BLACKCHAIN SOLUTIONS INC.

(FORMERLY BLACKICE ENTERPRISE RISK MANAGEMENT INC.)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

Crowe MacKay LLP
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Independent Auditor's Report

To the Shareholders of
Blackchain Solutions Inc. (formerly BlackIce Enterprise Risk Management Inc.)

We have audited the accompanying financial statements of Blackchain Solutions Inc. (formerly BlackIce Enterprise Risk Management Inc.), which comprise the statement of financial position as at August 31, 2017, and the statements of comprehensive loss, changes in shareholders' deficit and cash flows for the year then ended, 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.

Auditor's 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 auditor's 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Blackchain Solutions Inc. (formerly BlackIce Enterprise Risk Management Inc.) as at August 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt about the ability of Blackchain Solutions Inc. (formerly BlackIce Enterprise Risk Management Inc.) to continue as a going concern.

Other matter
The financial statements of Blackchain Solutions Inc. (formerly BlackIce Enterprise Risk Management Inc.) for the year ended August 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on December 23, 2016.

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, British Columbia
December 28, 2017

BLACKCHAIN SOLUTIONS INC.
(FORMERLY BLACKICE ENTERPRISE RISK MANAGEMENT INC.)
STATEMENTS OF FINANCIAL POSITION
AS AT AUGUST 31, 2017 AND 2016
(Expressed in Canadian Dollars)

	Note	August 31, 2017		2016
ASSETS				
CURRENT ASSETS				
Cash		$	6,369	$ 8,185
Accounts receivable			-	90,254
GST receivable			47,914	48,470
Prepaid expenses			2,310	2,310
			56,593	149,219
EQUIPMENT			1,570	2,243
INTANGIBLE ASSETS	6		-	393,190
		$	58,163	$ 544,652
Liabilities and Shareholders' Deficit				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities		$	161,683	$ 197,351
Related parties payable	5		248,652	576,492
Loan payable	7		-	9,000
			410,335	782,843
SHAREHOLDERS' DEFICIT				
Share capital	8		3,604,576	2,745,076
Contributed surplus	8		649,000	495,500
Deficit			(4,605,748)	(3,478,767)
			(352,172)	(238,191)
		$	58,163	$ 544,652
NATURE OF OPERATIONS AND GOING CONCERN	1			
SUBSEQUENT EVENT	12			

APPROVED BY THE DIRECTORS ON DECEMBER 28, 2017:

"DAVID TAYLOR" Director

"JUDY KALYAN" Director

BLACKCHAIN SOLUTIONS INC.
(FORMERLY BLACKICE ENTERPRISE RISK MANAGEMENT INC.)
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEAR ENDED AUGUST 31, 2017 AND 2016
(Expressed in Canadian Dollars)

	Note	Year ended August 31, 2017	2016
Revenue		$ -	$ 282,755
Less: Cost of revenue	5	-	(416,959)
Amortization of intangible assets	6	-	(88,267)
Gross profit (loss)		-	(222,471)
Operating expenses			
Advertising		450	-
Amortization of intangible assets	6	96,291	-
Bank charges and interest		2,877	2,956
Consulting fees	5	331,977	120,000
Depreciation		673	962
Impairment of intangible assets	6	296,899	-
Investor relations	5	80,000	65,550
Listing and filing		31,524	28,263
Management fees	5	120,000	135,000
Office and miscellaneous		23,920	36,256
Professional fees		45,894	45,842
Promotion and travel		57,689	31,791
Rent expense		3,080	40,433
Salaries and wages	5	72,000	-
Share based compensation	5,8	91,200	-
		1,254,474	507,053
Loss before other items		1,254,474	729,524
Other items			
Write-off of accounts payable		(26,843)	-
Gain on settlement of debt	8	(100,650)	(7,674)
Loss before taxes		1,126,981	721,850
Income taxes	9	-	22,680
Net loss and comprehensive loss		$ 1,126,981	$ 744,530
Basic and diluted loss per share		$ 0.02	$ 0.02
Weighted average number of shares oustanding			
Basic and diluted		46,258,486	38,532,995

BLACKCHAIN SOLUTIONS INC.
(FORMERLY BLACKICE ENTERPRISE RISK MANAGEMENT INC.)
STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
FOR THE YEAR ENDED AUGUST 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Note	Common Shares	Amount	Contributed Surplus	Deficit	Total
Balance as at August 31, 2015		33,531,994	$ 1,808,502	$ 495,500	$ (2,734,237)	$ (430,235)
Share issuance on settlement of debt	8	4,244,444	500,000	-	-	500,000
Shares issued on private placement, net of issuance costs (February 2016)	8	1,086,500	106,410	-	-	106,410
Shares issued on private placement, net of issuance costs (April 2016)	8	3,577,500	330,164	-	-	330,164
Net loss for the year		-	-	-	(744,530)	(744,530)
Balance as at August 31, 2016		42,440,438	2,745,076	495,500	(3,478,767)	(238,191)
Shares issued on private placement, net of issuance costs (November 2016)	8	1,400,000	139,000	-	-	139,000
Shares issued on private placement, net of issuance costs (December 2016)	8	3,430,000	275,900	34,300	-	310,200
Shares issued on private placement, net of issuance costs (August 2017)	8	700,000	42,000	28,000	-	70,000
Share issuance on settlement of debt	8	5,032,500	402,600	-	-	402,600
Share options granted		-	-	91,200	-	91,200
Net loss for the year		-	-	-	(1,126,981)	(1,126,981)
Balance as at August 31, 2017		53,002,938	$ 3,604,576	$ 649,000	$ (4,605,748)	$ (352,172)

BLACKCHAIN SOLUTIONS INC.
(FORMERLY BLACKICE ENTERPRISE RISK MANAGEMENT INC.)
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Year ended August 31, 2017	2016
OPERATING ACTIVITIES		
Net loss	$ (1,126,981)	$ (744,530)
Items not involving cash		
Amortization of intangible assets and depreciation	96,964	89,229
Impairment of intangible assets	296,899	-
Share-based compensation	91,200	-
Shares issued for services	65,000	35,250
Write-off of accounts payable	(26,843)	-
Gain on settlement of debt	(100,650)	(7,674)
	(704,411)	(627,725)
Changes in non-cash working capital items		
Accounts receivable	90,254	(90,254)
GST receivable	556	(19,538)
Accounts payable and accrued liabilities	72,175	(68,512)
CASH USED IN OPERATING ACTIVITIES	(541,426)	(806,029)
INVESTING ACTIVITY		
Development of intangible assets	-	(6,000)
CASH USED IN INVESTING ACTIVITY	-	(6,000)
FINANCING ACTIVITIES		
Advances from related parties	85,410	413,924
Cash received from unit issuance, net of related costs	454,200	401,324
CASH PROVIDED FROM FINANCING ACTIVITIES	539,610	815,248
CHANGE IN CASH	(1,816)	3,219
CASH, BEGINNING	8,185	4,966
CASH, ENDING	$ 6,369	$ 8,185

SUPPLEMENTAL INFORMATION AND NON-CASH TRANSACTIONS

Common shares issued for services and on settlement of debt	$ 467,600	$ 535,250
Interest paid	$ -	$ -
Income taxes paid	$ -	$ 22,680

1. NATURE OF OPERATIONS AND GOING CONCERN

Blackchain Solutions Inc. (the “Company” or “Blackchain”, formerly BlackIce Enterprise Risk Management Inc.) was incorporated pursuant to the Business Corporations Act (British Columbia) on July 10, 2007. The Company is a software sales and consulting company engaged in the business of providing software solutions and consulting services to financial institutions to meet their regulatory obligations. The head office, address and records office of the Company are located at #604 - 207 W Hastings Street, Vancouver, BC, Canada, V6B 1H7.

On December 21, 2017, the Company completed a share consolidation on the basis of 2 old shares for 1 new share. This share consolidation has been retroactively presented in these financial statements and all share amounts, including per share amounts, reflect the share consolidation.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. As at August 31, 2017, the Company had a working capital deficiency of $353,742 and for the year then ended, the Company incurred a net loss of $1,126,981 and had negative cash flows from operations of $541,426. The Company has funded ongoing operations primarily from proceeds of loans and advances from related parties and the issuance of common shares. In the 2016 fiscal year, the Company commenced the initial sale of its Enterprise Risk Aggregation (ERA™) solution to a bank in Vietnam to enable the bank to comply with Basel reporting requirements and recorded revenues of $282,755. The Company plans to continue to develop and expand its Vietnamese market and other markets in Southeast Asia as well as in the US market with its new Software-as-a-Service (“SaaS”) solution offering. In order to meet its business objectives and to settle its liabilities as they become due, the Company expects to require additional financing in 2018. During the 2017 fiscal year, the Company settled debt of $503,250 by way of issuance of 5,032,500 common shares of the Company (note 8) and recorded a gain on settlement of debt of $100,650. The Company also issued a total of 5,530,000 common shares and 2,765,000 warrants for net cash proceeds of $454,200 (note 8) in three separate private placements. The Company plans to raise further funds by way of equity issuance or related party loans in fiscal 2018. The Company’s continuing operations and its financial success is dependent upon the extent to which it can successfully raise the capital to implement its future plans and ultimately on generating sufficient revenue to attain profitable operations. These factors indicate the existence of a material uncertainty that may cast significant doubt about 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 recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

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

The financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the Company’s functional currency.

The financial statements were authorized for issue by the Board of Directors on December 28, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Use of estimates and judgements

The preparation of these financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these judgements and estimates.

Significant areas requiring the use of management estimates include the recoverability of intangible assets (note 6), and assumptions used in valuing options in share-based compensation calculations which is determined using a Black-Scholes option pricing model that requires the estimation of certain assumptions which are disclosed in note 8(d).

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and further periods if the review affects both current and future periods.

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments with a significant risk of material adjustment in the next year.

(i) Going concern

The assessment of the Company's ability to execute its strategy to effectively operate the Company and continue as a going concern involves judgement. See note 1.

(ii) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

(iii) Intangible assets

On the initial recognition of the intangible assets, judgement is used to determine the accounting policy choice to capitalize the development costs, which consist primarily of developer wages and other operating costs directly attributable to preparing the asset for use. Development costs incurred in the internal generation of the intangible assets are capitalized from the point from which the requirements of IAS 38, Intangible assets have been met. This assessment requires management to exercise judgment with regards to determining when the intangible asset is technically feasible, the Company's intention to complete the intangible asset, as well as those estimates and judgments required in determining whether the intangible asset will result in future economic benefit to the Company. Capitalized development costs are subject to amortization when they are available for use. The intangible asset is considered available for use upon the commencement of the implementation Company's first sales installation.

After recognition, management must complete impairment assessments of the intangible assets when events or circumstances indicate a potential impairment. Evaluation of factors that could trigger an impairment is subject to judgment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents, when applicable, include cash on account, demand deposits and money market investments with maturities from the date of acquisition of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant changes in fair value.

Intangible assets and research and development costs

The Company is engaged in research and development activities and has internally generated intangible assets. Intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Research costs are expensed as incurred. Development costs are capitalized if all of the following can be demonstrated:

- Technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Intention to complete the intangible asset and use or sell it;
- Ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- Availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- Ability to measure reliably the expenditures attributable to the intangible asset during its development.

Amortization is recognized on a straight-line basis over the estimated useful lives of 5 years.

Equipment

Equipment is stated at cost, which includes the acquisition price and any direct costs to bring the asset into productive use, less accumulated depreciation.

The declining balance method is used to depreciate the cost, net of any estimated residual value, over the estimated useful lives of the assets as follows:

Office equipment	20%
Computer software	30%

Revenue

Revenue is recognized at fair value of the consideration received or receivable less discounts, rebates and consumption taxes.

Contract revenue is recognized on a percentage of completion basis and when all of the following conditions are satisfied:

(a) total contract revenue can be measured reliably;
(b) it is probable that the economic benefits associated with the contract will flow to the entity;
(c) both the contract costs to complete the contract and the stage of contract completion at the end of the reporting period can be measured reliably;
(d) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates; and
(e) Collectability is reasonably assured.

Except for contract revenue, revenue is recognized when collectability is reasonably assured, and the risks and rewards of ownership of the goods transfers from the Company to the customer at the time of shipment, customer receipt, or upon customer approval depending on the terms of sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company's cash and accounts receivable are classified as loans and receivables.

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company has no financial assets that are classified as fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method. The Company does not have any financial assets classified as held-to-maturity investments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Non-derivative financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. They are initially measured at fair value. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income or loss and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company does not have any financial assets classified as available-for sale.

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as accounts receivable, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they originate. All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities, related parties payable, and loan payable as other financial liabilities.

Share-based compensation

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or capitalized to intangible assets with a corresponding increase in contributed surplus. The amount recognized is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in share-based payments reserve is transferred to share capital.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. Amount recorded in reserves for unexercised share options remain in contributed surplus upon their expiry or cancellation.

Valuation of equity units issued in private placements

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the assets are reviewed to determine whether there is any indication that those assets are impaired. Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less costs of disposal and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. The impairment loss is recognized in profit or loss for the period.

Factors that could trigger an impairment of such assets including the following:

- Significant negative industry or economic trends;
- Significant decline in the company's stock for a sustained period;
- Market capitalization declining to below net book value;
- Actual net cash flows or operating profit or loss flowing from the asset that are significantly worse than those budgeted
- A significant decline in budgeted net cash flows or operating profit, or a significant increase in budgeted loss, flowing from the asset; or
- Operating losses or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Income taxes

Deferred income tax assets and liabilities are recognized for deferred income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it probable that a deferred income tax asset will be recovered, the deferred income tax asset is not recognized. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Current taxes

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Share issuance costs

Direct costs relating to the issuance of shares are charged directly to equity. Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issuance costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. As at August 31, 2017 and 2016, no provisions have been recorded by the Company.

Basic and diluted loss per share

Basic and diluted loss per share is computed by dividing the net loss for the year available to common shareholders (numerator) by the weighted average number of common shares outstanding during the year (denominator). The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive. Loss per share information does not include the effect of any potential common shares, as their effect would be anti-dilutive.

4. FUTURE CHANGES IN ACCOUNTING STANDARDS

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended August 31, 2017, and have not been applied in preparing these financial statements. The following standards and interpretations applicable to the Company have been issued by the IASB and the IFRIC effective for annual periods beginning on or after September 1, 2017:

(i) IFRS 9 – *Financial Instruments*

IFRS 9 includes requirements for recognition and measurement, derecognition and hedge accounting. IFRS 9 was originally issued on November 2009, reissued in October 2010, and then amended in November 2013. The IASB is adding to the standard as it completes the various phases of its comprehensive project on financial instruments, and so it will eventually form a complete replacement for IAS 39 Financial Instruments: Recognition and Measurement.

In July 2014, the IASB published the final version of IFRS 9 bringing together the classification and measurement, impairment and hedge accounting phases of the IASB project to replace IAS 39. This version adds a new expected loss impairment model and limited amendments to classification and measurement of financial assets. IFRS 9 is effective for the Company for annual periods beginning on September 1, 2018.

(ii) IFRS 15 Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for the Company for annual periods beginning on September 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

4. FUTURE CHANGES IN ACCOUNTING STANDARDS (continued)

(ii) IFRS 15 Revenue from Contracts with Customers (continued)

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on September 1, 2018.

None of the above standards are expected to affect the existing financial statements but may affect the accounting for future transactions.

(Expressed in Canadian Dollars)

5. RELATED PARTY TRANSACTIONS AND BALANCES

Key Management Compensation

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and include the Company's executive officers and members of the Board of Directors. Key management compensation consisted of the following:

	Year ended August 31, 2017	2016
Transactions		
Management fees:		
Chief Executive Officer ("CEO") and a company controlled by CEO	$ 120,000	$ 135,000
	$ 120,000	$ 135,000
Costs of revenues, development costs, consulting fees, rent, and salaries and wages:		
Chief Operating Officer ("COO") and Director	$ 30,000	$ 120,000
Chief Technology Officer ("CTO") and a company controlled by CTO	72,000	58,963
	$ 102,000	$ 178,963
Investor relations, rent, and consulting fees:		
CEO	$ 12,000	$ -
Vice President, Corporate Finance ("VPCF") and Director and a company controlled by the VPCF	65,000	60,000
Director	18,000	-
	$ 95,000	$ 60,000
Share-based compensation:		
CEO	$ 9,120	$ -
COO and Director	9,120	-
CTO	9,120	-
VPCF and director and a company controlled by the VPCF	27,360	-
Director	9,120	-
	$ 63,840	$ -
Settlement of debt for shares		
CEO	$ 220,000	$ 250,000
COO	160,000	120,000
CTO	23,000	-
VPCF and director and a company controlled by the VPCF	19,250	50,000
	$ 422,250	$ 420,000

Of the development costs and salaries and wages paid to related parties, $72,000 (2016 - $52,693) is included in cost of revenues and salaries and wages on the statements of comprehensive loss, and $nil (2016 - $6,000) is included in intangible assets. There was no share-based compensation included in intangible assets in 2017 or 2016.

(Expressed in Canadian Dollars)

5. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	As at August 31, 2017	2016
Balances		
Due to related parties		
CEO and a company controlled by the CEO	$ 188,302	$ 378,792
COO and Director	6,000	130,000
CTO and a company controlled by the CTO	36,350	51,150
VPCF and director and a company controlled by the VPCF	-	16,550
Director	18,000	-
	$ 248,652	$ 576,492

Balances are unsecured, non-interest bearing, and payable on demand. During the current fiscal year, the Company issued 5,032,500 (2016 – 4,244,444) common shares in settlement of debt of $503,250 (2016 - $507,674), of which 4,222,500 (2016 – 3,444,444) common shares were issued to related parties in settlement of debt of $422,250 (2016 - $420,000) (Note 8(b)).

In addition, during the year ended August 31, 2017 the Company entered into consulting agreements with the CEO, CTO and Vice President, Sales and Marketing for aggregate compensation of $362,000 per annum. As at August 31, 2017, the total remaining commitments under these agreements is $314,395.

(Expressed in Canadian Dollars)

6. INTANGIBLE ASSETS

The Company's intangible assets consist of intellectual property associated with the Company's ERA™ (Enterprise Risk Aggregation) software solution, an enterprise wide Risk Management application solution for financial institutions and GCD™ (Governance & Compliance Database), an application that allows financial institutions to assess adherence to Minimum Regulatory Requirements or to requirements specific to the financial institution.

The Company's intangible asset carrying balance is as follows:

Cost		
Balance, August 31, 2015	$	475,457
Development costs capitalized:		
Consulting fees		6,000
Salaries and wages		
Balance, August 31, 2016		481,457
Impairment		(481,457)
Balance, August 31, 2017	$	-
Accumulated amortization		
Balance, August 31, 2015	$	-
Additions		88,267
Balance, August 31, 2016		88,267
Additions		96,291
Impairment		(184,558)
Balance, August 31, 2017	$	-
Net book value		
Balance, August 31, 2016	$	393,190
Balance, August 31, 2017	$	-

At August 31, 2017 the Company determined that an indicator of asset impairment existed, namely the significant decline in sales in the Company's software solution to the banking industry in Southeast Asia. As a result of the delay in the implementation of Basel requirements, significant market uncertainty still exists. This uncertainty impacts the earnings potential of the Company's cash generating unit; therefore, an asset impairment test was performed at August 31, 2017.

Upon completion of the asset impairment testing, the Company concluded that the intangible assets are impaired and an impairment of $296,899 was recognized as a result of the reduction in the anticipated recoverable amount of the capitalized carrying value of the intangible assets.

7. LOAN PAYABLE

The Company's loan payable was to an individual lender. The loan was unsecured and was due on August 31, 2016 at an annual interest rate of 8%. The Company settled this loan, together with accrued interest, was settled by issuing 102,600 common shares.

8. SHARE CAPITAL

a) Authorized:

An unlimited number of common shares without par value.

An unlimited number of preferred shares without par value.

b) Shares Issued and outstanding:

On December 4, 2015, the Company issued 4,244,444 common shares with total value of $500,000 in settlement of debt of $507,674.

On February 12, 2016, the Company completed a non-brokered private placement of 1,086,500 units at $0.10 per Unit for gross proceeds of $108,650 with a finders fee of $2,240, with each unit consisting of one common share and one share purchase warrant. Each warrant is exercisable to purchase one common share at $0.20 per common share until February 12, 2018.

On April 11, 2016, the Company completed a non-brokered private placement of 3,577,500 units at $0.10 per unit for gross proceeds of $357,750. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant is exercisable to acquire an additional common share at $0.20 per common share until April 11, 2018. The Company also incurred net issue costs of $27,586.

Of the two private placements above, $35,250 in proceeds was received by way of services provided as consideration.

On November 8, 2016, the Company completed a private placement by issuing 1,400,000 units at $0.10 per unit for gross proceeds of $140,000 comprising of $90,000 cash and $50,000 in consideration of services provided by a related party. Each unit consisted of one common share of the Company and one-half common share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share at a price of $0.20 cents per common share for a period of two years from the closing date. A finder's fee of $1,000 was paid in connection with the private placement.

On December 15, 2016, the Company completed a private placement by issuing 3,430,000 units at $0.10 per unit for gross proceeds of $343,000 comprising of $328,000 cash and $15,000 in consideration of services provided by an independent party. Each unit consisted of one common share of the Company and one-half non-transferable common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one additional share at a price of $0.20 per common share for a period of two years. Based on the market price of the common shares on the date of announcement, the Company allocated $34,300 to the fair value of the warrants. A finder's fee of $32,800 was paid in connection with the private placement.

On August 10, 2017, the Company completed a non-brokered private placement of 700,000 units at $0.10 per unit for gross proceeds of $70,000. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant is exercisable to acquire an additional common share at $0.20 per common share until August 10, 2019. Based on the market price of the common shares on the date of announcement, the Company allocated $28,000 to the fair value of the warrants.

On August 17, 2017, the Company settled outstanding debts totaling $484,000 by the issuance of 4,840,000 common shares in its capital at a price of $0.08 per share. The Company recorded a gain on settlement of debt of $96,800. In addition, the Company settled outstanding debts totaling $19,250 by the issuance of 192,500 common shares in its capital at a price of $0.08 per share. The Company recorded a gain on settlement of debt of $3,850.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

c) Escrowed Shares

Pursuant to an escrow agreement dated June 2, 2014, 22,000,000 common shares issued are subject to escrow restrictions. 3,300,000 common shares are released from escrow in six-month intervals. As at August 31, 2017, all the shares have been released from escrow.

d) Stock Options

The Company grants incentive stock options as permitted by the Company's Stock Option Plan ("the Plan") approved by the shareholders of the Company. The aggregate number of common shares which may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date including options granted prior to the adoption of the Plan. Options granted may not exceed a term of ten years. If the optionee ceases to be qualified to receive options from the Company those options expire immediately. All options vest when granted unless otherwise specified by the Board of Directors.

During the year ended August 31, 2017, the Company granted 1,000,000 (2016 – nil) options exercisable at $0.10 per common share for a period of ten years and recognized share-based compensation of $91,200. The fair value of the options were determined using the Black-Scholes option pricing model, which requires management to make estimates that are subjective and may not be representative of the actual results. Changes in assumptions can materially affect estimates of fair value. The following assumptions were used for the calculation:

Market price of shares	$0.10
Risk free interest rate	0.47%
Expected life (in years)	2
Expected volatility	165%
Expected dividend yield	0%

Expected volatility is estimated based on realized historical volatility of the Company's share prices.

Information regarding the Company's outstanding share purchase options is summarized below:

	Options outstanding and exercisable			
	Expiry date	Number	Weighted average life remaining	Weighted average exercise price
Balance, August 31, 2015		2,542,500	8.95	$ 0.22
Expired		(42,500)		0.90
Cancelled		(150,000)		0.20
Balance, August 31, 2016		2,350,000	8.61	0.20
Granted November 8, 2016	November 8, 2018	1,000,000	1.19	0.10
Cancelled		(475,000)		0.19
Balance, August 31, 2017		2,875,000	5.49	$ 0.17

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

d) Stock Options (continued)

The following table summarizes the stock options outstanding and exercisable as at August 31, 2017:

Options outstanding	Exercise price		Remaining contractual life (years)
1,925,000	$	0.20	7.61
950,000	$	0.10	1.19

e) Warrants

Information regarding the Company's outstanding warrants is summarized below:

	Expiry date	Number		Exercise price
Balance, August 31, 2015		3,150,000	$	0.40
Issued on private placement	February 12, 2018	1,086,500		0.20
Issued on private placement	April 11, 2018	1,788,750		0.20
Expired		(1,000,000)		0.60
Balance, August 31, 2016		5,025,250		0.25
Issued on private placement	November 8, 2018	700,000		0.20
Issued on private placement	December 15, 2018	1,715,000		0.20
Issued on private placement	August 10, 2019	350,000		0.20
Expired		(2,150,000)		0.30
Balance, August 31, 2017		5,640,250	$	0.20

The following table summarizes the share purchase warrants outstanding and exercisable as at August 31, 2017:

Warrants outstanding	Exercise price		Remaining contractual life (years)	Expiry date
1,086,500	$	0.20	0.45	February 12, 2018
1,788,750	$	0.20	0.61	April 11, 2018
700,000	$	0.20	1.19	November 8, 2018
1,715,000	$	0.20	1.29	December 15, 2018
350,000	$	0.20	1.94	August 10, 2019

(Expressed in Canadian Dollars)

9. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

		2017		2016
Combined statutory tax rate		26.00%		26.00%
Income tax recovery at statutory rate	$	293,015	$	187,681
Effect of the following:				
Non-deductible stock-based compensation		(23,712)		-
Deferred tax assets not recognized		(269,303)		(187,681)
Income taxes paid in Vietnam		-		22,680
	$	-	$	22,680
Current income tax expense	$	-	$	22,680
Deferred income tax recovery	$	-	$	-

Net deferred tax assets (liabilities) recognized are as follows:

		2017		2016
Non-capital loss carry forward	$	-	$	125,179
Intangible assets		-		(125,179)
Net deferred tax assets	$	-	$	-

The Company has Canadian non-capital loss carry-forwards of approximately $3,635,000 available for offset against future taxable income, it not utilized, will start to expire in 2026. Deferred tax assets have not been recognized in respect of these items because there is no objective evidence that it is probable that the Company will generate sufficient taxable income to utilize tax losses and other deductible items.

Should the Company demonstrate an ability to earn sufficient taxable income in the future, some deferred tax benefit may be recognized.

In assessing the likelihood of realization of deferred tax assets, management considers whether it is probable that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the deferred tax asset considered realizable could change materially in the near term based on future taxable income the carry forward period.

10. CAPITAL MANAGEMENT

The Company manages its capital structure in order to ensure sufficient resources are available to meet operational requirements and safeguard its ability to continue as a going concern. There are no externally imposed capital requirements on the Company (see also note 1). Management considers the items included in shareholders' equity (deficit) as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operation of the Company. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing. There were no changes to the Company's approach to capital management during the years ended August 31, 2017 and 2016.

11. FINANCIAL INSTRUMENTS AND RISK

Fair values

The Company's financial instruments include cash, accounts receivables, related parties payables, accounts payable and accrued liabilities, and loan payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature.

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value 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 (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – Inputs that are not based on observable market date.

As at August 31, 2017, the Company did not recognize any financial assets or liabilities at their fair value.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. To minimize the credit risk, the Company places cash with financial institutions. The carrying value of cash and accounts receivable is the Company's maximum exposure to credit risk as at August 31, 2017. During the year ended August 31, 2016, the Company entered into an agreement for sale of its ERA™ solutions for which is based in US dollars. Payments under this agreement is based on certain milestones and the Company is exposed to foreign exchange risk. The Company has not entered into any foreign exchange forward arrangements with any counterparties.

The Company is not exposed to significant interest rate risk or other market risks at this time.

12. SUBSEQUENT EVENT

On December 21, 2017, the Company completed a share consolidation on the basis of 2 old shares for 1 new share. This share consolidation has been retroactively presented in these financial statements and all share amounts, including per share amounts, reflect the share consolidation.