Scorpion Resources Inc.

Condensed Interim Financial Statements

Nine Months Ended December 31, 2017

(Expressed in Canadian Dollars)

NOTICE TO READER

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

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

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Scorpion Resources Inc.
Condensed Interim Statements of Financial Position
As at December 31, 2017
(Expressed in Canadian Dollars - unaudited)

	Note		December 31, 2017		March 31, 2017
ASSETS					
Current assets					
Cash		$	121,799	$	14,987
Prepaid expenses			37,750		-
TOTAL ASSETS		**$**	**159,549**	**$**	**14,987**
LIABILITIES					
Current liabilities					
Trade payables and accrued liabilities	4	$	168,415	$	318,237
Loan payable	5		2,500		7,500
TOTAL LIABILITIES			**170,915**		**325,737**
SHAREHOLDERS' DEFICIT					
Share capital	6		861,695		402,043
Stock option reserve	6		45,351		45,351
Deficit			(918,412)		(758,144)
TOTAL DEFICIT			(11,366)		(310,750)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT		**$**	**159,549**	**$**	**14,987**

Nature and continuance of operations (Note 1)
Subsequent events (Note 8)

Approved on behalf of the Board of Directors:

"Quinn Field-Dyte"
Director

"Von Torres"
Director

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

Scorpion Resources Inc.
Condensed Interim Statements of Comprehensive Income (Loss)
For the three and nine month periods ending December 31, 2017
(Expressed in Canadian Dollars - unaudited)

	Note	Three month period ended		Nine month period ended	
		December 31, 2017	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Expenses					
		$	$	$	$
Business development		1,663	1,493	1,663	1,493
Consulting		-	95,000	-	95,000
Foreign exchange gain		(2,371)	(1,072)	(4,553)	(1,072)
Office and miscellaneous		30,173	1,401	31,147	2,164
Professional fees (recovery)	7	5,145	16,844	(37,505)	46,412
Property investigation costs		119,225	-	119,225	-
Transfer agent and filing fees		37,690	15,206	50,291	16,099
		$	**$**	**$**	**$**
Net and comprehensive loss		**(191,525)**	**(128,872)**	**(160,268)**	**(160,096)**
		$	**$**	**$**	**$**
Loss per share – basic and diluted	6	**(0.06)**	**(0.13)**	**(0.08)**	**(0.17)**
Weighted average number of shares outstanding – basic and diluted	6	**3,427,191**	**970,000**	**1,944,304**	**970,000**

Scorpion Resources Inc.
Condensed Interim Statements of Changes in Deficit
For the nine month period ending December 31, 2017
(Expressed in Canadian Dollars - unaudited)

	Share capital		Stock option reserve	Deficit	Total
	Number of shares	Amount			
Balance at March 31, 2016	**970,000**	**$ 373,043**	**$ 45,351**	**$ (566,571)**	**$ (148,177)**
Net and comprehensive loss	-	-	-	(160,096)	(160,096)
Balance at December 31, 2016	**970,000**	**373,043**	**45,351**	**(726,667)**	**(308,273)**
Balance at March 31, 2017	**1,070,000**	**402,043**	**45,351**	**(758,144)**	**(310,750)**
Shares issued from private placement	2,357,191	459,652	-	-	459,652
Net and comprehensive loss	-	-	-	(160,268)	(160,268)
Balance at December 31, 2017	**3,427,191**	**$ 861,695**	**$ 45,351**	**$ (918,412)**	**$ (11,366)**

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

Scorpion Resources Inc.
Condensed Interim Statements of Cash Flows
For the nine month period ending December 31, 2017
(Expressed in Canadian Dollars - unaudited)

		Nine month period ended		
		December 31, 2017		**December 31, 2016**
Operating activities				
Net loss	$	(160,268)	$	(160,096)
Non-cash item:				
Foreign exchange gain		4,553		1,072
Changes in non-cash working capital item:				
GST receivable		-		(5,986)
Prepaid expenses		(37,750)		-
Trade payables and accrued liabilities		(154,375)		122,510
Net cash flows used in operating activities		**(347,840)**		(42,500)
Financing activities				
Shares issued in private placement		459,652		-
Loan payable		(5,000)		42,500
Net cash flows provided by financing activities		**454,652**		42,500
Increase in cash		106,812		-
Cash, beginning		14,987		-
Cash, ending	**$**	**121,799**	**$**	**-**

1. Nature and continuance of operations

Scorpion Resources Inc. (the "Company") was incorporated under the British Columbia Business Corporations Act on October 19, 2011. The Company was formed for the primary purpose of completing an Initial Public Offering ("IPO") on the TSX Venture Exchange ("Exchange") as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the Exchange. As a CPC, the Company's principal business would be to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction in accordance with Policy 2.4 of the Exchange ("Qualifying Transaction"). A CPC has 24 months from when the shares are listed on the Exchange to complete a Qualifying Transaction. Such a transaction will be subject to shareholder and regulatory approval. The Company's shares were listed on the Exchange on September 7, 2012. Until completion of the Qualifying Transaction, the Company will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction.

On September 9, 2014 the Exchange informed the Company that it has halted the Company's securities from trading for failure to complete the Qualifying Transaction prior to the suspension deadline of September 11, 2014. On December 10, 2014, the Company announced that it had applied for a transfer of its listing from the Exchange to the NEX board of the Exchange ("NEX"). The Company obtained the requisite shareholder approval for the transfer to NEX at the annual general meeting of its shareholders held on September 12, 2014. The Company was transferred to NEX under the trading symbol SR.H and the Company's tier classification changed from Tier 2 to NEX.

The head office and principal address is 800 - 1199 West Hastings Street, Vancouver, B.C., V6E 3T5 and the records and registered office is located at 800-1199 - 1055 West Hastings Street, Vancouver, B.C., V6E 3T5.

These unaudited condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The proposed business of the Company involves a high degree of risk and there is no assurance that the Company will identify an appropriate business for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment. Additional funds will be required to enable the Company to pursue such an initiative and the Company may be unable to obtain such financing on terms which are satisfactory to it, particularly in the current economic environment. Furthermore, there is no assurance that the business will be profitable. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares.

2. Significant accounting policies

The unaudited condensed interim financial statements were approved and authorized for issue, by the board of directors of the Company, on February 26, 2018.

Statement of compliance with International Financial Reporting Standards

The unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standards "IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These unaudited interim condensed financial statements follow the same accounting policies and methods of application as the most recent audited annual financial statements of the Company.

2. Significant accounting policies (cont'd)

Statement of compliance with International Financial Reporting Standards (cont'd)

These unaudited condensed interim financial statements do not contain all the information and disclosures required by IFRS for annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended March 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB.

Basis of preparation

These unaudited condensed interim financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars, unless otherwise noted, which is the Company's functional and presentation currency.

Significant estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant areas requiring the use of estimates include the recoverability of deferred tax assets.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the classification of financial instruments.

3. Accounting standards issued but not yet effective

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company has not early adopted this new standard and is currently assessing the impact that it will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

(Expressed in Canadian Dollars - unaudited)

4. Trade payables and accrued liabilities

	December 31, 2017	March 31, 2017
Trade payables (Note 7)	$ 160,415	$ 310,237
Accrued liabilities	8,000	8,000
	$ 168,415	$ 318,237

5. Loan payable

As at December 31, 2017, the Company had an outstanding loan of $2,500 (March 31, 2017 - $7,500) from a director. The loan is unsecured, without interest and due on demand (Note 7).

6. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

On May 23, 2017, the Company consolidated its issued and outstanding share capital on the basis of one post consolidated share for every five pre-consolidation common shares. As a result, the outstanding common shares of the Company was reduced to 1,070,000 common shares and the outstanding escrowed shares was reduced to 382,000 shares. All references to shares in the financial statement reflect the share consolidation.

At December 31, 2017, there were 3,427,191 issued and fully paid common shares (2016 – 970,000).

Private placements

For the period ended December 31, 2017:

On September 20, 2017, the Company closed a private placement of 2,357,191 shares for gross proceeds of $459,652 at a price of $0.195 per common share.

Restricted share capital

The Company has 382,000 common shares in escrow pursuant to an escrow agreement. The escrow agent will release any securities upon receiving notice of completion of a Qualifying Transaction. The escrow shares will be released in stages, as follows:

38,200	Shares to be released after Final Exchange Bulletin;
57,300	Shares to be released 6 months following the Final Exchange Bulletin;
57,300	Shares to be released 12 months following the Final Exchange Bulletin;
57,300	Shares to be released 18 months following the Final Exchange Bulletin;
57,300	Shares to be released 24 months following the Final Exchange Bulletin;
57,300	Shares to be released 30 months following the Final Exchange Bulletin;
57,300	Shares to be released 36 months following the Final Exchange Bulletin;
382,000	Total

(Expressed in Canadian Dollars - unaudited)

6. Share capital (cont'd)

Basic and diluted earnings (loss) per share

The calculation of basic and diluted loss per share for the nine month period ended December 31, 2017 was based on the loss attributable to common shareholders of $160,268 (2016 – $160,096) and the weighted average number of post consolidated common shares outstanding of 1,944,304 (2016 – 970,000).

Diluted income (loss) per share did not include the effect of stock options and common shares held in escrow as the effect would be anti-dilutive.

Stock options

The Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares.

Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

The Company will not permit more than 97,000 options to be exercised until the Company is in compliance with the Exchange policies regarding the 10% rolling stock option plan. The remaining 23,000 options would not be available for exercise until the Company has 1,200,000 shares issued and outstanding.

No incentive stock options were issued during the period ended December 31, 2017 and year ended March 31, 2017. The following table summarizes the continuity of the Company's stock options:

	Number of options	**Weighted average exercise price**
Balance, March 31, 2017	120,000	$0.50
Expired	(120,000)	$0.50
Balance, December 31, 2017	-	-

(Expressed in Canadian Dollars - unaudited)

7. Related party

The following amounts due to related parties are included in trade payables:

	December 31, 2017	March 31, 2017
Companies controlled by directors and officers of the Company (Note 4)	$ 31	$ 58,570
Due to a director and former director of the Company (Note 4)	22,924	36,371
	$ 22,955	$ 94,941

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. As of December 31, 2017, the Company has a loan payable to a director of $2,500 (Note 5).

During the period ended December 31, 2017, a company controlled by a director of the Company credited the Company for debt totalling $58,538.

Key management compensation

	December 31, 2017	December 31, 2016
Professional fees	$ -	$ 21,000

8. Subsequent events

On January 18, 2018, the Company signed a definitive share exchange agreement with BlockStrain Technology Corp. ("BlockStrain"), a private company incorporated in the province of British Columbia, and each of the shareholders of BlockStrain, pursuant to which the Company has agreed to acquire all of the issued and outstanding securities of BlockStrain. The transaction will constitute a reverse takeover of the Company by BlockStrain and the Company's qualifying transaction as defined in the policies of the Exchange.

Pursuant to the terms of the agreement, the Company will issue an aggregate of 38.35 million post-split common shares, pro rata, to the shareholders of BlockStrain at a deemed price of $0.30 per share.

Terms of the transaction
It is anticipated that the completion of the transaction will involve, among other things, the following steps:

- Scorpion completing a 2 for 1 forward split of the Company's shares;
- The shareholders of BlockStrain receiving one of the Company's share for each common share of BlockStrain held;
- The Company completing a private placement of subscription receipts for aggregate gross proceeds of up to $10-million at a price of 30 cents per subscription receipt; and
- The Company adopting a stock option plan, with the number of options available for grant under the plan to be determined in accordance with the policies of the Exchange.

Closing of the proposed transaction is expected to be on or before April 30, 2018. The proceeds of the concurrent financing are expected to be used for technology development and licensing, corporate and business development, blockchain and smart-contract development, Smart Hub API development, and for general working capital purposes. Finders' fees may be paid in connection with the concurrent financing.