement with Katmando Holdings Inc. to provide professional development services to the Company in exchange for a performance-based commission fee until January 31, 2021.

Pursuant to the terms of the new consulting agreement, \$2,245 (December 31, 2018 - \$Nil) was advanced to Katmando Holdings Inc. for April 2019 consulting services. The amount is included in prepaid expenses as at March 31, 2019.

As at March 31, 2019, \$Nil (December 31, 2018 - \$7,037) was due to Katmando Holdings Inc. The amount was paid subsequent to the year end.

(d) As at March 31, 2019, \$7,561 (2017 - \$581) was due to a director of the Company for reimbursement of business expenses. The amount was paid subsequent to March 31, 2019.

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### 11. RELATED PARTY TRANSACTIONS (cont'd)

- (e) During the three months ended March 31, 2018, in connection with the RTO and concurrent private placements, the Company issued 2,000,000 share purchase warrants to VCC exercisable at a price of CAD\$0.10 per share expiring September 9, 2019. ChargaCard also paid \$29,000 to VCC for consulting and advisory services provided in connection with the RTO.
- (f) During the three months ended March 31, 2019, the Company recognized \$3,056 (2018 - \$Nil) in share-based compensation for the vested portion of the stock options granted to the President of the Company in 2018. (Note 10(e)).
- (g) During the year ended December 31, 2018, ChargaCard engaged in a software application development project with Canyon Capital (Note 6(3)), a company with a common director and officer. As at March 31, 2019, the Company incurred software development costs of \$116,523 (December 31, 2018 - \$86,829) in connection with this project.

### 12. COMMITMENTS

- (a) On March 1, 2018, the Company entered into an agreement with VCC to provide administrative services to the Company for a period of three years in exchange for a monthly fee of CAD\$10,000 plus applicable taxes. At the end of the service term, the terms of the agreement are automatically renewed on an annual basis until either party provides notice of termination.
- (b) On March 1, 2018, the Company entered into a sublease agreement with a company for a portion of the office premises located in Vancouver, BC for a period of 2 years and 9 months, expiring November 30, 2020, in exchange for CAD\$2,050 (or approximately US\$1,534) per month plus applicable taxes.

The following table presents the projected amounts due under the agreement in future years:

March 31,		2019
2019	\$	13,806
2020		16,874
Total	\$	30,680

- (c) On February 26, 2018, ChargaCard entered into a sublease agreement for office rental space premises located in Kiev, Ukraine, for a period expiring July 15, 2019, in exchange for US\$4,560 per month plus applicable taxes. A refundable security deposit of \$10,943 was paid on this lease included in prepaids.

The following table presents the projected amounts due under the agreement in future years:

March 31,		2019
2019	\$	15,960

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### 12. COMMITMENTS (cont'd)

- (d) On December 17, 2018, the Company entered into a research and development services contract, pursuant to which the Company agreed to provide development services to its client utilizing blockchain technologies for a 6 month period. The total consideration of the contract is US \$500,000 that will be billed monthly in arrears.

During the three months ended March 31, 2019, the Company earned \$245,000 (2018 - \$Nil) in sales revenue on this contract. As at March 31, 2019, \$68,250 (December 31, 2018 - \$Nil) was recorded in accounts receivable. (Note 4) The amount was collected subsequent to March 31, 2019.

### 13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

All non-cash transactions for the three months ended March 31, 2019 are disclosed in the consolidated interim statements of cash flows.

Significant non-cash transactions for the three months ended March 31, 2018 included:

- fair value of finder's warrants of \$27,724 recognized as share issuance costs included in share capital (Note 10(b)(iii));
- fair value of shares granted in conjunction with the RTO of \$599,267 and recorded as listing expense (Note 10(b)(ii)); and
- reallocation of \$2,076,677 for amounts previously allocated to reserve were reallocated to share capital.

### 14. SEGMENTED INFORMATION

The Company operates in three industry segments, being transaction processing services for digital currencies, contracting development and IT services and telecommunication data services.

	March 31, 2019	March 31, 2018
Sales for the period		
Transaction processing	\$ 305	\$ -
Contracting development and IT services (Note 12 (d))	245,000	4,207
	<u>\$ 245,305</u>	<u>\$ 4,207</u>

The Company operates in the following geographic areas:

	March 31, 2019	December 31, 2018
Long-term investments – USA	<u>\$ 85,000</u>	<u>\$ 75,000</u>
Property and equipment		
USA	5,866	7,305
Ukraine	39,669	37,306
	<u>\$ 45,535</u>	<u>\$ 44,611</u>

## CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

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### 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments at March 31, 2019 are as follows:

	<i>FVTPL</i>	<i>Amortized cost</i>
<b>Financial assets</b>		
Cash	\$ 160,148	\$ –
Receivables	–	98,966
Investments	85,000	–
	245,148	98,966
<b>Financial liabilities</b>		
Accounts payables	–	103,147
Due to related parties	–	7,561
	\$ –	\$ 110,708

The Company has classified its cash and investments as financial assets at FVTPL. Receivables and deposits are classified as loans and receivables, and trade payables and due to related parties are classified as other financial liabilities, all of which are measured at amortized cost.

#### *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, accounts payables and due to related parties approximate their fair value because of the short-term nature of these instruments or their ability of prompt liquidation.

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 mainly held with reputable US and Canadian banks. Therefore, credit risk on the Company's cash deposits is assessed as relatively low.

The Company's secondary exposure to credit risk is on its receivables, which consists of trade receivables and refundable government sales taxes. The Company uses short term credit terms with its customers to minimize that risk.

The Company is exposed to higher credit risks on its digital currencies that are held on different crypto exchange platforms. Management chooses reliable and legitimate platforms for its crypto transaction to minimize that risk.



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### 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring cash requirements to ensure that it is able to meet its short term and long term obligations and operational plans.

As at March 31, 2019, the Company had working capital of \$511,984 (December 31, 2018 - \$669,462).

#### 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 value of a financial instrument will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account earns interest income at variable rates and is subject to the movement in interest rates. Management considers the interest rate to be minimal.

##### *(b) Foreign currency risk*

The Company and its subsidiaries operate internationally, and during the year were exposed to foreign exchange risk arising from currency fluctuations, primarily with respect to the USD/ CAD dollar rate.

Management regularly monitors exposure to foreign exchange risks, but does not have a current hedging policy in place.

As at March 31, 2019, the Company had cash of CAD \$44,640. A 10% change in the US dollar versus the Canadian dollar would give rise to a gain/loss of approximately \$3,340 of its cash.

##### *(c) Price risk*

The Company is exposed to digital currencies price risk due to the volatility of the industry.

### 16. 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.

There were no changes in the Company's approach to capital management during the three months ended March 31, 2019.