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

Consolidated Financial Statements

For the Fifteen Months Ended February 28, 2019 and the Twelve Months Ended November 30, 2017

(see Note 2 "change in reporting period")

(Expressed in U.S. Dollars)

Page

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of LiteLink Technologies Inc.

Opinion

We have audited the consolidated financial statements of LiteLink Technologies Inc. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at February 28, 2019 and November 30, 2017, and the consolidated statements of net and comprehensive income (loss), cash flows and changes in shareholders' equity for the fifteen months ended February 28, 2019 and twelve months ended November 30, 2017, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2019 and November 30, 2017, and its financial performance and its cash flows for the fifteen months ended February 28, 2019 and twelve months ended November 30, 2017 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which indicates that as at February 28, 2019, the Company has not yet achieved profitable operations and had an accumulated deficit of $10,777,596. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Voluntary Change in Presentation Currency

As discussed in Note 2 to the consolidated financial statements, the Company has changed its presentation currency from the Canadian Dollar to the United States Dollar and has retrospectively adjusted the consolidated financial statements as at November 30, 2017 and December 1, 2016, and for the periods ended November 30, 2017 and 2016. As part of our audit of the consolidated financial statements for the fifteen months ended February 28, 2019, we also audited the adjustments that were applied to restate certain comparative information for the period ended November 30, 2016 (not presented herein), which are used to derive the December 1, 2016 consolidated statement of financial position. In our opinion, such adjustments are appropriate and have been properly applied.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Fernando Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
May 22, 2019

LITELINK TECHNOLOGIES INC.
(formerly AXS Blockchain Solutions Inc.)
Consolidated Statements of Financial Position
As at February 28, 2019, November 30, 2017 and December 1, 2016
(Expressed in U.S. Dollars)

	Note	February 28, 2019	November 30, 2017 Restated - Note 18	December 1, 2016 Restated - Note 18
ASSETS				
Current assets				
Cash and cash equivalents		**$ 4,752,712**	$ 1,425,716	$ -
Accounts receivable		**178,716**	-	-
Digital currencies	8	**32,752**	-	-
Prepaid expenses and deposits		**408,213**	-	-
		5,372,393	1,425,716	-
Investments	9	**318,348**	-	-
Intangibles	10	**3,297,974**	-	-
Property and equipment	11	**59,170**	-	-
Total Assets		**$ 9,047,885**	$ 1,425,716	$ -
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		**$ 231,005**	$ 7,372	$ 19,619
Due to related parties		**-**	-	19,398
Convertible debentures	12	**-**	1,329,488	-
		231,005	1,336,860	39,017
Deferred tax liability	12, 19	-	23,277	-
Total Liabilities		**231,005**	1,360,137	39,017
Shareholders' equity				
Share capital	14	**17,053,524**	1	1
Reserves	14	**2,550,301**	71,400	-
Accumulated other comprehensive income		**(9,349)**	-	-
Deficit		**(10,777,596)**	(5,822)	(39,018)
		8,816,880	65,579	(39,017)
Total Liabilities and Shareholders' Equity		**$ 9,047,885**	$ 1,425,716	$ -

Nature of operations and going concern (Note 1)
Commitments (Note 20)
Subsequent events (Note 21)

On behalf of the Board of Directors:

"Marco Parente"	"Mohammad Ahmad"
Director	Director

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

LITELINK TECHNOLOGIES INC.
(formerly AXS Blockchain Solutions Inc.)
Consolidated Statements of Net and Comprehensive Income (Loss)
For the fifteen months ended February 28, 2019 and the twelve months ended November 30, 2017
(Expressed in U.S. Dollars)

	Note		For the fifteen months ended February 28, 2019		For the twelve months ended November 30, 2017
					Restated - Note 18
Revenue	6	$	218,167	$	-
Cost of sales	6		(200,419)		-
Depreciation	6, 11		(1,143,620)		-
			(1,125,872)		-
Loss on revaluation of digital currencies	8		(52,566)		-
General and administrative expenses					
Consulting fees	13		887,031		-
Foreign exchange			189,011		-
Interest accretion			96,524		-
Management fees, director fees, salaries and wages	13		1,332,396		6,207
Marketing	13		468,753		-
Office and administration			382,537		-
Professional fees			395,738		1,952
Regulatory and transfer agent			34,496		1,331
Share-based compensation	14		2,077,301		-
Travel			99,640		-
Total general and administrative expenses			(5,963,427)		(9,490)
			(7,141,865)		(9,490)
Interest income			42,583		-
Impairment of investment	9		(387,531)		-
Impairment of mining machines and software	11		(563,682)		-
Listing expense	4		(2,691,916)		-
Loss on acquisition of assets	7		(217,619)		-
Gain on settlement of debt	4		164,978		41,134
Income (loss) before income taxes			(10,795,052)		31,644
Deferred tax recovery	19		23,277		1,552
Net income (loss) for the period			(10,771,775)		33,196
Other comprehensive loss			-		-
Item that will be reclassified to net loss			-		-
Translation adjustment			(9,349)		-
Comprehensive income (loss) for the period		$	(10,781,124)	$	33,196
Basic and diluted income (loss) per common share		$	(0.09)	$	33,196
Weighted average number of common shares outstanding			124,607,955		1

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

LITELINK TECHNOLOGIES INC.
(formerly AXS Blockchain Solutions Inc.)
Consolidated Statements of Cash Flows
For the fifteen months ended February 28, 2019 and twelve months ended November 30, 2017
(Expressed in U.S. Dollars)

		February 28, 2019		November 30, 2017
Cash flows from operating activities				
Net income (loss) for the period	**$**	**(10,771,775)**	$	33,196
Adjusted for:				
Deferred tax recovery		**(23,277)**		(1,552)
Depreciation		**1,143,620**		-
Foreign exchange		**189,011**		-
Gain on settlement of debt		**(164,978)**		(41,134)
Interest accretion		**96,524**		-
Listing expense		**2,691,916**		-
Share-based compensation		**2,077,301**		-
Impairment of investment		**387,531**		-
Impairment of mining machines and software		**563,682**		-
Loss on acquisition of assets		**217,619**		-
Change in non-cash working capital items				
Accounts receivable		**(166,156)**		-
Digital currencies		**(32,752)**		-
Prepaid expenses and deposits		**(405,912)**		-
Accounts payable and accrued liabilities		**41,466**		9,490
Accounts payable to related parties		**(235,613)**		-
Cash used in operating activities		**(4,391,793)**		-
Cash flows from investing activities				
Acquisition of property and equipment		**(1,061,253)**		-
Acquisition of LiteLink Labs Inc.		**(3,067,804)**		-
Cash acquired in acquisition of LiteLink Labs Inc.		**3,082**		-
Investment in Konnect Mobile Communications Inc.		**(455,605)**		-
Investment in Zoom Solutions, Inc.		**(250,002)**		-
Settlement in relation to the BLOC Assets		**2,331,300**		-
Cash used in investing activities		**(2,500,282)**		-
Cash flows from financing activities				
Proceeds from the issuance of convertible debentures		-		1,425,716
Proceeds from the issuance of common shares		**11,597,459**		-
Proceeds from exercise of warrants		**52,388**		-
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		**10,433,333**		1,425,716
Net increase in cash and cash equivalents during the period		**3,541,258**		1,425,716
Foreign exchange impact on cash		**(214,262)**		-
Cash and cash equivalents, beginning of period		**1,425,716**		-
Cash and cash equivalents, end of period	**$**	**4,752,712**	$	1,425,716

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

LITELINK TECHNOLOGIES INC.
(formerly AXS Blockchain Solutions Inc.)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in U.S. Dollars)

	Share capital										
	Shares issued		Amount		Reserves		Accumulated other comprehensive loss		Deficit		Total
Balance as at November 30, 2016	1	$	1	$	-	$	-	$	(39,018)	$	(39,017)
Net income for the period	-		-		71,400		-		33,196		104,596
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		1,394,666		-		-		-		1,394,666
Fair value of warrants issued on RTO	-		-		473,000		-		-		473,000
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	1,369,063		52,388		-		-		-		52,388
Share-based compensation	-		-		2,077,301		-		-		2,077,301
Net loss for the period	-		-		-		-		(10,771,775)		(10,771,775)
Translation adjustment	-		-		-		(9,349)		-		(9,349)
Balance as at February 28, 2019	**168,386,866**	**$**	**17,053,524**	**$**	**2,550,301**	**$**	**(9,349)**	**$**	**(10,777,596)**	**$**	**8,816,880**

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

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 Company offers several services in the software development and consulting industries. The Company is dedicated to revolutionizing established industries by creating cutting edge applications with artificial intelligence, smart contract technology, and digital remittances. 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, (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 82,500,000 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 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 February 28, 2019, the Company had not achieved profitable operations, had an accumulated deficit of $10,777,596 since inception and expect to incur further losses in the development of its business. These factors indicate the existence of material uncertainties that may cause significant doubt about the Company's ability to continue as a going concern. These 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

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standard ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements have been prepared on a historical cost basis except for financial assets at fair value for profit or loss, which are stated at their fair values. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

These consolidated financial statements were reviewed and approved and authorized for issue by the Board of Directors of the Company on May 22, 2019.

Change in reporting period

In conjunction with the RTO (Note 4), the Company elected to change its financial year end from November 30, 2018 to February 28, 2019.

The directors of the Company have determined that it is in the best interests of the Company to change to a February 28 year end to better align the operating cycle of the Company and its subsidiaries to the industry it intends to enter into.

Basis of consolidation

This consolidated financial statement includes 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 consolidated financial statements are presented in U.S. dollars unless otherwise noted. The functional currency of the parent, LLI and AXS is the Canadian dollar ("CAD").

During the period ended February 28, 2019, 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 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 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 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 these did not qualify as business combinations 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.

v) 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.

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.

2. BASIS OF PRESENTATION (continued)

Use of estimates and judgments (continued)

<u>Key sources of estimation uncertainty (continued)</u>

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.

v) Digital currency valuation: Digital currencies consist of cryptocurrency denominated assets (Note 8) 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 and Cash Equivalents

Cash and cash equivalents include 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Financial instruments

Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit and loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the statement of operations. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company has classified its cash and cash equivalents at fair value through profit and loss.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the statement of operations. Investments are classified as available for sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Accounts receivable are classified as loans and receivables.

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to the statement of operations in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations.

With the exception of available-for-sale investments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for sale investments, impairment losses previously recognized through the statement of operations are not reversed through the statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date that they are originated. All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual obligations are discharged or cancelled or expire.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit and loss or other financial liabilities. Subsequent to initial recognition other financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss. Accounts Payable, due to related parties and convertible debentures are classified as other financial liabilities.

Investments

Investments are initially recorded at cost, being the fair value at the time of acquisition. At the end of each financial reporting period, the Company's management estimates the fair value of its investments based on the criteria below and records such valuations in the financial statements directly in comprehensive loss:

- There has been a significant new equity financing with arms-length investors at a valuation above or below the current fair value of the investee company, in which case the fair value of the investment is adjusted to the value at which the financing took place; or
- Based on financial information received from the investee company it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern, in which case the fair value of the investment is adjusted downward; or
- There have been significant corporate, operating, technological or economic events affecting the investee company that, in the Company's opinion, have a positive or negative impact on the investee company's prospects and, therefore, its fair value; or
- The investee company is placed into receivership or bankruptcy.

In addition to the circumstances described above, the Company will take into account general market conditions when determining if an adjustment to the fair value of an investment is warranted at the end of each reporting period. In the absence of the occurrence of any of these events, or any significant change in general market conditions, the fair value of the investment is left unchanged.

Application of the valuation techniques above may involve uncertainties and determinations based on the Company's judgment, and any value estimated from these techniques may not be realized.

For those investments in which the Company has significant influence the Company uses the equity method of accounting whereby an equity investment is initially recorded at cost and subsequently adjusted to reflect the investor's share of the net profit or loss of the investee. Any distributions received from the investee company reduce the carrying amount of the investment.

As at February 28, 2019, the Company does not have significant influence over any investees.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property 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
Leasehold Improvements	Straight-line over the lease-term
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 10). 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Digital currency mining

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.

Service contracts

Revenues under certain contracts provide for receipt of payment based on achieving defined milestones. Revenues are recognized under these contracts based on management's estimate of progress achieved against these milestones or on the percentage of completion method of accounting.

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 February 28, 2019 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 does not expect that the adoption of this standard will have a material effect 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.

Expressed in U.S. Dollars

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Future accounting pronouncements (continued)

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.

4. REVERSE TAKEOVER

As described in Note 1, the Company completed an RTO transaction. In connection with the RTO transaction, the company received 36,750,000 units, comprised of one common share and one share purchase warrant each.

In connection to the RTO transaction, the Company also 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 82,500,000 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 transaction, 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:

Fair value of the Company's common shares (5,127,733 at CAD$0.35 based on price of concurrent private placement)			$ 1,394,666
Fair value of 2,000,000 warrants of AXS outstanding			473,000
			$ 1,867,666
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			$ 2,691,916

Expressed in U.S. Dollars

4. REVERSE TAKEOVER (continued)

The fair value of warrants of AXS outstanding as of the completion of the RTO transaction was determined by using the Black-Scholes valuation model and the following assumptions:

Risk-free interest rate	1.50%
Expected life in years	1
Expected stock price volatility	125%
Expected dividend rate	0.00%
Fair value per warrant (CAD)	$ 0.30
Stock price at date of valuation (CAD)	$ 0.35

During the fifteen months ended February 28, 2019, 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. ACQUISITION OF LITELINK LABS INC. (FORMERLY CHAINLINKS LAB INC.)

The Company acquired 100% of the outstanding share capital of LLI for total consideration of $3,067,804 (CAD$4,000,000) in cash 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 was a privately held software development 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.

The acquisition was recorded as follows:

Consideration			$ 3,067,804
Net assets (liabilities) of LiteLink Labs Inc.:			
	Cash	$ 3,082	
	Receivables	7,332	
	Deposit	2,301	
	Intangible assets (Note 10)	3,329,035	
	Account payables	(3,982)	
	Accrued liabilities	(34,351)	
	Due to related parties	(235,613)	3,067,804
Net assets acquired			$ 3,067,804

6. SEGMENT REPORTING

The Company has two main operations which generated revenue during the year: cryptocurrency mining and subcontracted software development work for the Port of Vancouver.

	Cryptocurrency Mining	Software Development	Total
Revenue	$ 148,825	$ 69,342	$ 218,167
Cost of sales	138,593	61,826	200,419
Depreciation	1,143,620	-	1,143,620
	$ (1,133,388)	$ 7,516	$ (1,125,872)

Expressed in U.S. Dollars

7. NOTE RECEIVABLE

The Company purchased the BLOC Assets, being inventories of various digital currencies valued at $2,500,319 (CAD$3,217,500), certain software technologies valued at $352,609, and hardware infrastructure valued at $352,609 for consideration of $3,205,538 (CAS $4,125,000) which was paid through the issuance of 82,500,000 common shares. Upon completion of this transaction, BLOC was unable to transfer various digital currencies valued at $2,500,319 (CAD$3,217,500), and as a result, the Company and BLOC entered into a Settlement Agreement on July 4, 2018, whereby, BLOC made a cash payment of $2,282,700 (CAD$3,000,000) and the Company recognized a loss of $217,619.

8. DIGITAL CURRENCIES

As at February 28, 2019, the Company's digital currencies are described in the table below. 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.

	BTC Units	Bitcoin	LBRY Units	LBRY	Total
Carrying value at November 30, 2017 and December 1, 2016	-	$ -	-	$ -	$ -
Additions	8.35	66,099	154,886	25,434	91,533
Sales	(0.84)	(6,215)	-	-	(6,215)
Loss on revaluation	-	(30,924)	-	(21,642)	(52,566)
Carrying value at February 28, 2019	7.51	$28,960	154,886	$ 3,792	$ 32,752

9. INVESTMENTS

The Company's investments consist of the following:

Investment	Balance at February 28, 2019	Balance at November 30, 2017
Konnect Mobile Communications Inc.	$ 455,603	$ -
Impairment of investment	(387,531)	-
Cumulative translation adjustment	274	-
	68,346	-
Zoom Solutions, Inc.	250,002	-
Carrying value at February 28, 2019	$ 318,348	$ -

The Company accounts for these investments as available-for-sale financial assets.

a) Konnect Mobile Communications Inc.

On September 7, 2018, the Company acquired 2.27% interest in Konnect Mobile Communications Inc. ("Konnect") for total consideration of $455,603 (CAD$600,000) in cash. Konnect is a private Canadian technology company which develops payment solution products. As at February 28, 2019, it was determined that the fair value of this investment was lower than its carrying value, and as a result the Company recorded an impairment loss of $387,531.

b) Zoom Solutions, Inc.

On November 6, 2018, the Company acquired 83,334 Units in Zoom Solutions, Inc. ("Zoom"), whereby each unit is comprised of one Series A Cumulative Convertible Preferred Stock ("Shares"), and one Warrant. As consideration, the Company paid $250,002 in cash. Zoom is a private company based in Arkansas, U.S. specializing in payments, blockchain and cloud storage.

Expressed in U.S. Dollars

10. INTANGIBLE ASSETS

Intangible assets are comprised of the following:

	Intellectual Property
Balance, November 30, 2017	$ -
Additions	3,329,035
Amortization	-
Cumulative translation adjustment	(31,061)
Balance, February 28, 2019	$ 3,297,974

Intellectual Property ("IP") is an intangible asset acquired through the acquisition of LLI. The benefit to the Company of acquiring the IP was to obtain various software technologies. As at February 28, 2019 the Company has not recognized any amortization as the IP is not available for use.

11. PROPERTY AND EQUIPMENT

	Computer Equipment	Cryptocurrency Computing Equipment	Software	Furniture and Office Equipment	Leasehold Improvements	Total
Cost:						
At November 30, 2017 and 2016	$ -	$ -	$ -	$ -	$ -	$ -
Additions during the period	48,767	1,338,438	352,609	13,328	12,099	1,765,241
Cumulative translation adjustment	(395)	-	-	(144)	(196)	(735)
At February 28, 2019	$ 48,372	$ 1,338,438	$ 352,609	$ 13,184	$ 11,903	$ 1,764,506
Depreciation:						
At November 30, 2017 and 2016	$ -	$ -	$ -	$ -	$ -	$ -
Depreciation	(12,358)	(892,292)	(235,073)	(3,897)	-	(1,143,620)
Impairment	-	(446,146)	(117,536)	-	-	(563,682)
Cumulative translation adjustment	1,516	-	-	450	-	1,966
At February 28, 2019	$ (10,842)	$ (1,338,438)	$ (352,609)	$ (3,447)	$ -	$ (1,705,336)
Net book value:						
At November 30, 2017 and 2016	$ -	$ -	$ -	$ -	$ -	$ -
At February 28, 2019	$ 37,530	$ -	$ -	$ 9,737	$ 11,903	$ 59,170

From the period between March 1, 2018 to February 28, 2019, the fair value of Bitcoin decreased by 63% and LBRY Credits decreased by 95%. The Company determined that cryptocurrency mining was not profitable, and as a result, management has decided to temporarily shut down the cryptocurrency mining operations. The Company also noted that the fair value of equipment used in cryptocurrency mining operations had declined significantly.

Due to these factors identified, an impairment charge was recorded to reduce the cost of the mining equipment and software to $NIL.

Expressed in U.S. Dollars

12. CONVERTIBLE DEBENTURES

On November 30, 2017, the Company closed a private placement for gross proceeds of $1,427,921 (CAD$1,837,500) under which the Company issued for an aggregate principal amount of $1,427,921 (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") consisting of one common share and one share purchase warrant exercisable for a period of one year from the date of conversion. The Debentures were non-interest bearing.

For accounting purposes, the Debentures were separated into their liability and equity components using the residual method. The fair value of the liability component at the time of issue was determined based on an estimated rate of 15% for Debentures without the conversion feature. The fair value of the equity component was 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 was carried on an amortized cost basis and was being 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 February 28, 2019, 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. 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.

13. 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, Chief Financial Officer, and Chief Operating Officer.

During the fifteen months ended February 28, 2019 and the twelve months ended November 30, 2017, key management compensation consisted of the following:

		For the fifteen months ended February 28, 2019		For the twelve months ended November 30, 2017
Consulting fees	$	119,682	$	-
Management fees, director fees, salaries and wages		183,168		-
Share-based compensation		802,724		-
	$	1,105,574	$	-

Expressed in U.S. Dollars

13. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	For the fifteen months ended February 28, 2019	For the twelve months ended November 30, 2017
Marketing	$ 214,360	$ -

At February 28, 2019, trade payables and accrued liabilities included $26,950 due to directors of the Company and to companies with directors in common with the Company for services provided and for expenses incurred on behalf of the Company.

At February 28, 2019, prepaids and deposits includes $331,850 paid to Native Ads Inc., a digital marketing company, the CEO of which is a former director of the Company. During the period, $214,360 was recognized as digital marketing campaign expenses under marketing expense.

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

14. 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 February 28, 2019, the Company issued 36,750,000 units upon the conversion of AXS's debentures (Note 12). 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.

During the period ended February 28, 2019, the Company issued 82,500,000 common shares valued at $3,205,538 (CAD$4,125,000) in relation to the Asset Acquisition of the BLOC Assets (Note 4). As at February 28, 2019, 61,875,000 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 February 28, 2019, 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 February 28, 2019, the Company issued 1,369,063 common shares in relation to the exercise of warrants for gross proceeds of $52,388 (CAD$68,453).

Expressed in U.S. Dollars

14. SHARE CAPITAL (continued)

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.

A summary of the stock option transactions are as follows:

	Number of Options	Weighted Average Exercise Price
Balance outstanding, November 30, 2017 and December 1, 2016	-	$ -
Issued	23,820,000	0.35
Balance outstanding, February 28, 2019	23,820,000	$ 0.35
Exercisable, February 28, 2019	4,258,750	

In June 2018, the Company granted 12,500,000 incentive stock options to the employees, consultants, directors and officers of the Company. The options are exercisable at a price of CAD$0.35 for a period of five years. The options vest periodically over periods ranging from two to three years.

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 five years. The options vest evenly every six months over three years.

In November 2018, the Company granted 3,220,000 incentive stock options to the employees, consultants, directors and officers of the Company. The options are exercisable at a price of CAD$0.35 for a period of sixty months. The options vest periodically over periods ranging from two to three years.

In January 2019, the Company granted 100,000 incentive stock options to an employee 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 quarter over two years.

Expressed in U.S. Dollars

14. SHARE CAPITAL (continued)

During the fifteen months ended February 28, 2019, the Company recognized share-based compensation expense of $2,077,301 representing the fair value of options granted and vested. 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 fifteen months ended February 28, 2019	For the twelve months ended November 30, 2017
Risk-free interest rate	2.19%	-
Expected option life in years	5 years	-
Expected stock price volatility	116.33%	-
Expected dividend rate	0.00%	-
Fair value per option (CAD)	$ 0.24	-
Stock price at date of grant (CAD)	$ 0.27	-

As at February 28, 2019, 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	4.27	June 6, 2023
8,000,000	$0.35	4.43	August 3, 2023
3,220,000	$0.35	4.70	November 9, 2023
100,000	$0.35	4.85	January 3, 2024
23,820,000	$0.35	4.56	

<u>Warrants</u>

A summary of the warrant transactions is as follows:

	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	(1,369,063)	0.05
Balance outstanding, February 28, 2019	37,380,937	$ 0.05

Expressed in U.S. Dollars

14. SHARE CAPITAL (continued)

At February 28, 2019, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Warrants	Exercise Price (CAD)	Weighted average life remaining (years)	Expiry Date
37,380,937	$0.05	0.08	March 27, 2019

See subsequent events Note 21.

15. 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 and cash equivalents	FVTPL	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Investments	Available-for-sale	Fair value
Accounts payable	Other liabilities	Amortized cost
Due 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.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial instruments (continued)

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 cash equivalents are measured at fair value using Level 1 inputs. The carrying values of the accounts receivable, accounts payable, due to related parties and convertible debentures approximate their fair values due to their short terms to maturity. Investments are measured at fair value using Level 2 inputs.

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 value of cash and cash equivalents is measured on the consolidated 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. The fair value of investments is measured on the consolidated statement of financial position using Level 2 inputs of the fair value hierarchy.

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 and cash equivalents. 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 February 28, 2019, 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.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial risk management (continued)

(ii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in prices. The Company's investments are exposed to price risk.

(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 February 28, 2019 is $4,626,030. The impact of a 10% variance in the USD/CAD exchange rate would be approximately $462,603.

16. DIGITAL CURRENCY AND RISK MANAGEMENT

Digital currencies are 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 February 28, 2019 is $8,188.

17. 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.

18. 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
		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

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

For comparative purposes, the consolidated statement of income and comprehensive income for the period ended November 30, 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 November 30, 2017	**As previously reported in CAD**	**As translated at rate of 0.7759 into U.S. dollars**
General and administrative expenses		
Management fees, director fees, salaries and wages	$ 8,000	$ 6,207
Professional fees	2,515	1,952
Regulatory and transfer agent	1,716	1,331
Total general and administrative expenses	(12,231)	(9,490)
Gain on settlement of debt	53,014	41,134
Income before income taxes	40,783	31,644
Deferred tax recovery	2,000	1,552
Net income for the period	$ 42,783	$ 33,196

19. INCOME TAXES

The difference between tax expense for the periods and the expected income taxes based on the combined federal and provincial statutory tax rate of 27% (November 30, 2017 – 26%) arises as follows:

	Fifteen months ended February 28, 2019	**Twelve months ended November 30, 2017**
Net income (loss) before income taxes	$ (10,795,052)	$ 31,644
Income tax expense (recovery) based on substantively enacted rates	(2,972,000)	9,312
Permanent differences and others	602,723	-
Effect of changes in tax rates	47,000	-
Changes in tax benefits not recognized	2,299,000	(10,864)
Net deferred tax (recovery)	$ (23,277)	$ (1,552)

Expressed in U.S. Dollars

19. INCOME TAXES (continued)

Significant components of the company's deferred income tax assets (liabilities) are as follows:

		February 28, 2019		November 30, 2017
Non-capital loss carryforward	$	1,583,000	$	2,000
Property and equipment		460,000		-
Investments		105,000		-
Convertible debentures		-		(25,277)
Share issuance costs		151,000		-
Deferred tax assets - unrecognized	$	2,299,000	$	-
Deferred tax liability - recognized	$	-	$	(23,277)

The Company has available for deduction against future taxable income, Canadian non-capital losses of approximately $5,864,000 which will begin to expire in 2038.

20. COMMITMENTS

The Company has entered into an operating lease for office space within Greater Vancouver, which commenced on December 1, 2018.

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

Year		Total
2020		150,234
2021		150,234
2022		12,519
Total	$	312,987

21. SUBSEQUENT EVENTS

Subsequent to period end, the Company issued 4,020,625 common shares upon the exercise of 4,020,625 warrants for gross proceeds of CAD $201,031. The remaining 33,560,312 unexercised warrants expired on March 27, 2019. Due to resignation of employees, 1,055,000 options were also forfeited.