

LITELINK TECHNOLOGIES INC.
(formerly AXS Blockchain Solutions Inc.)

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended August 31, 2018 and 2017
(Expressed in U.S. Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim consolidated financial statements, they must be accompanied by a notice indicating that these condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

LITELINK TECHNOLOGIES INC.
(formerly AXS Blockchain Solutions Inc.)
Condensed Interim Consolidated Financial Statements
For the three and nine months ended August 31, 2018 and 2017
(Unaudited – Expressed in U.S. Dollars)

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LITELINK TECHNOLOGIES INC.
(formerly AXS Blockchain Solutions Inc.)

Condensed Interim Consolidated Statements of Financial Position
As at August 31, 2018, November 30, 2017 and December 1, 2016
(Unaudited – Expressed in U.S. Dollars)

	Note	August 31, 2018	November 30, 2017	December 1, 2016
			Restated - Note 16	Restated - Note 16
ASSETS				
Current assets				
Cash		\$ 8,807,680	\$ 1,425,716	\$ -
Accounts receivable		54,855	-	-
Digital currencies	7	48,660	-	-
Prepaid expenses and deposits		487,348	-	-
		<u>9,398,543</u>	1,425,716	-
Intangible assets	8	3,326,774	-	-
Property, plant and equipment	9	1,027,594	-	-
Total Assets		<u>\$ 13,752,911</u>	<u>\$ 1,425,716</u>	<u>\$ -</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		\$ 653,507	\$ 7,372	\$ 19,619
Accounts payable to related parties	11	46,374	-	19,398
Convertible debentures	10	-	1,329,488	-
		<u>699,881</u>	1,336,860	39,017
Deferred tax liability	10	-	23,277	-
Total Liabilities		<u>699,881</u>	1,360,137	39,017
Shareholders' equity				
Share capital	12	15,620,722	1	1
Reserves	12	871,201	71,400	-
Accumulated other comprehensive income		(116,980)	-	-
Deficit		<u>(3,321,913)</u>	(5,822)	(39,018)
		13,053,030	65,579	(39,017)
Total Liabilities and Shareholders' Equity		<u>\$ 13,752,911</u>	<u>\$ 1,425,716</u>	<u>\$ -</u>

Nature of operations and going concern (Note 1)
Commitments (Note 17)
Subsequent events (Note 18)

On behalf of the Board of Directors:

“Marco Parente”
Director

“Mohammad Ahmad”
Director

LITELINK TECHNOLOGIES INC.
(formerly AXS Blockchain Solutions Inc.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended August 31, 2018 and 2017
(Unaudited – Expressed in U.S. Dollars)

	Note	For the three months ended		For the nine months ended	
		August 31, 2018	August 31, 2017	August 31, 2018	August 31, 2017
			Restated - Note 16		Restated - Note 16
Revenue		\$ 52,986	\$ -	\$ 137,787	\$ -
Operating and maintenance costs		(64,420)	-	(86,529)	-
Depreciation	9	(424,828)	-	(706,669)	-
		(436,262)	-	(655,411)	-
Loss on revaluation of digital currencies	7	(17,709)	-	(25,620)	-
General and administrative expenses					
Accretion	10	-	-	96,524	-
Consulting fees	11	123,565	-	125,195	-
Foreign exchange		7,361	-	28,994	-
Management fees, director fees, salaries and wages	11	177,081	-	224,697	-
Marketing	11	234,800	-	234,800	-
Office and administration		46,131	-	46,201	-
Professional fees		89,215	487	329,117	1,463
Regulatory and transfer agent		16,922	333	25,042	999
Share-based compensation	12	871,201	-	871,201	-
Travel		17,295	-	17,295	-
Total general and administrative expenses		(1,583,571)	(820)	(1,999,066)	(2,462)
		(2,037,542)	(820)	(2,680,097)	(2,462)
Listing expense	4	-	-	(824,250)	-
Gain on settlement of debt	4	-	-	164,978	-
Total expenses not related to operations		(2,037,542)	(820)	(3,339,369)	(2,462)
Deferred tax recovery	10	-	-	23,277	-
Loss for the period		(2,037,542)	(820)	(3,316,092)	(2,462)
Translation adjustment		84,238	-	(116,980)	-
Comprehensive loss for the period		\$ (1,953,304)	\$ (820)	\$ (3,433,072)	\$ (2,462)
Basic and diluted loss per common share		\$ (0.02)	\$ (820)	\$ (0.03)	\$ (2,462)
Weighted average number of common shares outstanding		96,165,709	1	96,165,709	1

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

LITELINK TECHNOLOGIES INC.
(formerly AXS Blockchain Solutions Inc.)
Condensed Interim Consolidated Statements of Cash Flows
For the nine months ended August 31, 2018 and 2017
(Unaudited – Expressed in U.S. Dollars)

	August 31, 2018	August 31, 2017
Cash flows from operating activities		
Net loss for the period	\$ (3,316,092)	\$ (2,927)
Adjusted for:		
Accretion	96,524	-
Deferred tax	(23,277)	-
Depreciation	706,669	-
Foreign exchange	(28,994)	-
Gain on settlement of debt	(164,978)	-
Listing expense	824,250	-
Share-based compensation	871,201	-
Change in non-cash working capital items		
Accounts receivable	(42,295)	-
Digital currencies	(48,660)	-
Prepaid expenses and deposits	(485,047)	-
Accounts payable and accrued liabilities	471,340	(2,927)
Accounts payable to related parties	(196,611)	-
Cash used in operating activities	(1,335,970)	-
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,029,001)	-
Acquisition of LiteLink Labs Inc.	(3,067,804)	-
Cash assumed in acquisition of LiteLink Labs Inc.	3,082	-
Settlement in relation to the BLOC Assets	2,331,300	-
Cash used in investing activities	(1,762,423)	-
Cash flows from financing activities		
Proceeds from the issuance of shares	11,597,459	-
Proceeds from exercise of warrants	14,252	-
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	10,395,197	-
Net increase in cash during the period	7,296,804	-
Foreign exchange impact on cash	85,160	-
Cash, beginning of period	1,425,716	-
Cash, end of period	\$ 8,807,680	\$ -

See Note 4, 5, 6, for non-cash consideration of assets and liabilities acquired of AXS, purchase of BLOC Assets and non-cash consideration of assets and liabilities acquired of LiteLink Labs Inc.

LITELINK TECHNOLOGIES INC.**(formerly AXS Blockchain Solutions Inc.)**

Condensed Consolidated Statements of Changes in Shareholders' Equity

(Unaudited – Expressed in U.S. Dollars)

	Share capital		Reserves	Accumulated other comprehensive loss	Deficit	Total
	Shares issued	Amount				
Balance as at November 30, 2016	1	\$ 1	\$ -	\$ -	\$ (39,018)	\$ (39,017)
Net loss for the period	-	-	-	-	(1,642)	(1,642)
Balance as at August 31, 2017	1	1	-	-	(40,660)	(40,659)
Net income for the period	-	-	71,400	-	34,838	106,238
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 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	11,597,459	-	-	-	11,597,459
Share issuance costs	-	(695,848)	-	-	-	(695,848)
Warrants exercised	369,063	14,252	-	-	-	14,252
Share-based compensation	-	-	871,201	-	-	871,201
Net loss for the period	-	-	-	-	(3,316,092)	(3,316,092)
Translation adjustment	-	-	-	(116,980)	-	(116,980)
Balance as at August 31, 2018	167,386,866	\$ 15,620,722	\$ 871,201	\$ (116,980)	\$ (3,321,913)	\$ 13,053,030

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

LITELINK TECHNOLOGIES INC.
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Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended August 31, 2018 and 2017

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1. NATURE OF OPERATIONS AND GOING CONCERN

LiteLink Technologies Inc. (formerly AXS Blockchain Solutions 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 LLT. The head office of the Company is located at 260 – 3480 Gilmore Way, Burnaby, B.C., V5G 4Y1.

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"). Pursuant to the Amalgamation, 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 ("Units"). 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, 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.

On July 25, 2018, the Company entered into an acquisition agreement ("Acquisition") with LiteLink Labs Inc. (formerly Chainlinks Lab Inc.) ("LLI"), whereby the Company acquired all outstanding shares of LLI. For accounting purposes, management of the Company considers the acquisition of LLI 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 August 31, 2018, the Company had not achieved profitable operations, had an accumulated deficit of \$3,321,913 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.

LITELINK TECHNOLOGIES INC.
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Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended August 31, 2018 and 2017

Unaudited – Expressed in U.S. Dollars

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 October 30, 2018.

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned legal subsidiaries, AXS and LLI 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 can 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 and LLI is the Canadian dollar (“CAD”). The functional currency of AXS is the U.S. Dollar (“USD”).

During the period ended August 31, 2018, the Company completed its RTO and decided to change the Company’s presentation currency from Canadian dollars to U.S. dollars so that investors can better understand and compare the Company’s financial results and financial position to that of its peers. 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.

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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 Judgments

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

- 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. During the period, the Company acquired the BLOC assets (Note 4) and 100% of the outstanding share capital of LiteLink Labs Inc. (Note 5) which management concluded that the transactions did not qualify as a business combination under IFRS 3, “Business Combinations”, as significant processes were not acquired. Accordingly, both transactions have been accounted for as asset acquisitions.
- iv) Intangibles – impairment: The application of the Company’s accounting policy for intangible assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. At least annually or whenever there is an indicator for impairment management evaluates the recoverable amount, which is the higher of an asset’s fair value less costs to sell and value in use. Intangibles are written down to their recoverable amount when a decline is identified. The determination of the recoverable amount requires the use of management’s best assessment of the related inputs into the valuation models, such as future cash flows and discount rates.
- i) 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 judgment 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.

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Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended August 31, 2018 and 2017

Unaudited – Expressed in U.S. Dollars

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 judgments 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 judgments 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 hash rates, technological changes, availability of hardware, production costs and other factors. The estimates are reviewed at least annually and are updated if expectations change because of technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense.

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For the nine months ended August 31, 2018 and 2017

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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 7) 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.
- vi) Valuation of share-based compensation: The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, risk-free interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. As well, all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management. Gains and losses on disposal of an item of fixed assets are determined by comparing the proceeds from disposal with the carrying amount of item and are recognized net in profit or loss. Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognized in profit or loss over the estimated useful lives of fixed assets, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The Company rates for depreciation are as follows:

Computer equipment	2 years straight-line
Cryptocurrency computing equipment	1 year straight-line
Furniture and office equipment	2 years straight-line
Software	1 year straight-line

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets

The Company owns intangible assets consisting of purchased intellectual property. Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in connection with an asset acquisition are initially recorded at fair value (Notes 5 and 8). Following initial recognition, intangible assets are carried at initial carrying value less any accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. The Company does not hold any intangible assets with indefinite lives. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization method and amortization period of an intangible asset with a finite life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

Intangible assets with finite useful lives are amortized over their estimated useful lives as follows:

Intellectual property	3 years straight-line
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Impairment of non-financial assets

The Company reviews the carrying amounts of its non-financial assets, including property, plant and 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. At each reporting date, the Company revises its estimates of the number of options that are expected to vest, based on the non-market vesting conditions. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be reliably measured, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services rendered. Expired stock options are transferred from reserves to deficit.

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.

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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 August 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 the 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.

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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 way of the Company's Units (Note 10). 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 the AXS share by the Company, the AXS share outstanding prior to any convertible debt settlement, was 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, 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 \$11,597,459 (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					\$ -
Less net assets (liabilities) of LiteLink Technologies Inc.:					
	Cash		\$	26	
	Receivables			5,229	
	Payables			(143,835)	
	Note payable			(61,675)	
	Due to related parties			(623,995)	
				(824,250)	(824,250)
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.

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5. ACQUISITION OF LITELINK LABS INC. (FORMERLY CHAINLINKS LAB INC.)

The Company acquired 100% of the outstanding share capital of LiteLink Labs Inc (“LLI”). for total consideration of \$3,067,804 (CAD\$4,000,000) through a Share Purchase agreement dated July 18, 2018. The acquisition was treated as an asset purchase. In accordance with IAS 38 “Intangible Assets”, the excess fair value of total consideration has been recognized as an intangible asset acquired through acquisition. LLI 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 and Kelowna, as well as current and future product roadmaps.

The acquisition was recorded as follows:

Consideration		<u>\$ 3,067,804</u>
Less net assets (liabilities) of LiteLink Labs Inc.:		
	Cash	\$ 3,082
	Receivables	7,332
	Deposit	2,301
	Account payables	(3,982)
	Accrued liabilities	(34,351)
	Due to related parties	<u>(235,613)</u>
		(261,231) (261,231)
Intangible assets acquired (Note 8)		<u>\$ 3,329,035</u>

6. 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 made a cash payment of CAD\$3,000,000 (\$2,331,300).

7. DIGITAL CURRENCIES

As at August 31, 2018, the Company’s digital currencies consisted of the below digital currencies, with a fair value of \$48,660. 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		55,062		25,433		80,495
Sales		(6,215)		-		(6,215)
Loss on revaluation		(8,615)		(17,005)		(25,620)
Carrying value at August 31, 2018	\$	40,232	\$	8,428	\$	48,660

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8. INTANGIBLE ASSETS

Intangible assets are comprised of the following:

	Intellectual Property
Balance, May 31, 2018	\$ -
Additions	3,329,035
Amortization	-
Cumulative translation adjustment	(2,261)
Balance, August 31, 2018	\$ 3,326,774

Intellectual Property (“IP”) is an intangible asset acquired through acquisition. The benefit to the Company of acquiring the IP was the acquisition of various software technology. The Company has not recognized any amortization as the IP is not available for use.

9. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment	Cryptocurrency Computing Equipment	Software	Furniture and Office Equipment	Total
Cost:					
At November 30, 2017 and 2016	\$ -	\$ -	\$ -	\$ -	\$ -
Additions during the period	31,945	1,338,438	352,609	11,226	1,734,218
Cumulative translation adjustment	26			19	45
At August 31, 2018	\$ 31,971	\$ 1,338,438	\$ 352,609	\$ 11,245	\$ 1,734,263
Depreciation:					
At November 30, 2017 and 2016	\$ -	\$ -	\$ -	\$ -	\$ -
Change during the period	(1,500)	(557,683)	(146,920)	(564)	(706,667)
Cumulative translation adjustment	(1)			(1)	(2)
At August 31, 2018	\$ (1,501)	\$ (557,683)	\$ (146,920)	\$ (565)	\$ (706,669)
Net book value:					
At November 30, 2017 and 2016	-	-	-	-	-
At August 31, 2018	\$ 30,470	\$ 780,755	\$ 205,689	\$ 10,680	\$ 1,027,594

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10. 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 \$23,777 (CAD\$32,000) that was recorded in equity relating to the difference between the Company’s accounting and tax basis. During the period ended August 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 reclassified upon conversion to share capital. As a result of the conversion, the deferred tax liability was eliminated.

11. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include key management personnel and companies under the control of key management personnel. Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Board and corporate officers, including the Company’s Chief Executive Officer and Chief Financial Officer.

The Company entered into the following transactions with related parties, not disclosed elsewhere in these financial statements:

	For the nine months ended August 31,	
	2018	2017
Consulting fees	\$ 48,286	\$ -
Management fees, director fees, salaries and wages	57,735	-
Marketing	93,889	-
Share-based compensation	337,812	-
	<u>\$ 537,722</u>	<u>\$ -</u>

As at August 31, 2018, recorded in accounts payable to related parties is \$46,374 (August 31, 2017 - \$Nil) due to the Chief Executive Officer for consulting fees and reimbursement of expenses.

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12. SHARE CAPITAL

Authorized

Unlimited common shares without par value.

Share capital

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

During the period ended August 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 the conversion of AXS’s debentures (Note 10). Each Unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share 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 conversion in the amount of \$71,400 (CAD\$92,022).

During the period ended August 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 BLOC Assets (Note 5). As at August 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 August 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 \$11,597,459 (CAD\$14,924,025). The Company incurred \$695,848 in share issuance costs relating to the private placement.

During the period ended August 31, 2018, the Company issued 369,063 common shares in relation to the exercise of warrants at CAD\$0.05 per warrant for \$14,252 (CAD\$18,453).

Options

The Company has a Rolling Stock Option Plan whereby the maximum number of common shares reserved for issue under the plan shall not exceed 20% of the outstanding common shares of the Company, as at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment, consulting arrangement or holding office as a director or officer of the Company, are subject to vesting provisions as determined by the Board of Directors and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option.

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

	Number of Options	Weighted Average Exercise Price (CAD)
Balance outstanding, November 30, 2017 and December 1, 2016	-	\$ -
Issued	20,500,000	\$ 0.35
Balance outstanding, August 31, 2018	20,500,000	\$ 0.35
Number exercisable	-	

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12. SHARE CAPITAL (continued)

In June 2018, the Company granted 12,500,000 incentive stock options to the consultants, directors and officers of the Company. The options are exercisable at a price of CAD\$0.35 for a period of sixty months. 9,200,000 of the options vest evenly every quarterly over a twenty-four-month period, with the balance vest evenly every quarterly over a thirty-six-month period.

In August 2018, the Company granted 8,000,000 incentive stock options to the Chief Executive Officer of the Company. The options are exercisable at a price of CAD\$0.35 for a period of sixty months. The options vest evenly every six months over a thirty-six-month period.

The fair value of options granted is estimated on the grant date using the Black-Scholes option pricing model using the following weighted average variables:

	For the nine months ended August 31,	
	2018	2017
Risk-free interest rate	2.20%	-
Expected option life in years	5 years	-
Expected stock price volatility	116.06%	-
Expected dividend rate	0.00%	-
Fair value per option (CAD)	\$ 0.23	-

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

Number of Options	Exercise Price (CAD)	Weighted average life remaining (years)	Expiry Date
12,500,000	\$0.35	4.77	June 6, 2023
8,000,000	\$0.35	4.93	August 3, 2023

Warrants

As at August 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 (CAD)
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	369,063	0.05
Balance outstanding, August 31, 2018	38,389,937	\$ 0.05

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12. SHARE CAPITAL (continued)

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

Number of Warrants	Exercise Price (CAD)	Weighted average life remaining (years)	Expiry Date
38,380,937	\$0.05	0.57	March 27, 2019

13. 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:

<u>Asset or Liability</u>	<u>Category</u>	<u>Measurement</u>
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 and accrued liabilities	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.

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13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial instruments (continued)

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

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 and accrued liabilities, 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 and accrued liabilities, accounts payable 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 August 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 14 for a detailed risk assessment of digital currencies.

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13. 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 denominated in Canadian Dollars as of August 31, 2018 is \$8,064,045. The impact of a 10% variance in the USD/CAD exchange rate would be approximately \$806,404.

14. DIGITAL CURRENCY AND RISK MANAGEMENT

Digital currencies are measured using Level 1 fair values, determined by prices quoted on 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. A 25% variance in the price of each of these digital currency holdings on the Company's earnings before tax, based on their closing prices at August 31, 2018 is \$12,165.

15. 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.

LITELINK TECHNOLOGIES INC.
(formerly AXS Blockchain Solutions Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended August 31, 2018 and 2017

Unaudited – Expressed in U.S. Dollars

16. 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 exchange 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
	<u>50,285</u>	<u>39,017</u>
Share capital	1	1
Deficit	<u>(50,286)</u>	<u>(39,018)</u>
	<u>(50,285)</u>	<u>(39,017)</u>
	\$ -	\$ -

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
	<u>1,722,980</u>	<u>1,336,860</u>
Deferred tax liability	30,000	23,277
	<u>1,752,980</u>	<u>1,360,137</u>
Share capital	1	1
Reserves	92,022	71,400
Deficit	<u>(7,503)</u>	<u>(5,822)</u>
	<u>84,520</u>	<u>65,579</u>
	\$ 1,837,500	\$ 1,425,716

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Unaudited – Expressed in U.S. Dollars

16. ADJUSTMENT OF PREVIOUSLY REPORTED FINANCIAL INFORMATION DUE TO CHANGE IN PRESENTATION CURRENCY (continued)

For comparative purposes, the consolidated statement of loss and comprehensive loss for the period ended August 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 August 31, 2017	As previously reported in CAD	As translated at rate of 0.7759 into U.S. dollars
General and administrative expenses		
Professional fees	\$ 1,886	\$ 1,463
Regulatory and transfer agent	1,287	999
Loss for the period	\$ 3,173	\$ 2,462

17. COMMITMENTS

The Company acquired an operating lease for LiteLink Labs Inc. related to their Kelowna operations commencing October 28, 2018. During the period the Company entered into an operating lease for office space within Greater Vancouver, which commences on December 1, 2018.

The annual lease commitments, undiscounted, under the leases are as follows:

<u>Year</u>	<u>Total</u>
2019	\$ 58,948
2020	202,701
2021	202,701
2022	63,943
2023	53,359
2024	31,126
Total	\$ 612,778

18. SUBSEQUENT EVENTS

Subsequent to period end, the Company:

- a) Entered into a letter of intent with Konnect Mobile Communications Inc. (“Konnect”), a private company, in the pursuit to leverage both companies’ strengths, products, marketing, leadership, and potential clients to maximize future revenue of both parties. Konnect has developed a platform called PaySocial and has granted the Company a license to, and a right to resell the product. An initial deposit of CAD\$600,000 has been paid to Konnect to acquire 1,800,000 common shares of Konnect.

LITELINK TECHNOLOGIES INC.

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For the nine months ended August 31, 2018 and 2017

Unaudited – Expressed in U.S. Dollars

18. SUBSEQUENT EVENTS (continued)

- b) Entered into a letter of intent with Trimark Technologies Inc. (“Trimark”), a private company. The Company is interested in purchasing a biometric fingerprint product, a chat payment app, and the technical architecture for a seed to sale product, including all related source code, algorithms, software, designs, documentation, and any artefacts from Trimark. An initial deposit of \$200,000 has been paid to Trimark.
- c) Entered into a Subcontractor Agreement with one of the largest multinational services firms (“Contractor”) to perform services as described in a Work Order (“the Services”) on behalf of the Contractor’s clients. The first term of services is from October 5th, 2018 to December 28th, 2018 which include deliverables, but are not limited to: solutions architecture, wireframes and web designs, code and data model.
- d) Elected to temporarily turn off its cryptocurrency mining machines (“machines”) and placed them under care and maintenance because of the unfavourable market price of the cryptocurrencies being mined. The Company is assessing the best course of action for the machines, which includes disposition through sale, relocating the machines to a geographic location with better electricity rates or keeping the machines under care and maintenance until more favourable cryptocurrency market prices immerge.