

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

Condensed Interim Consolidated Financial Statements

For the Three Months Ended May 31, 2019

(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 May 31, 2018 and 2019

(Expressed in U.S. Dollars)

	Note	May 31, 2019	February 28, 2019
ASSETS			
Current assets			
Cash		\$ 3,199,765	\$ 4,752,712
Accounts receivable		212,235	178,716
Digital currencies	5	68,884	32,752
Prepaid expenses and deposits		320,012	408,213
		<u>3,800,896</u>	<u>5,372,393</u>
Investments	6	316,224	318,348
Intangibles	7	3,204,941	3,297,974
Right-of-use asset	3, 8	228,249	-
Property and equipment	9	55,192	59,170
Total Assets		\$ 7,605,502	\$ 9,047,885
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 218,718	\$ 231,005
Current portion of lease liability	3, 10	138,349	-
		<u>357,067</u>	<u>231,005</u>
Long-term portion of lease liability	3, 10	120,683	-
Total Liabilities		477,750	231,005
Shareholders' equity			
Share capital	12	17,203,519	17,053,524
Reserves	12	3,040,276	2,550,301
Accumulated other comprehensive income		(239,986)	(9,349)
Deficit		(12,876,057)	(10,777,596)
		<u>7,127,752</u>	<u>8,816,880</u>
Total Liabilities and Shareholders' Equity		\$ 7,605,502	\$ 9,047,885

Nature of operations and going concern (Note 1)

Subsequent events (Note 16)

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 Net and Comprehensive Income (Loss)
For the three months ended May 31, 2018 and 2019
(Expressed in U.S. Dollars)

	Note	For the three months ended May 31, 2019	For the three months ended May 31, 2018
Revenue	4	\$ 35,299	\$ 84,801
Cost of sales	4	(31,300)	(22,109)
Depreciation of property and equipment	9	(7,032)	(281,841)
		<u>(3,033)</u>	<u>(219,149)</u>
Gain (loss) on revaluation of digital currencies	5	36,132	(7,911)
General and administrative expenses			
Consulting fees	11	344,282	-
Foreign exchange (gain) loss		(5,493)	1,630
Interest accretion	10	3,395	96,524
Management fees, director fees, salaries and wages	11	569,211	21,633
Marketing	11	467,618	47,616
Office and administration		119,106	70
Professional fees		53,403	239,902
Regulatory and transfer agent		5,871	8,120
Share-based compensation	12	489,975	-
Travel		46,499	-
Total general and administrative expenses		<u>(2,093,867)</u>	<u>(415,495)</u>
		<u>(2,060,768)</u>	<u>(642,555)</u>
Interest expense		(3,143)	-
Gain on sale of property and equipment		39	-
Depreciation of right-in-use asset	8	(31,403)	-
Listing expense		-	(824,250)
Gain on settlement of debt		-	164,978
		<u>(2,095,275)</u>	<u>(1,301,827)</u>
Loss before income taxes		<u>(2,095,275)</u>	<u>(1,301,827)</u>
Deferred tax recovery		<u>-</u>	<u>23,277</u>
Loss for the period		<u>(2,095,275)</u>	<u>(1,278,550)</u>
Translation adjustment		<u>(230,637)</u>	<u>(201,218)</u>
Comprehensive loss for the period		<u>\$ (2,325,912)</u>	<u>\$ (1,479,768)</u>
Basic and diluted loss per common share		\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding		125,187,559	59,705,912

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 three months ended May 31, 2018 and 2019
(Expressed in U.S. Dollars)

	May 31, 2019	May 31, 2018
Cash flows from operating activities		
Net loss for the period	\$ (2,095,275)	\$ (1,278,550)
Adjusted for:		
Deferred tax recovery	-	(23,277)
Depreciation of property and equipment	7,032	281,841
Depreciation of right-in-use asset	31,403	-
Gain on sale of property and equipment	(39)	-
Foreign exchange gain	(5,493)	(30,290)
Gain on settlement of debt	-	(164,978)
Interest accretion	3,395	96,524
Listing expense	-	824,250
Share-based compensation	489,975	-
Change in non-cash working capital items		
Accounts receivable	(33,519)	(14,954)
Digital currencies	(36,132)	(24,600)
Prepaid expenses and deposits	88,201	(225,230)
Accounts payable and accrued liabilities	(12,287)	(101,674)
Cash used in operating activities	(1,562,739)	(660,938)
Cash flows from investing activities		
Acquisition of property and equipment	(3,015)	(985,829)
Cash used in investing activities	(3,015)	(985,829)
Cash flows from financing activities		
Principal portion of lease payments	(37,416)	-
Proceeds from the issuance of shares	-	11,597,460
Proceeds from exercise of warrants	149,995	-
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	112,580	10,380,946
Net increase in cash during the period	(1,453,175)	8,734,179
Foreign exchange impact on cash	(99,773)	-
Cash, beginning of period	4,752,712	1,425,716
Cash, end of period	\$ 3,199,765	\$ 10,159,895

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 Changes in Shareholders' Equity

(Expressed in U.S. Dollars)

	Share capital		Reserves	Accumulated other comprehensive loss	Deficit	Total
	Shares issued	Amount				
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	158,750	6,174	-	-	-	6,174
Net loss for the period	-	-	-	-	(1,278,550)	(1,278,550)
Translation adjustment	-	-	-	(201,218)	-	(201,218)
Balance as at May 31, 2018	167,176,553	\$ 17,007,310	\$ 473,000	\$ (201,218)	\$ (1,284,371)	\$ 15,994,721
Opening balance as at March 1, 2019	168,386,866	\$ 17,053,524	\$ 2,550,301	\$ (9,349)	\$ (10,777,596)	\$ 8,816,880
Adjustment on adoption of IFRS 16 (Note 2)	-	-	-	-	(3,186)	(3,186)
Restated opening balance as at March 1, 2019	168,386,866	17,053,524	2,550,301	(9,349)	(10,780,782)	8,813,694
Warrants exercised	4,020,625	149,995	-	-	-	149,995
Share-based compensation	-	-	489,975	-	-	489,975
Net loss for the period	-	-	-	-	(2,095,275)	(2,095,275)
Translation adjustment	-	-	-	(230,637)	-	(230,637)
Balance as at May 31, 2019	172,407,491	\$ 17,203,519	\$ 3,040,276	\$ (239,986)	\$ (12,876,057)	\$ 7,127,752

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

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

Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended May 31, 2018 and 2019
Expressed in U.S. Dollars

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.

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 May 31, 2019, the Company had not achieved profitable operations, had an accumulated deficit of \$12,876,057 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 condensed interim 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 condensed interim consolidated financial statements have been prepared using the accrual basis of accounting.

These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended February 28, 2019.

These condensed interim consolidated financial statements were reviewed and approved and authorized for issue by the Board of Directors of the Company on July 29, 2019.

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned legal subsidiaries, AXS Innovations Inc. ("AXS"), Litelink Labs Inc. ("LLI"), and uBUCK Technologies SEZC ("uBUCK") 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"), whereas the functional currency of AXS and uBUCK is the U.S. dollar.

LITELINK TECHNOLOGIES INC.
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Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended May 31, 2018 and 2019
Expressed in U.S. Dollars

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 subsidiaries 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) 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.
- iv) Revenue recognition: The Company recognizes revenue from the provision of transaction verification services within digital currency networks, commonly termed “cryptocurrency mining”. As consideration for these services, the Company receives digital currency from each specific network in which it participates (“coins”). Revenue is measured based on the fair value of the coins received. The fair value is measured using the closing price of coinmarketcap.com on the date of receipt of the coins deposited in the Company’s private digital currency wallet. The coins are recorded on the statement of financial position, as digital currencies, at their fair value and re-measured at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of coins for traditional (fiat) currencies, such as the U.S. dollar, are included in the statement of profit and loss. The Company records the revaluation gains and losses in profit and loss because this is considered to be the most accurate presentation of the Company’s operations to the users of the financial statements. There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the mining and holding of digital currencies. Management has exercised significant 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 three months ended May 31, 2018 and 2019

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) 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.
- iv) 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.
- v) 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.

LITELINK TECHNOLOGIES INC.

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Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended May 31, 2018 and 2019

Expressed in U.S. Dollars

3. SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies

IFRS 16 Leases – New accounting pronouncement adopted in 2020 reporting period

Effective March 1, 2019, the Company adopted IFRS 16, *Leases* (“IFRS 16”), which supersedes previous accounting standards for leases, including IAS 17, *Leases* (“IAS 17”), and IFRIC 4, *Determining whether an arrangement contains a lease* (“IFRIC 4”). IFRS 16 introduces a single lessee accounting model, unless the underlying asset is of low value, and requires a lessee to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

As a result of adopting IFRS 16, the Company has recognized a significant increase to both assets and liabilities on our Condensed Interim Consolidated Statements of Financial Position, as well as a decrease to operating expenses (for the removal of base rent expense for leases), an increase to depreciation (due to the depreciation of the right-of-use asset), and an increase to interest expense (due to accretion of the lease liability). Leasehold inducements (which were previously included in accounts payable and accrued liabilities) are no longer recognized as separate liabilities and are included in the calculation of right-of-use assets under IFRS 16.

The Company adopted IFRS 16 using the modified retrospective method and has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The cumulative effect of initially applying the new standard is recognized as an adjustment to the opening deficit within the shareholders’ equity balance as at March 1, 2019.

Adjustments recognized on adoption of IFRS 16

On adoption of IFRS 16, the Company recognized lease assets and liabilities in relation to lease previously classified as an ‘operating lease’ under the principles of IAS 17. This liability was measured at the present value of the remaining lease payments, discounted using the related incremental borrowing rate as of March 1, 2019. The incremental borrowing rate applied to the lease liability on March 1, 2019 was 5.00%. The associated right-of-use assets were measured as if the standard had been applied since the commencement date, discounted using the incremental borrowing rates as of March 1, 2019. The cumulative effect of initially applying IFRS 16 was recognized as a \$264,192 right-of-use asset (Note 8) with a corresponding lease liability of \$297,988 (Note 10).

In applying IFRS 16 for the first time, the Company used the following practical expedients permitted by the standard:

- Account for lease payments as an expense and not recognize a right-of-use asset if the underlying asset is of low dollar value; and
- The use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended May 31, 2018 and 2019

Expressed in U.S. Dollars

Changes in accounting policies (continued)

A reconciliation of the effect of transition to IFRS 16 on select accounts impacted on the Company's condensed interim consolidated statement of financial position as at March 1, 2019 is outlined below:

Selected Accounts	As originally reported at February 28, 2019	IFRS 16 adjustments	As at March 1, 2019
Assets:			
Right-of-use asset	\$ -	\$ 264,192	\$ 264,192
Total assets	\$ -	\$ 264,192	\$ 264,192
Liabilities and shareholders' equity:			
Accounts payable and accrued liabilities	\$ 231,005	\$ (30,610)	\$ 200,395
Current portion of lease liability	-	139,172	139,172
Long-term portion of lease liability	-	158,816	158,816
Total liabilities	\$ 231,005	\$ 267,378	\$ 498,383
Shareholders' equity	\$ 8,816,880	\$ (3,186)	\$ 8,813,694
Total liabilities and shareholders' equity	\$ 9,047,885	\$ 264,192	\$ 9,312,077

Upon the adoption of IFRS 16, the Company adopted the following significant accounting policy effective March 1, 2019:

Leases

A contract is a lease (or may contain a lease) if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term. Interest expense is recognized on the lease liability using the effective interest rate method and payments are applied against the lease liability. Payments received for the sublease of right-of-use assets are recognized as sublease revenue.

Key areas where management has made judgments, estimates, and assumptions related to the application of IFRS 16 include:

- The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use asset, lease liability, and the resulting interest expense and depreciation expense, may differ due to changes in the market conditions and lease term.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

LITELINK TECHNOLOGIES INC.

(formerly AXS Blockchain Solutions Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended May 31, 2018 and 2019

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Foreign exchange (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

LITELINK TECHNOLOGIES INC.

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Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended May 31, 2018 and 2019

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Financial instruments (continued)

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.

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)

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

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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 and accrued liabilities 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 May 31, 2019, the Company does not have significant influence over any investees.

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

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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
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. 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 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.

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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.

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.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)**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*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.

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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 May 31, 2019 and have not been applied in preparing these condensed interim 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 condensed interim 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 condensed interim 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 condensed interim 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 condensed interim 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 condensed interim consolidated financial statements.

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4. SEGMENT REPORTING

The Company has two main operations which generated revenue during the three months ended May 31, 2018 and 2019: cryptocurrency mining and subcontracted software development work for Deloitte.

For the three months ended May 31, 2019:

	Cryptocurrency Mining	Software Development	Total
Revenue	\$ -	\$ 33,802	\$ 33,802
Cost of sales	-	28,655	28,655
Depreciation	-	-	-
	\$ -	\$ 5,147	\$ 5,147

For the three months ended May 31, 2018:

	Cryptocurrency Mining	Software Development	Total
Revenue	\$ 84,801	\$ -	\$ 84,801
Cost of sales	22,109	-	22,109
Depreciation	281,841	-	281,841
	\$ (219,149)	\$ -	\$ (219,149)

5. DIGITAL CURRENCIES

As at May 31, 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 February 28, 2019	7.51	\$ 28,960	154,886	\$ 3,792	\$ 32,752
Additions	-	-	-	-	-
Sales	-	-	-	-	-
Gain on revaluation	-	35,459	-	673	36,132
Carrying value at May 31, 2019	7.51	\$ 64,419	154,886	\$ 4,465	\$ 68,884

6. INVESTMENTS

The Company's investments consist of the following:

Investment	Balance at	
	May 31, 2019	February 28, 2019
Konnect Mobile Communications Inc.	\$ 455,603	\$ 455,603
Impairment of investment	(387,531)	(387,531)
Cumulative translation adjustment	(1,850)	274
	66,222	68,346
Zoom Solutions, Inc.	250,002	250,002
Ending balance	\$ 316,224	\$ 318,348

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6. INVESTMENTS (continued)

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. During the fifteen month period ended 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.

7. INTANGIBLE ASSETS

Intangible assets are comprised of the following:

	Intellectual Property
Balance, February 28, 2019	\$ 3,297,974
Amortization	-
Cumulative translation adjustment	(93,033)
Balance, May 31, 2019	\$ 3,204,941

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 May 31, 2019 the Company has not recognized any amortization as the IP is not available for use.

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8. RIGHT-OF-USE ASSET

	Three months ended May 31, 2019
Cost:	
Opening balance	\$ -
Recognition upon adoption of IFRS 16	264,192
Cumulative translation adjustment	(4,818)
Balance, May 31, 2019	\$ 259,374
Accumulated Amortization:	
Opening balance	\$ -
Amortization	(31,403)
Cumulative translation adjustment	278
Balance, May 31, 2019	\$ (31,125)
Net book value:	
At February 28, 2019	\$ -
At May 31, 2019	\$ 228,249

The Company recognized a right-of-use asset and a corresponding lease liability (Note 10) upon the adoption of IFRS 16 related to its premises under lease. The right-of-use asset is depreciated on a straight-line basis over the term of the underlying lease agreement.

9. PROPERTY AND EQUIPMENT

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	Computer Equipment	Cryptocurrency Computing Equipment	Software	Furniture and Office Equipment	Leasehold Improvements	Total
Cost:						
At February 28, 2019	\$ 48,372	\$ 1,338,438	\$ 352,609	\$ 13,184	\$ 11,903	\$ 1,764,506
Additions during the period	7,754	-	-	-	-	7,754
Disposals during the period	-	-	-	(7,189)	-	(7,189)
Cumulative translation adjustment	(1,475)	-	-	(262)	(336)	(2,073)
At May 31, 2019	\$ 54,651	\$ 1,338,438	\$ 352,609	\$ 5,733	\$ 11,567	\$ 1,762,998
Depreciation:						
At February 28, 2019	\$ (10,842)	\$ (1,338,438)	\$ (352,609)	\$ (3,447)	-	\$ (1,705,336)
Disposals during the period	-	-	-	2,354	-	2,354
Change during the period	(6,096)	-	-	(936)	-	(7,032)
Cumulative translation adjustment	1,901	-	-	307	-	2,208
At May 31, 2019	\$ (15,037)	\$ (1,338,438)	\$ (352,609)	\$ (1,722)	\$ -	\$ (1,707,806)
Net book value:						
At February 28, 2019	\$ 37,530	\$ -	\$ -	\$ -	\$ -	\$ 37,530
At May 31, 2019	\$ 39,614	\$ -	\$ -	\$ 4,011	\$ 11,567	\$ 55,192

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10. LEASE LIABILITY

	Three months ended May 31, 2019	
Opening balance	\$	-
Recognition upon adoption of IFRS 16		297,988
Accretion of lease liability		3,395
Lease payments		(37,416)
Cumulative translation adjustment		(4,935)
Balance, May 31, 2019	\$	259,032
Less: Current portion of lease liability	\$	138,349
Long-term portion of lease liability	\$	120,683

The Company recognized a right-of-use asset (Note 8) and a corresponding lease liability upon the adoption of IFRS 16 related to its premises under lease. Interest accretion is recognized on the lease liability and lease payments are applied against the lease liability.

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, Chief Financial Officer, and Chief Operating Officer.

During the three months ended May 31, 2019 and 2018, key management compensation consisted of the following:

	For the three months ended May 31, 2019		For the three months ended May 31, 2018	
Consulting fees	\$	37,502	\$	-
Management fees, director fees, salaries and wages		59,880		3,600
Share-based compensation		175,726		-
	\$	273,109	\$	3,600

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12. SHARE CAPITALAuthorized

Unlimited common shares without par value.

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, February 28, 2019	23,820,000	\$ 0.35
Issued	-	-
Balance outstanding, May 31, 2019	23,820,000	\$ 0.35
Number exercisable	6,100,833	

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12. SHARE CAPITAL (continued)

During the three months ended May 31, 2019, the Company recognized share-based compensation expense of \$489,975 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 three months ended May 31, 2019	For the three months ended May 31, 2018
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)	\$ 0.21	-
Stock price at date of grant (CAD)	\$ 0.27	-

As at May 31, 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	4.02	June 6, 2023
8,000,000	\$0.35	4.18	August 3, 2023
3,220,000	\$0.35	4.45	November 9, 2023
100,000	\$0.35	4.60	January 3, 2024
23,820,000	\$0.35	4.31	

Warrants

A summary of the warrant transactions is as follows:

	Number of Warrants	Weighted Average Exercise Price (CAD)
Balance outstanding, February 28, 2019	37,380,937	\$ 0.05
Exercised	(4,020,625)	0.05
Expired	(33,360,312)	0.05
Balance outstanding, May 31, 2019	-	-

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

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

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

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

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

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

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13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial risk management

Management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and cash equivalents, accounts receivable, digital currencies, accounts payable and accrued liabilities.

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 accounts receivable, accounts payable and accrued liabilities 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 May 31, 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.

(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.

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13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial risk management (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 May 31, 2019 is \$4,404,868. The impact of a 10% variance in the USD/CAD exchange rate would be approximately \$440,784.

14. 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 May 31, 2019 is \$17,221.

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 February 28, 2019.