BLACKCHAIN SOLUTIONS INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED NOVEMBER 30, 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

Management's Comments on Unaudited Condensed Interim Financial Statements

The accompanying unaudited condensed interim financial statements of Blackchain Solutions Inc. as at and for the three months ended November 30, 2017 have been prepared by management and approved by the Board of Directors of the Company. These financial statements have not been reviewed by the Company's external auditors.

BLACKCHAIN SOLUTIONS INC.
Condensed Interim Statements of Financial Position
November 30, 2017 and August 31, 2017
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	November 30, 2017	August 31, 2017
	$	$
Assets		
Current		
Cash	9,963	6,369
GST receivable	48,500	47,914
Prepaid expenses	2,310	2,310
	60,773	56,593
Equipment	1,452	1,570
Total Assets	**62,225**	**58,163**
Liabilities		
Current		
Accounts payables and accrued liabilities	215,658	161,683
Due to related parties (Note 5)	302,852	248,652
Loan payable (Note 7)	10,000	-
	528,510	410,335
Shareholders' equity (deficiency)		
Share capital (Note 8)	3,604,576	3,604,576
Contributed surplus	649,000	649,000
Deficit	(4,719,861)	(4,605,748)
	(466,285)	(352,172)
Total Liabilities and Shareholders' equity (deficiency)	**62,225**	**58,163**

See Accompanying Notes to the Financial Statements

BLACKCHAIN SOLUTIONS INC.
Condensed Interim Statements of Loss and Comprehensive Loss
For the three months ended November 30, 2017 and 2016
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Three months ended November 30,	
	2017	**2016**
	$	**$**
EXPENSES		
Advertising	-	450
Amortization	118	24,241
Bank charges and interest	351	466
Consulting fees (Note 5)	53,921	49,070
Investor relations (Note 5)	-	50,000
Listing and filing	11,723	13,694
Management fees (Note 5)	30,000	30,000
Office and miscellaneous	-	5,497
Professional fees	-	5,000
Promotion and travel	-	14,831
Rent (recovery)	-	(9,060)
Salaries and wages (Note 5)	18,000	18,000
Share based compensation (Notes 5 and 8)	-	91,200
	114,113	293,389
Net loss and comprehensive loss for the period	(114,113)	(293,389)
Basic and diluted loss per share	(0.00)	(0.01)
Weighted average number of common shares outstanding	53,002,938	42,778,899

See Accompanying Notes to the Financial Statements

BLACKCHAIN SOLUTIONS INC.
Condensed Interim Statements of Cash Flows
For the three months ended November 30, 2017 and 2016
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Three months ended November 30, 2017	2016
	$	$
Cash flows used in operating activities		
Net loss for the period	(114,113)	(293,389)
Amounts not affecting cash		
Amortization	118	24,241
Share based compensation	-	91,200
Changes in non-cash working capital items		
Accounts receivable	-	64,299
GST receivable	(586)	(434)
Accounts payable and accrued liabilities	53,975	6,116
Advances (repayments) from (to) related parties	54,200	22,039
	(6,406)	(85,928)
Cash flows from financing activities		
Loan payable	10,000	-
Cash received from share issuance	-	90,000
Share issue cost	-	(1,000)
	10,000	89,000
Cash flows from investing activities		
	-	-
	-	-
Net change in cash	3,594	3,072
Cash, beginning of period	6,369	8,185
Cash, end of period	9,963	11,257
Supplemental cash flow information		
Cash paid for interest	-	-
Cash paid for income taxes	-	-
Non-cash transactions		
Share capital	-	50,000
Due to related parties	-	(50,000)

See Accompanying Notes to the Financial Statements

BLACKCHAIN SOLUTIONS INC.
Condensed Interim Statements of Changes in Shareholders' Equity
For the three months ended November 30, 2017 and 2016
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Number of Shares Issued	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficit)
	#	$	$	$	$
Balance at August 31, 2016	42,440,438	2,745,076	495,500	(3,478,767)	(238,191)
Shares issued on private placement	1,400,000	140,000	-	-	140,000
Share issue cost - cash	-	(1,000)	-	-	(1,000)
Share based compensation	-	-	91,200	-	91,200
Net loss and comprehensive loss for the period	-	-	-	(293,389)	(293,389)
Balance at November 30, 2016	**43,840,438**	**2,884,076**	**586,700**	**(3,772,156)**	**(301,380)**
Balance at August 31, 2017	53,002,938	3,604,576	649,000	(4,605,748)	(352,172)
Net loss and comprehensive loss for the period	-	-	-	(114,113)	(114,113)
Balance at November 30, 2017	**53,002,938**	**3,604,576**	**649,000**	**(4,719,861)**	**(466,285)**

1. NATURE OF OPERATIONS AND GOING CONCERN

Blackchain Solutions Inc. (the "Company") 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 Suite 1000 – 409 Granville Street, Vancouver, BC, Canada, V6C 1T2.

These condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At November 30, 2017, the Company has not achieved profitable operations, has accumulated losses of $4,719,861 since inception and expects to incur further losses in the development of its business. The above material uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its operations its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting and which were in effect as of November 30, 2017.

The condensed interim financial statements were authorized for issue by the Board of Directors on January 29, 2018.

Basis of Measurement

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The 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 the revision and further periods if the review affects both current and future periods. See Note 4 for use of estimates and judgements made by management in the application of IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited financial statements as at August 31, 2017. The accompanying unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended August 31, 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.

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)

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim financial statements is going concern: The assumption that the Company is a going concern and will continue in operation for the foreseeable future is a judgment. The factors considered by management are disclosed in Note 1.

Information about critical estimates in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim financial statements is the assessment of the Company's ability to execute its strategy by funding future working capital requirements.

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:

	Three months ended November 30,	
Name	**2017**	**2016**
	$	$
Management fees		
CEO and a company controlled by CEO	30,000	30,000
Investor relations and consulting fees		
Dale Paruk, Director	-	50,000
David Taylor, Director	-	30,000
Jens Brunke, Director	4,500	-
Salaries and wages		
Chief Technology Officer ("CTO")	18,000	18,000
Share based compensation		
CEO	-	9,120
CTO	-	9,120
Jens, Brunke, Director	-	9,120
Dale Paruk, Director	-	27,360
David Taylor, Director	-	9,120
	52,500	191,840

(Expressed in Canadian dollars)

5. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

		November 30, 2017		August 31, 2017
Balances				
Due to (from) related parties				
CEO and a company controlled by the CEO	$	220,002	$	188,302
COO and Director		6,000		6,000
CTO and a company controlled by the CTO		54,350		36,350
Director		22,500		18,000
	$	302,852	$	248,652

Amounts due to related parties are non-interest bearing and are payable on demand.

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, 2016	$	481,457
Impairment		(481,457)
Balance, August 31, 2017 and November 30, 2017	$	-
Accumulated amortization		
Balance, August 31, 2016	$	88,267
Additions		96,291
Impairment		(184,558)
Balance, August 31, 2017 and November 30, 2017	$	-
Net book value		
Balance, August 31, 2017 and November 30, 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 non-interest bearing and payable on demand.

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:

There were no shares issued during the three months ended November 30, 2017.

For the year ended August 31, 2017:

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) 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.

There were no stock options granted during the three months ended November 30, 2017.

During the period ended November 30, 2016, the Company granted 1,000,000 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.

	Number	Weighted average life remaining	Weighted average exercise price
Balance, August 31, 2016 and 2017	2,875,000	5.49	$0.17
Issued	-	-	-
Balance, November 30, 2017	2,875,000	5.24	$0.17

The following table summarizes the stock options outstanding and exercisable as at November 30, 2017.

Expiry Date	Exercise Price	Number of Shares
April 10, 2025	$0.20	1,925,000
November 8, 2018	$0.10	950,000
Total		2,875,000

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

e) Warrants

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

	Number	Weighted average exercise price
Balance, August 31, 2016	5,025,250	$0.25
Issued	2,765,000	$0.20
Expired	(2,150,000)	$0.30
Balance, August 31, 2017 and November 30, 2017	5,640,250	$0.20

The following table summarizes the share purchase warrants outstanding and exercisable as at November 30, 2017:

Expiry date	Exercise price	Remaining contractual life (years)	Warrants Outstanding
February 12, 2018	$0.20	0.20	1,086,500
April 11, 2018	$0.20	0.36	1,788,750
November 8, 2018	$0.20	0,94	700,000
December 15, 2018	$0.20	1.04	1,715,000
August 10, 2019	$0.20	1.69	350,000

9. 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 three months ended November 30, 2017.

10. FINANCIAL INSTRUMENTS AND RISK

Fair values

The Company's financial instruments include cash, receivables, related parties payables, accounts payable 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 November 30, 2017 and August 31, 2017, the Company does 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 November 30, 2017.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. As at November 30, 2017 the Company had a working capital deficiency of $370,516. Management is considering different alternatives to secure adequate debt or equity financing to meet the Company's short term and long term cash requirement.

At present, the Company's operations do not generate cash flow. The Company's primary source of funding has been the issuance of equity securities. Despite previous success in acquiring financing, there is no guarantee of obtaining future financings.

11. SUBSEQUENT EVENTS

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.

On January 18, 2018, the Company completed a private placement of 25,000,000 units at a price of $0.075 per unit for gross proceeds of $1,875,000. Each Unit was comprised of one common share and one transferable share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.10 per share for three years from closing of the private placement. A finders' fee of $79,397 cash and 1,058,632 warrants were issued. Each finder's fee warrant entitles the holder to purchase one common share of the Company at a price of $0.10 per share for a period of three years, expiring January 17, 2021.