AXS BLOCKCHAIN SOLUTIONS INC.
(formerly Canadian Data Preserve Inc.)

Condensed Interim Consolidated Financial Statements

For the Six Months Ended May 31, 2018 and 2017
(Expressed in U.S. Dollars)

AXS BLOCKCHAIN SOLUTIONS INC.
(formerly Canadian Data Preserve Inc.)
Condensed Consolidated Statements of Financial Position
As at May 31, 2018, November 30, 2017 and December 1, 2016
(Unaudited – Expressed in U.S. Dollars)

	Note	May 31, 2018	November 30, 2017 Restated - Note 14	December 1, 2016 Restated - Note 14
ASSETS				
Current assets				
Cash		**$ 10,159,895**	$ 1,425,716	$ -
Note receivable	5	**2,331,300**	-	-
Accounts receivable		**26,357**	-	-
Digital currencies	6	**24,600**	-	-
Prepaids		**225,230**	-	-
		12,767,382	1,425,716	-
Property, plant and equipment	7	**1,409,206**	-	-
Total Assets		**$ 14,176,588**	$ 1,425,716	$ -
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		**$ 49,532**	$ 7,372	$ 19,619
Accounts payable to related parties	9	**-**	-	19,398
Convertible debentures	8	**-**	1,329,488	-
		49,532	1,336,860	39,017
Deferred tax liability	8	**-**	23,277	-
Total Liabilities		**$ 49,532**	$ 1,360,137	$ 39,017
Shareholders' Equity				
Share capital	10	**15,612,645**	1	1
Reserves	8	**-**	71,400	-
Accumulated other comprehensive loss		**(201,218)**	-	-
Deficit		**(1,284,371)**	(5,822)	(39,018)
		14,127,056	65,579	(39,017)
Total Liabilities and Shareholders' Equity		**$ 14,176,588**	$ 1,425,716	$ -

Nature of operations and going concern (Note 1)
Subsequent events (Note 15)

On behalf of the Board of Directors:

"Marco Parente"
Director

"Mohammad Ahmad"
Director

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

AXS BLOCKCHAIN SOLUTIONS INC.
(formerly Canadian Data Preserve Inc.)
Condensed Consolidated Statements of Loss and Comprehensive Loss
For the six months ended May 31, 2018 and 2017
(Unaudited – Expressed in U.S. Dollars)

	Note	For the Period May 31, 2018	For the Period May 31, 2017 Restated - Note 14
Revenue		$ 84,801	$ -
Operating and maintenance costs		(22,109)	-
Depreciation	7	(281,841)	-
		(219,149)	-
Loss on revaluation of digital currencies	6	(7,911)	-
General and administrative expenses			
Accretion	8	96,524	-
Foreign exchange		1,630	-
Management fees, director fees, salaries and wages	9	21,633	-
Marketing		47,616	-
Office and administration		70	-
Professional fees		239,902	976
Regulatory and transfer agent		8,120	666
Total general and administrative expenses		(415,495)	(1,642)
		(642,555)	(1,642)
Listing expenses	4	(824,250)	-
Gain on settlement of debt	4	164,978	-
Total expenses not related to operations		(1,301,827)	(1,642)
Deferred tax recovery	8	23,277	-
Loss for the period		(1,278,550)	(1,642)
Translation adjustment		(201,218)	-
Comprehensive loss for the period		$ (1,479,768)	$ (1,642)
Basic and diluted loss per common share		$ (0.02)	$ (1,642)
Weighted average number of common shares outstanding		59,705,912	1

AXS BLOCKCHAIN SOLUTIONS INC.
(formerly Canadian Data Preserve Inc.)
Condensed Consolidated Statements of Cash Flows
For the six months ended May 31, 2018 and 2017
(Unaudited – Expressed in U.S. Dollars)

	Note	For the Period May 31, 2018	For the Period May 31, 2017
CASH FLOW FROM OPERATING ACTIVITIES			
Net loss for the period		**$ (1,278,550)**	$ (1,642)
Adjusted for:			
Depreciation		**281,841**	-
Accretion		**96,524**	-
Foreign exchange		**(30,290)**	-
Listing expense		**824,250**	-
Gain on settlement of debt		**(164,978)**	-
Deferred tax		**(23,277)**	-
Change in non-cash working capital items			-
Accounts receivable		**(14,954)**	-
Digital currencies		**(24,600)**	-
Prepaids		**(225,230)**	-
Accounts payable and accrued liabilities		**(101,674)**	1,642
CASH USED IN OPERATING ACTIVITIES		**(660,938)**	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(985,829)**	-
CASH USED IN INVESTING ACTIVITIES		**(985,829)**	-
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from the issuance of shares		**11,597,460**	-
Share issuance costs		**(695,848)**	-
Repayment of notes payable		**(61,675)**	-
Cash acquired on reverse takeover		**26**	-
Cash paid on reverse takeover		**(459,017)**	-
CASH PROVIDED BY FINANCING ACTIVITIES		**10,380,946**	-
Net increase in cash during the period		**8,734,179**	-
Cash, beginning of period		**1,425,716**	-
CASH, END OF PERIOD		**$ 10,159,895**	$ -

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

AXS BLOCKCHAIN SOLUTIONS INC.
(formerly Canadian Data Preserve Inc.)
Condensed Consolidated Statements of Changes in Shareholders' Deficit
For the six months ended May 31, 2018 and 2017
(Unaudited – Expressed in U.S. Dollars)

	Share Capital			Accumulated Comprehensive		
	Shares issued	Amount	Reserves	Loss	Deficit	Total
Balance as at November 30, 2016	1	$ 1	$ -	$ -	$ (39,018)	$ (39,017)
Net loss for the period	-	-	-	-	(1,642)	(1,642)
Balance as at May 31, 2017	1	1	-	-	(40,660)	(40,659)
Balance as at November 30, 2017	1	1	71,400	-	(5,822)	65,579
Cancellation of share issued to AXS	(1)	(1)	-	-	1	-
Shares issued on RTO	5,127,733	-	-	-	-	-
Shares issued for the acquisition of assets	82,500,000	3,205,538	-	-	-	3,205,538
Shares issued for convertible debenture	36,750,000	1,499,321	(71,400)	-	-	1,427,921
Shares issued for private placement	42,640,070	11,597,460	-	-	-	11,597,460
Share issuance costs	-	(695,848)	-	-	-	(695,848)
Warrants exercised	158,750	6,174	-	-	-	6,174
Net loss for the period	-	-	-	-	(1,278,550)	(1,278,550)
Translation adjustment	-	-	-	(201,218)	-	(201,218)
Balance as at May 31, 2018	**167,176,553**	**$ 15,612,645**	**$ -**	**$ (201,218)**	**$ (1,284,371)**	**$ 14,127,056**

1. NATURE OF OPERATIONS AND GOING CONCERN

AXS Blockchain Solutions Inc. (formerly Canadian Data Preserve Inc.) (the "Company") was incorporated on June 11, 2010 under the Laws of British Columbia. The Company is traded on the Canadian Securities Exchange ("CSE") under the symbol BAXS. The head office of the Company is located at 1140 - 1185 West Georgia Street, Vancouver, BC V6E 4E6.

The Company, with its wholly owned subsidiary 1145394 B.C. Ltd. (1145394), entered into an agreement with AXS Innovations Inc. (formerly Do Some Marketing Block Corp Canada Inc.) ("AXS") on December 18, 2017, whereby the Company acquired from the shareholders of AXS all the issued and outstanding shares of AXS, causing AXS to become a wholly-owned subsidiary of the Company (the "Amalgamation Agreement"). Pursuant to the Amalgamation Agreement, the Company amalgamated AXS and 1145394 ("Amalco") in order to form a newly amalgamated company, which is a wholly owned subsidiary of the Company. As part of the Amalgamation, the Company issued 36,750,000 units to AXS debentures holders in order to convert AXS's debentures outstanding as at November 30, 2017 into units of the Company. Each unit consists of one common share and one common share purchase warrant, entitling the holders to purchase an additional common share at CAD$0.05 for a period of 12 months from the closing of the Amalgamation. The Amalgamation was completed on March 27, 2018.

Although the transaction will result in a legal combination of the Company and AXS to form the resulting issuer (the "Resulting Issuer"), because the Company does not meet the criteria for a business under IFRS 3, from an accounting perspective, the transaction is considered to be a reverse takeover ("RTO"). From an accounting perspective, this is not considered to be a business combination but a capital transaction whereby AXS is considered to issue additional shares in return for the net assets of the Company. For financial reporting purposes, the Resulting Issuer is considered a continuation of AXS, the legal subsidiary, except with regard to authorized and issued share capital, which is that of the Company, the legal parent.

On December 18, 2017, the Company entered into an asset acquisition agreement ("Asset Acquisition") with AXS and Blockcorp Sociedad Anonima ("BLOC"), whereby the Company acquired certain assets being inventories of various cryptocurrencies, certain software technologies and hardware infrastructure (the "BLOC Assets") from BLOC. AXS assigned the rights of the BLOC Assets to the Company and the Company issued 82,000,000 common shares to BLOC. Subject to the Company acquiring all the issued and outstanding shares of AXS as described above and pursuant to the Amalgamation Agreement, BLOC sold, assigned and transferred the BLOC Assets. For accounting purposes, Management of the Company considers the acquisition of BLOC Assets to be an acquisition of assets.

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. As at May 31, 2018, the Company had not achieved profitable operations, had an accumulated deficit of $1,284,371 since inception and expect to incur further losses in the development of its business. These material uncertainties may cause significant doubt about the Company's ability to continue as a going concern. These condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations.

2. BASIS OF PRESENTATION

Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of condensed interim financial statements, including IAS 34, Interim Financial Reporting and using the same accounting policies and methods of computation as the Company's most recent annual financial statements. The condensed interim financial statements do not include all the information required for full annual financial statements. These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended November 30, 2017.

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments classified as fair value through profit and loss, and available for sale, which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these financial statements are in accordance with IFRS.

These condensed interim consolidated financial statements were reviewed and approved and authorized for issue by the Board of Directors of the Company on July 30, 2018.

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned legal subsidiary, AXS, on a consolidated basis after the elimination of intercompany transactions and balances. Subsidiaries are entities the Company controls when it is exposed, or has rights, to variable returns from its involvement and has the ability to affect those returns through its power to direct the relevant activities of the entity.

Functional and Presentation Currency

These condensed interim consolidated financial statements are presented in U.S. dollars unless otherwise noted. The functional currency of the parent is the Canadian dollar ("CAD"). The functional currency of the subsidiary is U.S. Dollar ("USD").

During the period ended May 31, 2018, the Company completed its RTO and made a decision to change the Company's presentation currency from Canadian dollars to U.S. dollars so that investors can better understand the Company's financial results and financial position. These condensed interim consolidated financial statements have been prepared in U.S. dollars as if the U.S. dollar had been the presentation currency since December 1, 2015 and all comparative prior-period financial statements have been restated to U.S. dollars in accordance with IAS 21 "Effect of Changes in Foreign Exchange Rates". For the purposes of presentation of the comparative consolidated financial statements; all assets and liabilities have been converted to U.S. dollars at the rate prevailing at the end of the reporting period. Equity transactions are converted at the date of the transaction or at the average exchange rate for the period depending on the nature of the underlying transaction.

2. BASIS OF PRESENTATION (continued)

Use of estimates and judgments

The preparation of the condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement. Actual results could differ from these estimates.

Critical Judgements

The preparation of these condensed interim consolidated financial statements requires management to make judgements:

i) Going concern: The going concern of the Company, as previously discussed in Note 1.

ii) Functional currency: The functional currency of the Company and its subsidiary is the currency of the primary economic environment in which each entity operates. The Company has determined the functional currency of the legal parent to be the Canadian dollar and the legal subsidiary to be the U.S. dollar. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment.

iii) Asset acquisition: Management determines whether assets acquired and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. The Company acquired the BLOC Assets in March 2018 (Note 4) at which time, concluded that the transactions did not qualify as a business combination under IFRS 3, "Business Combinations", as management concluded that significant processes were not acquired. Accordingly, the BLOC Assets have been accounted for as an asset acquisition.

iv) Revenue recognition: The Company recognizes revenue from the provision of transaction verification services within digital currency networks, commonly termed "cryptocurrency mining". As consideration for these services, the Company receives digital currency from each specific network in which it participates ("coins"). Revenue is measured based on the fair value of the coins received. The fair value is measured using the closing price of coinmarketcap.com on the date of receipt of the coins deposited in the Company's private digital currency wallet. The coins are recorded on the statement of financial position, as digital currencies, at their fair value and re-measured at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of coins for traditional (fiat) currencies, such as the U.S. dollar, are included in the statement of profit and loss. The Company records the revaluation gains and losses in profit and loss because this is considered to be the most accurate presentation of the Company's operations to the users of the financial statements.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the mining and holding of digital currencies. Management has exercised significant judgement in determining appropriate accounting treatment for the recognition of revenue for mining of digital currencies. Management has examined various factors surrounding the substance of the Company's operations and the guidance in IAS 18 – Revenues and AASB 118 - Revenue. In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies which could result in a change in the Company's financial position and earnings.

2. BASIS OF PRESENTATION (continued)

Use of estimates and judgments (continued)

Key sources of estimation uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates, and such differences could be material. Significant estimates made by management affecting the consolidated financial statements include:

i) Recovery of deferred tax assets: Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future years, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future years.

ii) Determination of asset fair values and allocation of purchase consideration: Significant asset acquisitions require judgements and estimates to be made at the date of acquisition in relation to determining the relative fair value of computing equipment and Future Acquisition Rights and the allocation of the purchase consideration over the fair value of the assets. The information necessary to measure the fair values as at the acquisition date of assets acquired requires management to make certain judgements and estimates about future events, including but not limited to availability of hardware and expertise, future production opportunities, future digital currency prices and future operating cost.

iii) Carrying value of cryptocurrency computing equipment: The Company evaluates each asset or cash generating unit every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as the relationship between mining rewards and the required computing power, digital currency prices, the periodic contribution margin of digital currency mining activities, changes in underlying costs, such as electricity, and technological changes.

   When required, the determination of fair value and value in use requires management to make estimates and assumptions about digital currency prices, required computing power, technological changes and operating costs, such as electricity. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the statement of comprehensive income.

iv) Depreciation: Depreciation of computing equipment is an estimate of its expected life. In order to determine the useful life of computing equipment, assumptions are required about a range of computing industry market and economic factors, including required hashrates, technological changes, availability of hardware, production costs and other factors.

2. BASIS OF PRESENTATION (continued)

Use of estimates and judgments (continued)

Key sources of estimation uncertainty (continued)

v) Digital currency valuation: Digital currencies consist of cryptocurrency denominated assets (Note 6) and are included in current assets. Digital currencies are carried at their fair value determined by the closing price of coinmarketcap.com, costs to sell the digital currencies are considered immaterial and no allowance is made for such costs. The digital currency market is a relatively new market and has been highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies will have a corresponding impact on the Company's earnings and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign exchange

Transactions in currencies other than the functional currency of the Company and its subsidiary are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. These exchange gains and losses arising on translation into functional currency are recognized through profit or loss.

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date, and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

Cash

Cash includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash and subject to an insignificant risk of change value.

Digital currencies

Digital currencies consist of cryptocurrency denominated assets and are included in current assets. Digital currencies are carried at their fair value and adjusted at each reporting date for revaluation gains and losses through the statement of profit and loss as well as when digital currencies are exchanged or sold for traditional (fiat) currencies, such as the U.S. dollar.

Cryptocurrency computing equipment

Items of equipment are recorded at cost less accumulated depreciation. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management. Equipment is amortized on a straight-line basis over a 12-month period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Company reviews the carrying amounts of its non-financial assets, including equipment, when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Assets carried at fair value, such as digital currencies, are excluded from impairment analysis.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows to be derived from continuing use of the asset or cash generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less cost to sell is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal. When a binding sale agreement is not available, fair value less costs to sell is estimated using a discounted cash flow approach with inputs and assumptions consistent with those of a market participant. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in net income. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

Convertible debentures

Convertible debentures, where applicable, are separated into their liability and equity components and accounted for using the effective interest rate method. The fair value of the liability component at the time of issue was determined based on an estimated interest rate of the debentures without the conversion feature. The fair value of the equity component was determined as the difference between the face value and the fair value of the liability component. Issuance costs of the convertible debentures are applied as a reduction of proceeds and split pro-rata between the liability and equity components. The issuance costs applied to the liability component are recognized as accretion expense over the term of the debenture.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects. For unit offerings, the proceeds from the issuance of units are allocated between common shares and share purchase warrants using the residual method, allocating fair value to the common shares first, and then to the share purchase warrants.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Revenue recognition

The Company recognizes revenue from the provision of transaction verification services within digital currency networks, commonly termed “cryptocurrency mining”. As consideration for these services, the Company receives digital currency from each specific network in which it participates. Revenue is measured based on the fair value of the coins received. The fair value is determined using the spot price of the coin on the date of receipt, from coinmarketcap.com. A coin is considered earned on the completion and addition of a block to the blockchain, at which time the economic benefit is received and can be reliably measured. The coins are recorded on the statement of financial position as digital currencies at their fair value and re-measured at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of coins for traditional (fiat) currencies are included in profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Future accounting pronouncements

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the period ended May 31, 2018 and have not been applied in preparing these consolidated financial statements. The new and revised standards are as follows:

IFRS 2 – Share Based Payments: the amendments eliminate the diversity in practice in the classification and measurement of particular share-based payment transactions which are narrow in scope and address specific areas of classification and measurement. It is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted provided it is disclosed. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

IFRS 9 – Financial Instruments: Applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

IFRS 15 – Clarifications to IFRS 15 "Revenue from Contracts with Customers" issued. The amendments do not change the underlying principles of the standard, but simply clarify and offer some additional transition relief. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is evaluating the effect of this standard on the Company's consolidated financial statements.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration: addresses how to determine the 'date of the transaction' when applying IAS 21. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

IFRS 16 – Leases: On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short term leases (i.e. leases of 12 months or less) and leases of low-value assets. The Company is evaluating the effect of this standard on the Company's consolidated financial statements.

IFRIC 23 – Uncertainty Over Income Tax Treatments: clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

Unaudited – Expressed in U.S. Dollars

4. REVERSE TAKEOVER

The Company acquired all of the issued and outstanding shares of AXS. No shares were given to AXS shareholders for the acquisition; however, the Company did settle AXS's convertible debenture owed by the way of the Company's units (Note 8). Each unit consists of one common share and one share purchase warrant exercisable at CAD$0.05 with an expiry date of March 27, 2019. Upon the acquisition of AXS shares by the Company, AXS shares outstanding prior to any convertible debt settlement, were cancelled and returned to treasury. This resulted in a $1 decrease to share capital and a $1 reduction to the deficit. This acquisition has been accounted for as an RTO as described in Note 1.

In connection to the RTO, the Company completed an Asset Acquisition with AXS and BLOC, whereby the Company acquired the BLOC Assets from BLOC. AXS assigned the rights of the BLOC Assets to the Company and the Company issued 82,000,000 common shares to BLOC for a value of $3,205,538 (CAD$4,125,000). The Company acquired all the issued and outstanding shares of AXS as described above and pursuant to the Amalgamation Agreement, BLOC will sell, assign and transfer the BLOC Assets. For accounting purposes, Management of the Company considers the acquisition of BLOC Assets to be an acquisition of assets.

In conjunction with the closing of the RTO, the Company completed a private placement wherein it issued 42,640,070 shares at CAD$0.35 for gross proceeds of $11,597,460 (CAD$14,924,025). In connection with the private placement, the Company paid cash of $695,848 in share issuance costs.

A breakdown of listing expense is as follows:

Consideration			$ -
Net assets (liabilities) of AXS Blockchain Solutions Inc.			
	Cash	$ 26	
	Receivables	5,229	
	Payables	(143,835)	
	Note payable	(61,675)	
	Due to related parties	(623,995)	
Listing expense			$ 824,250

During the period end, the Company settled the due to related parties balance of $623,995 by repayment of $459,017, which resulted in a gain on settlement of debt in the amount of $164,978.

5. NOTE RECEIVABLE

The Company purchased the BLOC Assets, being inventories of various digital currencies valued at $2,500,319 (CAD$3,000,000), certain software technologies valued at $352,609, and hardware infrastructure valued at $352,609 for consideration of 82,500,000 common shares. The fair value of these shares is CAD$0.05 per share, for a total of $3,205,538 (CAD$4,125,000). Upon completion of this transaction, BLOC was unable to transfer various digital currencies valued at $2,500,319 (CAD$3,000,000) and as a result the Company and BLOC entered into a Settlement Agreement on July 4, 2018 whereby, BLOC will make a cash payment of CAD$3,000,000 ($2,331,300). Subsequent to the period ended May 31, 2018, the Company received the cash payment of CAD$3,000,000 ($2,331,300).

Unaudited – Expressed in U.S. Dollars

6. DIGITAL CURRENCIES

As at May 31, 2018, the Company's digital currencies consisted of the below digital currencies, with a fair value of $24,600. Digital currencies are recorded at their fair value on the date they are received as revenues and are revalued to their current market value at each reporting date. The fair value is determined using the closing price of the coin at the end of the period quoted on coinmarketcap.com, costs to sell the digital currencies are considered immaterial, and no allowance is made for such costs.

	Bitcoin	LBRY	Total
Carrying Value at November 30, 2017, and December 1, 2016	$ -	$ -	$ -
Additions	18,513	13,998	32,511
Fair value adjustment	(6,875)	(1,036)	(7,911)
Carrying Value at May 31, 2018	$ 11,638	$ 12,962	$ 24,600

7. PROPERTY, PLANT AND EQUIPMENT

	Mining Equipment	Software	Total
Cost:			
At November 30, 2017 and December 1,2016	$ -	$ -	$ -
Additions during the period	1,338,438	352,609	1,691,047
At May 31, 2018	1,338,438	352,609	1,691,047
Depreciation:			
At November 30, 2017 and December 1, 2016	-	-	-
Change during the period	(223,073)	(58,768)	(281,841)
At May 31, 2018	(223,073)	(58,768)	(281,841)
Net book value:			
At November 30, 2017 and December 1, 2016	-	-	-
At May 31, 2018	$ 1,115,365	$ 293,841	$ 1,409,206

8. CONVERTIBLE DEBENTURES

On November 30, 2017, the Company closed a private placement for gross proceeds of CAD$1,837,500 under which the Company issued an aggregate principal amount of CAD$1,837,500 of convertible debentures (the "Debentures"), maturing in one year. The Debentures were convertible into common shares at the option of the holder at a conversion price of CAD$0.05 per unit (the "Conversion Price") which consists of one common share and one share purchase warrant exercisable for a period of one year from the date of conversion. The Debentures are non-interest bearing.

For accounting purposes, the Debentures are separated into their liability and equity components using the residual method. The fair value of the liability component at the time of issue is determined based on an estimated rate of 15% for Debentures without the conversion feature. The fair value of the equity component is determined as the difference between the face value of the Debentures and the fair value of the liability component. After initial recognition, the liability component is carried on an amortized cost basis and will be accreted to its face value over the term to maturity of the convertible debenture at an effective interest rate of approximately 7%. The Company also recognized a deferred tax liability of CAD$32,000 ($23,777) that was recorded in equity relating to the difference between the Company's accounting and tax basis. During the period ended May 31, 2018, the Company recorded accretion of $96,524.

Upon completion of the RTO and Asset Acquisition, the Debenture was converted into 36,750,000 units at a price of CAD $0.05 for a value of $3,205,538 (CAD$4,125,000). The equity component of the debentures of $71,400 (CAD$92,022) was reclassed upon conversion to share capital. As a result of the conversion, the deferred tax liability was eliminated.

9. RELATED PARTY

Key management personnel consist of officers and directors of the Company.

During the period ended May 31, 2017, there was no remuneration paid to key management personnel.

During the period ended May 31, 2018, the Company paid or accrued directors' fees of $3,600 (2017 - $Nil).

During the period ended May 31, 2018, the Company paid or accrued salaries $14,172 (2017 - $Nil) to the Chief Financial Officer of the Company.

During the period ended May 31, 2018, the Company paid or accrued management fees of $3,861 (2017 - $Nil) to a director of the Company.

As at December 1, 2016, $19,398 was owed to a director of the Company, this amount was subsequently forgiven. As at May 31, 2018 and November 30, 2017, there were no outstanding balances owed to related parties.

Unaudited – Expressed in U.S. Dollars

10. SHARE CAPITAL

Authorized

Unlimited common shares without par value

Share capital

As at November 30, 2017 and December 1, 2016, the Company has 1 common share outstanding, no stock options or warrants issued or outstanding and no shares held in escrow.

During the period ended May 31, 2018, the Company issued 36,750,000 units ("Unit") at a price of CAD$0.05 per Unit for gross proceeds of $1,427,921 in relation to AXS's debentures (Note 8). Each Unit consists of one common share and one share purchase warrant. Each warrant is exercisable at a price of CAD$0.05 for a period of 12 months. The equity component in relation to the debenture was allocated to share capital upon conversation in the amount of $71,400 (CAD$92,022).

During the period ended May 31, 2018, the Company issued 82,500,00 common shares valued at $3,205,538 (CAD $4,125,000) in relation to the Asset Acquisition of the BLOC Assets (Note 5). As at May 31, 2018, 74,250,000 of these common shares were held in escrow; the escrowed shares are scheduled to be released in equal tranches every six months beginning March 27, 2018.

During the period ended May 31, 2018, the Company completed a private placement by issuing 42,640,070 common shares at a price of CAD$0.35 for gross proceeds of $11,597,460 (CAD$14,924,025). The Company incurred $695,848 in share issuance costs relating to the private placement.

During the period ended May 31, 2018, the Company issued 158,750 common shares in relation to the exercise of warrants at CAD$0.05 per warrant for $6,175 (CAD$7,938). The amount owed for the warrants had not been received as at May 31, 2018 and is included in accounts receivable as of May 31, 2018.

Warrants

As at May 31, 2018, the Company had warrants outstanding, enabling the holders to acquire the following number of common shares:

	Number of Warrants		Weighted Average Exercise Price
Balance outstanding, November 30, 2017 and December 1, 2016	-	$	-
Issued as part of the RTO to AXS warrant holders	2,000,000	$	0.05
Issued in relation to the debentures	36,750,000	$	0.05
Exercised	(158,750)	$	0.05
Balance outstanding, May 31, 2018	38,591,250	$	0.05

At May 31, 2018, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Weighted average life remaining (years)	Expiry Date
38,591,250	$0.05	0.78	March 27, 2019

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to-maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

Financial assets "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method. The Company's financial assets and liabilities are recorded and measured as follows:

Asset or Liability	Category	Measurement
Cash	FVTPL	Fair value
Note receivable	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Digital currencies	FVTPL	Fair value
Accounts payable	Other liabilities	Amortized cost
Accounts payable to related parties	Other liabilities	Amortized cost
Convertible debentures	Other liabilities	Amortized cost

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and digital currencies are measured at fair value using Level 1 inputs. The carrying value of the note receivable, accounts receivable, accounts payable, accounts payable to related parties and convertible debentures approximate their fair values due to their short terms to maturity.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial risk management

Management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, note receivable, accounts receivable, digital currencies, accounts payable, accounts payable to related parties, and convertible debentures.

The fair values of cash and digital currencies are measured on the statement of financial position using Level 1 of the fair value hierarchy. The fair values of notes receivable, accounts receivable, accounts payable, accounts due to related parties, and convertible debentures approximate their book values because of the short-term nature of these instruments.

Financial instrument risk exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its payment obligations. The Company has no material counterparties to its financial instruments with the exception of the financial institutions which hold its cash. The Company does not believe it has a material exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. There is a risk that the Company may not be able to meet its financial obligation when they are due. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. As of May 31, 2018, the Company has no financial assets that are past due or impaired due to credit risk defaults.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and foreign exchange rates.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

(ii) Price risk

The Company is exposed to price risk on digital currencies. Price risk is limited to the value of the Company's digital currencies. See Note 12 for a detailed risk assessment of digital currencies.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial risk management

Market Risk (continued)

(iii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's presentation currency is the U.S. dollar and historically, major purchases have been transacted in U.S. dollars, while all of the financings to date have been completed in Canadian dollars. As the Company's cryptocurrency mining operations are mainly denominated in U.S. dollars and the Company's general and administrative costs are primarily denominated in Canadian dollars, the Company will be exposed to effects of fluctuations in foreign exchange. The fluctuation of the Canadian dollar against the U.S. dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of shareholders' equity.

The Company's net monetary position in Canadian dollars as of May 31, 2018 is $12,468,019 (USD equivalent). The impact of a 10% variance in the USD/CAD exchange rate would be approximately $1,246,800.

12. DIGITAL CURRENCY AND RISK MANAGEMENT

Digital currencies are measured using Level 1 fair values, determined by taking the rate from coinmarketcap.com.

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of coins; in addition, the Company may not be able to liquidate its inventory of digital currency at its desired price if required. A decline in the market prices for coins could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its coin sales.

Digital currencies have a limited history and the fair value historically has been very volatile. Historical performance of digital currencies are not indicative of their future price performance. The Company's digital currencies currently consist of Bitcoin and LBRY. The table below shows the impact of the 25% variance in the price of each of these digital currencies on the Company's earnings before tax, based on their closing prices at May 31, 2018.

		Impact of 25% variance in price
Bitcoin	$	2,910
LBRY		3,240
	$	6,150

13. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital and reserves.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended November 30, 2017.

14. ADJUSTMENT OF PREVIOUSLY REPORTED FINANCIAL INFORMATION DUE TO CHANGE IN PRESENTATION CURRENCY

For comparative purposes, the statements of financial position as at November 30, 2017 and December 1, 2016 include adjustments to reflect the change in accounting policy resulting from the change in presentation currency from Canadian dollars to U.S. dollars. The amounts previously reported in Canadian dollars as shown below have been translated into U.S. dollars at the November 30, 2017 and December 1, 2016 and exchanges rate of 0.7759.

December 1, 2016		**As previously reported in CAD**		**As translated at the rate of 0.7759 into U.S. dollars**
Accounts payable and accrued liabilities	$	25,285	$	19,619
Accounts payable to related parties		25,000		19,398
		50,285		39,017
Share capital		1		1
Deficit		(50,286)		(39,018)
		(50,285)		(39,017)
	$	-	$	-

November 30, 2017		**As previously reported in CAD**		**As translated at the rate of 0.7759 into U.S. dollars**
Cash held in trust	$	1,837,500	$	1,425,716
Accounts payable and accrued liabilities	$	9,502	$	7,372
Convertible debentures		1,713,478		1,329,488
		1,722,980		1,336,860
Deferred tax liability		30,000		23,277
		1,752,980		1,360,137
Share capital		1		1
Reserves		92,022		71,400
Deficit		(7,503)		(5,822)
		84,520		65,579
	$	1,837,500	$	1,425,716

14. ADJUSTMENT OF PREVIOUSLY REPORTED FINANCIAL INFORMATION DUE TO CHANGE IN PRESENTATION CURRENCY

For comparative purposes, the consolidated statement of loss and comprehensive loss for the period ended May 31, 2017 includes an adjustment to reflect the change in accounting policy resulting from the change in presentation currency from Canadian to U.S. dollars. The amounts previously reported in Canadian dollars as shown below have been translated into U.S. dollars at the rate of 0.7759. The effect of the translation is as follows:

Period ended May 31, 2017		**As previously reported in CAD**		**As translated at the rate of 0.7759 into U.S. dollars**
General and administrative expenses				
Professional fees	$	1,258	$	976
Regulatory and transfer agent		858		666
		2,116		1,642
Loss for the period	$	(2,116)	$	(1,642)

15. SUBSEQUENT EVENTS

Subsequent to period end, the Company:

a) Granted 12,500,000 incentive stock options to the consultants, directors and officers of the Company. The options are exercisable at a price of $0.35 for a period of sixty months. 11,200,000 of the options vest over a twenty-four-month period, with the balance vesting over a thirty-six-month period.

b) Entered into a letter of intent with Blockchain Foundry Inc. to create ZUBX™, which will be the world's first Syscoin backed peer-to-peer marketplace. An initial deposit of CAD$250,000 (USD $200,000) has been paid to Blockchain Foundry Inc., which will be held in trust and will be credited against future costs associated with the development of the ZUBX™ platform.

c) Acquired 100% of the outstanding share capital of Chainlinks Labs Inc. ("Chainlinks") for a total consideration of CAD$4,000,000. Chainlinks is a privately held technology company based in British Columbia that focuses on the integration of blockchain-based systems with artificial intelligence (AI) technology within existing legacy businesses, such as telecommunications, logistics, payment and billing systems. With this acquisition, the Company will have access to new markets, established blockchain and AI development teams across Vancouver, Burnaby, Kelowna and Denver, as well as current and future and product roadmaps.