**TRACKLOOP ANALYTICS CORP.**
**(formerly BLACKCHAIN SOLUTIONS INC.)**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED MAY 31, 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

## Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Trackloop Analytics Corp. as at and for the nine months ended May 31, 2019 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.

**TRACKLOOP ANALYTICS CORP**
**(formerly BLACKCHAIN SOLUTIONS INC.)**
Condensed Interim Consolidated Statements of Financial Position
May 31, 2019 and August 31, 2018
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

| | May 31, 2019 | August 31, 2018 |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| **Current** | | |
| Cash | 9,658 | 810,124 |
| Accounts receivable | 20,191 | - |
| GST receivable | 114,851 | 72,886 |
| Prepaid expenses and deposit | 7,474 | 38,547 |
| | 152,174 | 921,557 |
| Equipment | 2,272 | 1,100 |
| Intangible asset (Notes 5 and 11) | 300,000 | - |
| Goodwill (Note 5) | 974,032 | - |
| **Total Assets** | **1,428,478** | **922,657** |
| **Liabilities** | | |
| **Current** | | |
| Accounts payables and accrued liabilities (Note 6) | 205,417 | 492,203 |
| Taxes payable | 35,494 | - |
| Due to related parties (Note 6) | 43,500 | 6,000 |
| Loans payable (Note 7) | 25,000 | 20,000 |
| | 309,411 | 518,203 |
| Deferred taxes payable (Note 5) | 81,000 | - |
| | 390,411 | 518,203 |
| **Shareholders' equity** | | |
| Share capital (Note 8) | 7,696,824 | 5,709,844 |
| Subscription receivable (Note 8) | (30,000) | (37,500) |
| Contributed surplus | 906,220 | 717,800 |
| Deficit | (7,534,977) | (5,985,690) |
| | 1,038,067 | 404,454 |
| **Total Liabilities and Shareholders' equity** | **1,428,478** | **922,657** |

Nature of Operations and Going Concern (Note 1)

APPROVED ON BEHALF OF THE BOARD:

*"Geoff Balderson"* Director *"Zayn Kaylan "* Director

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

**TRACKLOOP ANALYTICS CORP**
**(formerly BLACKCHAIN SOLUTIONS INC.)**
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended May 31, 2019 and 2018
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

| | Three months ended May 31, | | Nine months ended May 31, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **$** | **$** | | |
| **REVENUE** | | | | |
| Sales | 38,432 | - | 57,723 | - |
| **EXPENSES** | | | | |
| Advertising | 6,329 | 18,212 | 41,880 | 18,212 |
| Amortization | 143 | 117 | 428 | 353 |
| Bank charges and interest | 334 | 997 | 787 | 1,576 |
| Consulting fees (Note 6) | 186,099 | 120,791 | 917,094 | 713,966 |
| Finders fees | - | 9,255 | 96,000 | 9,255 |
| Listing and filing | 3,045 | 5,265 | 45,674 | 34,483 |
| Management fees (Note 6) | - | - | - | 45,000 |
| Office and miscellaneous | 4,872 | 2,750 | 31,000 | 10,855 |
| Professional fees | 11,460 | 17,895 | 56,322 | 29,840 |
| Promotion and travel | 2,398 | 4,798 | 8,136 | 6,133 |
| Rent | 14,082 | 7,500 | 36,898 | 7,500 |
| Share based compensation (Note 8) | 25,000 | - | 177,500 | - |
| Wages and benefits | 98,577 | - | 195,291 | - |
| Website | - | 15,556 | - | 15,556 |
| | 352,339 | 203,136 | 1,607,010 | 892,729 |
| **Loss before other item:** | (313,907) | (203,136) | (1,549,287) | (892,729) |
| **OTHER ITEM:** | | | | |
| **Loss on settlement of debt** | - | - | - | (4,000) |
| | - | - | - | (4,000) |
| **Net loss and comprehensive loss for the period** | (313,907) | (203,136) | (1,549,287) | (896,729) |
| **Basic and diluted loss per share** | (0.00) | (0.01) | (0.03) | (0.01) |
| **Weighted average number of common shares outstanding** | 64,252,658 | 79,210,419 | 60,970,973 | 65,589,343 |

**TRACKLOOP ANALYTICS CORP**
**(formerly BLACKCHAIN SOLUTIONS INC.)**
Condensed Interim Consolidated Statements of Cash Flows
For the nine months ended May 31, 2019 and 2018
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

| | Nine months ended May 31, | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| **Cash flows used in operating activities** | | |
| Net loss for the period | (1,549,287) | (896,724) |
| Amounts not affecting cash | | |
| Amortization | 428 | 352 |
| Finders fee | 96,000 | - |
| Share based compensation | 177,500 | - |
| Changes in non-cash working capital items | | |
| Accounts receivable | (20,191) | - |
| GST receivable | (41,385) | (38,904) |
| Prepaid expenses | 31,073 | - |
| Accounts payable and accrued liabilities | (286,786) | 86,210 |
| Taxes payable | 35,494 | - |
| Advances (repayments) from (to) related parties | 37,500 | (242,652) |
| | (1,519,654) | (1,091,718) |
| **Cash flows from financing activities** | | |
| Loans payable advance | 25,000 | 20,000 |
| Loans payable repayment | (20,000) | - |
| Cash received from share issuance | 605,000 | 2,265,311 |
| Share subscription receivable | - | (37,500) |
| Share issue cost | (15,600) | (91,243) |
| | 594,400 | 2,156,568 |
| **Cash flows from investing activities** | | |
| Equipment | (1,600) | - |
| Cash acquired on acquisition | 126,388 | - |
| | 124,788 | - |
| **Net change in cash** | (800,466) | 1,064,850 |
| **Cash, beginning of period** | 810,124 | 6,369 |
| **Cash, end of period** | 9,658 | 1,071,219 |
| **Supplemental cash flow information** | | |
| Cash paid for interest | - | - |
| Cash paid for income taxes | - | - |

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

**TRACKLOOP ANALYTICS CORP**
**(formerly BLACKCHAIN SOLUTIONS INC.)**
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)
For the nine months ended May 31, 2019 and 2018
(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, 2017 | 26,501,466 | 3,604,576 | - | 649,000 | (4,605,748) | (352,172) |
| Cash | | | | | | |
| Shares issued on private placement | 25,000,000 | 1,500,000 | (37,500) | 375,000 | - | 1,837,500 |
| Share issue cost | - | (79,396) | - | - | - | (79,396) |
| Shares issued on private placement | 3,002,383 | 375,298 | - | 15,012 | - | 390,310 |
| Share issue cost | - | (11,846) | - | | | (11,846) |
| Agents' warrants | - | (190,600) | - | 190,600 | - | - |
| Agents' warrants | - | (5,200) | - | 5,200 | - | - |
| Net loss and comprehensive loss for the period | - | - | - | - | (896,724) | (896,724) |
| **Balance at May 31, 2018** | **81,005,322** | **5,192,832** | **(37,500)** | **1,234,812** | **(5,502,472)** | **887,672** |
| Balance at August 31, 2018 | 40,502,658 | 5,709,844 | (37,500) | 717,800 | (5,985,690) | 404,454 |
| Cash | | | | | | |
| Shares issued on private placement | 6,200,000 | 620,000 | (15,000) | - | - | 605,000 |
| Share issue cost | - | (15,600) | - | - | - | (15,600) |
| Agent's warrants | - | (10,920) | - | 10,920 | - | - |
| Shares issued pursuant to share exchange agreement | 16,500,000 | 1,320,000 | - | - | - | 1,320,000 |
| Shares issued as finders fees | 1,200,000 | 96,000 | - | - | - | 96,000 |
| Shares returned to treasury | (150,000) | (22,500) | 22,500 | - | - | - |
| Share-based compensation | - | - | - | 177,500 | - | 177,500 |
| Net loss and comprehensive loss for the period | - | - | - | - | (1,549,287) | (1,549,287) |
| **Balance at May 31, 2019** | **64,252,658** | **7,696,824** | **(30,000)** | **906,220** | **(7,534,977)** | **1,038,067** |

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

## 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. On September 21, 2018, the Company changed its name to Trackloop Analytics Corp. The Company was 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. Subsequent to the year end the Company acquired Chaintrack Technologies Inc. (See Note 5). The head office, address and records office of the Company are located at Suite 1000 – 409 Granville Street, Vancouver, BC, Canada, V6C 1T2.

On September 25, 2018, the Company completed a share consolidation on the basis of 2 old shares for 1 new share. These share consolidations have been retroactively presented in these financial statements and all share amounts, including per share amounts, reflect the share consolidations.

These 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 May 31, 2019, the Company has not achieved profitable operations, has accumulated losses of $7,534,977 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 consolidated 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.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on July 30, 2019.

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, 2018. The accompanying unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended August 31, 2018.

Principles of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Chaintrack Technologies Inc. ("Chaintrack"). The results of the subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

On September 26, 2018, the Company obtained control of Chaintrack. (See Note 5)

Revenue Recognition

IFRS 15 provides a single, comprehensive revenue recognition model to replace the separate standards that exist and improve comparability within industries. The model features a contract-based five step analysis of transactions to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the Company expects to be entitled to in exchange for those goods or services.

The Company recognizes revenue when there is persuasive evidence of an arrangement, delivery to the customer has occurred, the fee is fixed and determinable, and collectability is considered probable.

*The following standards will be adopted effective September 1, 2018:*

IFRS 9 Financial Instruments

On September 1, 2018, the Company adopted IFRS 9 – Financial Instruments ("IFRS 9"), which replaced IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss ("ECL") impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. IFRS 9 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The standard is effective for annual periods beginning on or after September 1, 2018.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively. The change did not result in a change in carrying value of any of our financial instruments on transition date. The adoption of the ECL impairment model did not have an impact on the Company's condensed interim consolidated financial statements. IFRS 9 does not require restatement of comparative periods.

(Expressed in Canadian Dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

*The following standards will be adopted effective September 1, 2018: (Continued)*

IFRS 9 Financial Instruments (Continued)

| | September 1, 2018 | |
|---|---|---|
| | IAS 39 | IFRS 9 |
| Financial Asset | | |
| Cash | FVTPL | FVTPL |
| Accounts receivable | Amortized cost | Amortized cost |
| Financial Liabilities | | |
| Accounts payable and accrued liabilities | Amortized cost | Amortized cost |
| Due to related party | Amortized cost | Amortized cost |
| Loans payable | Amortized cost | Amortized cost |

The adoption of IFRS 9 has not had a significant impact on the Company's policies related to financial assets and liabilities.

IFRS 15 Revenue from Contracts with Customers

On September 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers. IFRS 15 specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is effective for the Company's annual period beginning September 1, 2018.

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps.

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The adoption of IFRS 15 did not have an impact on the Company's condensed interim consolidated financial statements and does not require restatement of comparative periods.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

*The following standard will be adopted effective September 1, 2019:*

***IFRS 16 Leases*** - In June 2016, the IASB issued IFRS 16, *Leases* which establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or financing leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17.

The adoption of this standard is not expected to have a material effect on the Company's future results and financial position.

## 4. USE OF ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

**Critical judgments in applying accounting policies**

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

**Going concern**

The assessment of the Company's ability to continue as a going concern require significant judgement. See Note 1.

**Key sources of estimation uncertainty:**

The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

The fair value of assets acquired and liabilities assumed in a business combination, including intangible asset and goodwill, is estimated based on information available at the date of acquisition. Various valuation techniques are applied for measuring fair value including market comparable and discounted cash flows which rely on assumptions such as volatility, and discount rates. Changes in these variables could significantly impact the carrying value of the net assets. (Note 5)

(Expressed in Canadian Dollars)

## 5. BUSINESS ACQUISITION

On September 26, 2018, the Company completed a share exchange agreement with Chaintrack Technologies Inc., ("Chaintrack") a private company incorporated under the laws of British Columbia, pursuant to which the Company will acquire all of the issued and outstanding shares of Chaintrack. Chaintrack is a company providing Internet of-Things powered supply chain tracking solutions for the food and pharmaceutical industries. The Company issued 16,500,000 common shares in exchange for 100% of the issued and outstanding shares of Chaintrack. Chaintrack became a wholly-owned subsidiary of the Company. The Company paid a finder's fee in the aggregate amount of 1,200,000 units, with each unit comprising one common share and one common share purchase warrant exercisable at a price of $0.20 per share for a period of two years to a group of finders upon the closing of the transaction which are subject to a four-month hold period.

The acquisition has been accounted for using the acquisition method pursuant to IFRS 3, *Business Combinations.* Under the acquisition method, assets and liabilities are recorded at their values on the date of acquisition and the total consideration is allocated to the assets acquired and liabilities assumed. The excess consideration given over the fair value of the net assets acquired has been recorded as goodwill.

| | |
|---|---|
| Cash | $ 126,388 |
| GST Receivable | 580 |
| Intangible Asset | 300,000 |
| Goodwill | 974,032 |
| Deferred income taxes | (81,000) |
| Net assets acquired | $ 1,320,000 |
| Consideration given | |
| Common shares (16,500,000 common shares x $0.08) | $ 1,320,000 |
| Consideration paid | $ 1,320,000 |

The Company recognized the finder's fee as a transaction cost and have recorded it as an expense to the statement of operations. The Company fair valued the 1,200,000 unit at the stock price at the date of issuance at $0.08 per share resulting in a fair valued of $96,000.

In connection with the completion of the above transaction, the Company must transfer to Chaintrack the following funds to be utilized by Chaintrack exclusively for research and development: (i) $125,000 within 5 days of closing (advanced); (ii) $50,000 within 60 days of closing (advanced); (iii) $75,000 within 7 months from closing. The Company must, on a best efforts basis, raise a minimum of $500,000 within 4 months of closing and transfer to Chaintrack an additional $150,000 within 8 months of closing.

(Expressed in Canadian Dollars)

## 6. 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:

| | For the nine months ended May 31, | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | $ |
| Management fees | | |
| Judy Kaylan, former CEO | - | 45,000 |
| Consulting fees | | |
| Jens Brunke, Director | - | 13,500 |
| Harmony Corporate Services Ltd. controlled by Geoff Balderson, CEO | 43,000 | 54,000 |
| Zayn Kaylan, CFO | 61,000 | 119,429 |
| | 104,000 | 231,929 |

| | **May 31, 2019** | **August 30, 2018** |
|---|---|---|
| | **$** | **$** |
| **Balance due** | | |
| Accounts payable and accrued liabilities | | |
| Zayn Kalyan | 10,500 | - |
| Harmony Corporate Services Ltd. | 4,200 | - |
| | 14,700 | - |
| Due to related parties | | |
| 1105371 BC Ltd. controlled by Kris Malek | 37,500 | - |
| Current director | 6,000 | 6,000 |
| | 43,500 | 6,000 |

The amounts due to related parties are unsecured, non-interest bearing, and payable on demand.

## 7. LOANS PAYABLE

As at May 31 2019 the Company owes $25,000 (August 31, 2018 - $20,000) to an arm's length lender. The loan is unsecured, non-interest bearing, and payable on demand. On December 6, 2018, the Company repaid the $20,000.

## 8. SHARE CAPITAL

a) Authorized:

An unlimited number of common shares without par value.
An unlimited number of preferred shares without par value.

On September 25, 2018, the Company completed another share consolidation on the basis of 2 old shares for 1 new share. These share consolidations have been retroactively presented in these financial statements and all share amounts, including per share amounts, reflect the share consolidations.

b) Shares Issued:

For the nine months ended May 31, 2019

On November 13, 2018, the Company completed a non-brokered private placement of 6,200,000 units at a price of $0.10 per unit for gross proceeds of $620,000. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable at a price of $0.15 per share for a term of two years. The Company paid a cash finders' fee of $15,600 and issued 156,000 agent’s warrants exercisable at a price of $0.15 until November 13, 2020. The finders’ warrants were fair valued at $10,920 using the Black-Scholes model based on the following assumptions: share price on issuance date - $0.10; risk free rate – 2.21%; expected dividend – nil; expected life – 2 years; expected volatility – 156%. As at May 31, 2019, $15,000 is included in subscription receivable.

For the year ended August 31, 2018:

On January 18, 2018, the Company completed a private placement of 12,500,000 units at a price of $0.15 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 $0.20 per share for three years from closing of the private placement. A finders’ fee of $79,397 cash and 529,316 warrants were issued. Each finder’s fee warrant entitles the holder to purchase one common share of the Company at a price of $0.20 per share for a period of three years, expiring January 17, 2021. The finders’ warrants were fair valued at $63,600 using the Black-Scholes model based on the following assumptions: share price on issuance date - $0.15; risk free rate – 1.94%; expected dividend – nil; expected life – 3 years; expected volatility – 144%. On February 1, 2019, the 150,000 common shares valued at $22,500 was returned to treasury. As at February 28, 2019, $15,000 (August 31, 2018, $37,500) is included in subscription receivable.

On April 24, 2018, the Company issued 1,501,192 units at a price of $0.26 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 $0.34 per share for a period of two years from closing of the private placement. The Company paid a finder’s fee of $11,845 in cash and issued 43,560 finder’s warrants with similar terms to the above noted warrants. Each finder’s fee warrant entitles the holder to purchase one common share of the Company at a price of $0.34 per share for a period of two years, expiring April 23, 2020. The finders’ warrants were fair valued at $5,200 using the Black-Scholes model based on the following assumptions: share price on issuance date - $0.26; risk free rate – 1.93%; expected dividend – nil; expected life – 2 years; expected volatility – 156%.

(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.

On March 12, 2019, the Company granted 500,000 stock options to a consultant exercisable at $0.07 per common share for a period of three years and recognized share-based compensation of $25,000. 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 - $0.065; risk free interest rate of 1.45%; expected life 3 years; expect volatility of 156%; expected dividend yield of 0% and forfeiture rate of 0%. These stock options vested at the date of grant.

On September 26, 2018, the Company granted 3,050,000 stock options exercisable at $0.07 per common share for a period of two years and recognized share-based compensation of $152,500. The fair value of the options was 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 - $0.07; risk free interest rate of 2.19%; expected life 2 years; expect volatility of 156%; expected dividend yield of 0% and forfeiture rate of 0%.

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

| | Number | Weighted average life remaining (years) | Weighted average exercise price |
|---|---|---|---|
| | | | $ |
| Balance, August 31, 2017 | 1,437,500 | 5.49 | 0.30 |
| Forfeited | (1,137,500) | | 0.34 |
| Balance, August 31, 2018 | 300,000 | 3.04 | 0.30 |
| Granted | 3,550,000 | | 0.07 |
| Forfeited | (150,000) | | 0.20 |
| Balance, May 31, 2019 | 3,700,000 | 1.70 | 0.08 |

(Expressed in Canadian Dollars)

**8. SHARE CAPITAL (Continued)**

c) Stock Options (Continued)

The following table summarizes the stock options outstanding and exercisable as at May 31, 2019.

| **Expiry Date** | **Exercise Price** | **Number of Shares** |
|---|---|---|
| April 10, 2025 | $0.40 | 150,000 |
| March 11, 2022 | $0.07 | 500,000 |
| September 25, 2020 | $0.07 | 3,050,000 |
| Total | | 3,700,000 |

d) Warrants

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

| | **Number** | **Weighted average exercise price** |
|---|---|---|
| | | $ |
| Balance, August 31, 2017 | 2,820,125 | 0.40 |
| Issued | 14,001,192 | 0.22 |
| Expired | (1,437,625) | 0.40 |
| Balance, August 31, 2018 | 15,383,692 | 0.23 |
| Issued | 7,400,000 | 0.16 |
| Expired | (1,207,500) | 0.40 |
| Balance, May 31, 2019 | 21,576,192 | 0.20 |

As at May 31, 2019, the share purchase warrants have a weighted average contractual life of 1.50 years.

The following table summarizes the share purchase warrants outstanding and exercisable as at May 31, 2019:

| Expiry date | Exercise price | Remaining contractual life (years) | Warrants Outstanding |
|---|---|---|---|
| August 10, 2019 | $0.40 | 0.45 | 175,000 |
| April 23, 2020 | $0.34 | 1.15 | 1,501,192 |
| January 17, 2021 | $0.20 | 1.89 | 12,500,000 |
| September 26, 2020 | $0.20 | 1.58 | 1,200,000 |
| November 13, 2020 | $0.15 | 1.71 | 6,200,000 |
| | | | 21,576,192 |

(Expressed in Canadian Dollars)

## 8. SHARE CAPITAL (Continued)

e) Agent's Warrants

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

| | Number | Weighted average exercise price |
|---|---|---|
| | | $ |
| Balance, August 31, 2017 | - | - |
| Issued | 572,876 | 0.21 |
| Balance, August 31, 2018 | 572,876 | 0.21 |
| Issued | 156,000 | 0.15 |
| Balance, May 31, 2019 | 728,876 | 0.20 |

The following table summarizes the Agent's warrants outstanding and exercisable as at May 31, 2019:

| Expiry date | Exercise price | Agents' Warrants Outstanding |
|---|---|---|
| January 17, 2021 | $0.20 | 529,316 |
| April 23, 2020 | $0.34 | 43,560 |
| November 13, 2020 | $0.15 | 156,000 |
| | | 728,876 |

As at May 31, 2019, the Agents' warrants have a weighted average contractual life of 1.55 years.

## 9. FINANCIAL INSTRUMENTS AND RISK

*Fair values*

The Company's financial instruments include cash, accounts receivable, due to related parties, accounts payable and loans 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 May 31, 2019, the Company does not recognize any financial assets or liabilities at their fair value.

## 9. FINANCIAL INSTRUMENTS AND RISK (Continued)

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. To minimize the credit risk, the Company places cash with financial institutions. The carrying value of cash is the Company's maximum exposure to credit risk as at May 31, 2019.

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 May 31, 2019 the Company had a working capital deficit of $157,237. 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.

## 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. 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 period ended May 31, 2019.

## 11. INTANGIBLE ASSET

On September 26, 2018, the Company acquired from Chaintrack the software technology Internet of-Things powered supply chain tracking solutions for the food and pharmaceutical industries for $300,000. The technology provide data for shipments and reports.

## 12. COMMITMENT

On October 23, 2018, the Company entered into a settlement agreement with a former consultant and agreed to pay an aggregate of $250,000 over five months ($125,000 paid) for unpaid consulting fees and damages. This amount was accrued in accounts payable and accrued liabilities as at August 31, 2018. There are no amounts owing as at May 31, 2019,

## 13. SUBSEQUENT EVENT

Subsequent to May 31, 2019, 1105371 BC Ltd. advanced another $10,800 in working capital to Chaintrack.