

---

**BLACKCHAIN SOLUTIONS INC.**  
CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED FEBRUARY 28, 2018  
(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 six months ended February 28, 2018 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.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

**BLACKCHAIN SOLUTIONS INC.**

Condensed Interim Statements of Financial Position

February 28, 2018 and August 31, 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	February 28, 2018	August 31, 2017
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	924,168	6,369
GST receivable	81,768	47,914
Prepaid expenses	8,310	2,310
	1,014,246	56,593
Equipment	1,335	1,570
<b>Total Assets</b>	<b>1,015,581</b>	<b>58,163</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payables and accrued liabilities	297,757	161,683
Due to related parties (Note 5)	15,480	248,652
Loan payable (Note 7)	20,000	-
	333,237	410,335
<b>Shareholders' equity (deficiency)</b>		
Share capital (Note 8)	4,834,580	3,604,576
Subscription receivable	(67,500)	-
Contributed surplus	1,214,600	649,000
Deficit	(5,299,336)	(4,605,748)
	682,344	(352,172)
<b>Total Liabilities and Shareholders' equity (deficiency)</b>	<b>1,015,581</b>	<b>58,163</b>

See Accompanying Notes to the Financial Statements

**BLACKCHAIN SOLUTIONS INC.**

Condensed Interim Statements of Loss and Comprehensive Loss  
For the three and six months ended February 28, 2018 and 2017  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	Three months ended February 28,		Six months ended February 28,	
	2018	2017	2018	2017
	\$	\$		
<b>EXPENSES</b>				
Advertising	-	-	-	450
Amortization	118	24,242	236	48,483
Bank charges and interest	228	125	579	591
Consulting fees (Note 5)	521,254	94,672	593,175	161,742
Investor relations (Note 5)	-	15,000	-	65,000
Listing and filing	17,495	6,802	29,218	20,496
Management fees (Note 5)	15,000	30,000	45,000	60,000
Office and miscellaneous	8,105	7,051	8,105	12,548
Professional fees	11,945	15,703	11,945	20,703
Promotion and travel	1,335	17,468	1,335	32,299
Rent (recovery)	-	70	-	(8,990)
Share based compensation (Notes 5 and 8)	-	-	-	91,200
	575,480	211,133	689,593	504,522
<b>Loss before other item:</b>	(575,480)	(211,133)	(689,593)	(504,522)
<b>OTHER ITEM:</b>				
<b>Loss on settlement of debt</b>	(4,000)	-	(4,000)	-
	(4,000)	-	(4,000)	-
<b>Net loss and comprehensive loss for the period</b>	(579,480)	(211,133)	(693,593)	(504,522)
<b>Basic and diluted loss per share</b>	(0.01)	(0.00)	(0.01)	(0.01)
<b>Weighted average number of common shares outstanding</b>	64,391,827	46,736,882	58,665,921	44,746,957

See Accompanying Notes to the Financial Statements

**BLACKCHAIN SOLUTIONS INC.**

Condensed Interim Statements of Cash Flows  
For the six months ended February 28, 2018 and 2017  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	<b>Six months ended February 28,</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows used in operating activities</b>		
Net loss for the period	(693,588)	(504,522)
Amounts not affecting cash		
Amortization	235	48,483
Share based compensation	-	91,200
Changes in non-cash working capital items		
Accounts receivable	-	89,944
GST receivable	(33,854)	4,654
Prepaid expenses	(6,000)	-
Accounts payable and accrued liabilities	146,074	(88,810)
Advances (repayments) from (to) related parties	(233,172)	(45,955)
	<u>(830,305)</u>	<u>(405,006)</u>
<b>Cash flows from financing activities</b>		
Loan payable	20,000	-
Cash received from share issuance	1,875,000	433,000
Share subscription receivable	(67,500)	-
Share issue cost	(79,396)	(33,800)
	<u>1,748,104</u>	<u>399,200</u>
<b>Cash flows from investing activities</b>	-	-
	-	-
<b>Net change in cash</b>	917,799	(5,806)
<b>Cash, beginning of period</b>	6,369	8,185
<b>Cash, end of period</b>	<u>924,168</u>	<u>2,379</u>
<b>Supplemental cash flow information</b>		
Cash paid for interest	-	-
Cash paid for income taxes	-	-
<b>Non-cash transactions</b>		
Share capital	-	65,000
Due to related parties	-	(65,000)

See Accompanying Notes to the Financial Statements

**BLACKCHAIN SOLUTIONS INC.**

Condensed Interim Statements of Changes in Shareholders' Equity (Deficit)

For the six months ended February 28, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	Number of Shares Issued	Share Capital	Share Subscription Receivable	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)
Shares issued on private placement	3,430,000	343,000	-	-	-	343,000
Share issue cost - cash	-	(32,800)	-	-	-	(32,800)
Share based compensation	-	-	-	91,200	-	91,200
Net loss and comprehensive loss for the period	-	-	-	-	(504,522)	(504,522)
<b>Balance at February 28, 2017</b>	<b>47,270,438</b>	<b>3,194,276</b>	<b>-</b>	<b>586,700</b>	<b>(3,983,289)</b>	<b>(202,313)</b>
Balance at August 31, 2017	53,002,938	3,604,576	-	649,000	(4,605,748)	(352,172)
Shares issued on private placement	25,000,000	1,500,000	(67,500)	375,000	-	1,807,500
Share issue cost - cash	-	(79,396)	-	-	-	(79,396)
Agents' warrants	-	(190,600)	-	190,600	-	-
Net loss and comprehensive loss for the period	-	-	-	-	(693,588)	(693,588)
<b>Balance at February 28, 2018</b>	<b>78,002,938</b>	<b>4,834,580</b>	<b>(67,500)</b>	<b>1,214,600</b>	<b>(5,299,336)</b>	<b>682,344</b>

See Accompanying Notes to the Financial Statements

## **BLACKCHAIN SOLUTIONS INC.**

Notes to the Condensed Interim Financial Statements

February 28, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

---

### **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 February 28, 2018, the Company has not achieved profitable operations, has accumulated losses of \$5,299,336 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 February 28, 2018.

The condensed interim financial statements were authorized for issue by the Board of Directors on April 30, 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.

## **BLACKCHAIN SOLUTIONS INC.**

Notes to the Condensed Interim Financial Statements

February 28, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

---

### **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.

**BLACKCHAIN SOLUTIONS INC.**

Notes to the Condensed Interim Financial Statements

February 28, 2018 and 2017

(Unaudited – Prepared by Management)

(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:

Name	Six months ended February 28,	
	2018	2017
	\$	\$
<u>Management fees</u>		
Former CEO and a company controlled by CEO	45,000	60,000
<u>Investor relations and consulting fees</u>		
Dale Paruk, Director	-	50,000
David Taylor, Director	-	9,000
Jens Brunke, Director	9,000	-
Chief Technology Officer ("CTO")	79,429	36,000
CEO and a company controlled by CEO	19,000	-
<u>Share based compensation</u>		
CEO	-	9,120
CTO	-	9,120
Jens, Brunke, Director	-	9,120
Dale Paruk, Director	-	27,360
David Taylor, Director	-	9,120
	152,429	218,840



**BLACKCHAIN SOLUTIONS INC.**

Notes to the Condensed Interim Financial Statements

February 28, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

**5. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

	February 28, 2018	August 31, 2017
<b>Balances</b>		
Due to (from) related parties		
Former CEO and a company controlled by the former CEO	\$ 6,481	\$ 188,302
COO and Director	6,000	6,000
CTO and a company controlled by the CTO	-	36,350
Director	3,000	18,000
	<b>\$ 15,481</b>	<b>\$ 248,652</b>

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

As at February 28, 2018, prepaid expenses include \$6,000 (August 31, 2017: \$Nil) in prepaid fees to the CEO of the Company.

As at February 28, 2018, accounts payable and accrued liabilities include \$12,514 (August 31, 2017: \$Nil) in unpaid consulting fees and reimbursement of expenses to two officers of the Company.

**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:

<b>Cost</b>		
Balance, August 31, 2016		\$ 481,457
Impairment		(481,457)
Balance, August 31, 2017 and February 28, 2018		\$ -
<b>Accumulated amortization</b>		
Balance, August 31, 2016		\$ 88,267
Additions		96,291
Impairment		(184,558)
Balance, August 31, 2017 and February 28, 2018		\$ -
<b>Net book value</b>		
Balance, August 31, 2017 and February 28, 2018		\$ -

**BLACKCHAIN SOLUTIONS INC.**

Notes to the Condensed Interim Financial Statements

February 28, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

**6. INTANGIBLE ASSETS (continued)**

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**

During the six months ended February 28, 2018, the Company received an aggregate of \$20,000 from two arm's length lenders. These loans are 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.

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.

## b) Shares Issued:

For the six months ended February 28, 2018:

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. Based on the market price of the common shares on the date of announcement, the Company allocated \$375,000 to the fair value of the warrants. 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. The finders' warrants were fair valued at \$190,600 using the Black-Scholes model based on the following assumptions: risk free rate – 1.96%; expected dividend – nil; expected life – 3 years; expected volatility – 134%.

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.

**BLACKCHAIN SOLUTIONS INC.**

Notes to the Condensed Interim Financial Statements

February 28, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

**8. SHARE CAPITAL (continued)**

## b) Shares Issued: (continued)

For the year ended August 31, 2017: (continued)

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.

## 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 six months ended February 28, 2018.

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.

**BLACKCHAIN SOLUTIONS INC.**

Notes to the Condensed Interim Financial Statements

February 28, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

**8. SHARE CAPITAL (continued)**

## c) Stock Options (continued)

	Number	Weighted average life remaining	Weighted average exercise price
Balance, August 31, 2016 and 2017	2,875,000	5.49	\$0.17
Issued	-	-	-
Balance, February 28, 2018	2,875,000	4.99	\$0.17

The following table summarizes the stock options outstanding and exercisable as at February 28, 2018.

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

## d) 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	5,640,250	\$0.20
Issued	25,000,000	\$0.10
Expired	(1,086,500)	\$0.10
Balance, February 28, 2018	29,553,750	\$0.12

**BLACKCHAIN SOLUTIONS INC.**

Notes to the Condensed Interim Financial Statements

February 28, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

**8. SHARE CAPITAL (continued)**

## d) Warrants (continued)

The following table summarizes the share purchase warrants outstanding and exercisable as at February 28, 2018:

Expiry date	Exercise price	Remaining contractual life (years)	Warrants Outstanding
April 11, 2018	\$0.20	0.12	*1,788,750
November 8, 2018	\$0.20	0.69	700,000
December 15, 2018	\$0.20	0.79	1,715,000
August 10, 2019	\$0.20	1.46	350,000
January 17, 2021	\$0.10	2.89	25,000,000

\*Subsequent to February 28, 2018, 1,788,750 share purchase warrants expired unexercised.

## e) Agent's Warrants

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

	Number	Weighted average exercise price
Balance, August 31, 2016 and 2017	-	\$-
Issued	1,058,632	\$0.10
Balance, February 28, 2018	1,058,632	\$0.10

As at February 28, 2018, the Company has outstanding 1,058,632 agent's warrants exercisable at \$0.10 per share expiring on January 17, 2021 with a weighted average contractual life of 2.89 years.

**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 six months ended February 28, 2018.

## **BLACKCHAIN SOLUTIONS INC.**

Notes to the Condensed Interim Financial Statements

February 28, 2018 and 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

---

### **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 data.

As at February 28, 2018 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 February 28, 2018.

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 February 28, 2018 the Company had a working capital of \$641,009. 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 April 3, 2018, the Company entered into a letter of intent ("LOI") with DMG Blockchain Solutions Inc. ("DMG") whereby the Company proposes to license from DMG certain technology related to browser to browser messaging using blockchain technology, known as "Prometheus". Upon execution of this LOI, the Company will enter into a Definitive Agreement. The Company shall pay to DMG a 7% license fee monthly based on the gross revenues generated from the technology subject to a maximum aggregate amount of \$1 million. After \$1 million has been paid by the Company the license fee shall be reduced to 3.5% in perpetuity so long as the Definitive Agreement has not been terminated. The Company will have the right to terminate the Definitive Agreement at any time with at least 60 days notice to DMG.

On April 23, 2018, the Company issued 3,002,385 units at a price of \$0.13 per unit for gross proceeds of \$390,310. Each unit was composed 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 \$0.17 per share for a period of two years from closing of the private placement. The Company paid a finder's fee of \$9,162 in cash and issued 70,840 finder's warrants with similar terms to the above noted warrants.