



## **BLOCKStrain Reports to Shareholders on First Quarter Operations**

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VANCOUVER, July 5, 2018 /CNW/ -

**From: Robert Galarza, CEO, BLOCKSTRAIN TECHNOLOGY CORP. (the "Company" or "BLOCKStrain") (TSXV: DNAX.V)**

Dear Shareholders:

On June 30, 2018, our company completed the first full quarter of operations since the closing of a \$10.5 million dollar private placement, and entry into the public markets on May 23, 2018. Therefore, on behalf of the management of BLOCKStrain, I would like to take a moment to issue the first detailed management report to our early investors and shareholders.

First of all, we would like to express our sincere appreciation and gratitude to our early investors for supporting BLOCKStrain as our team works tirelessly to develop a unique and proprietary enterprise software platform, and engages in continuous efforts to grow our business in the global marketplace.

It's been an eventful six months since we first engaged with our investor group to finance our operations and growth, and thereafter taking the company public. Although a number of significant developments have taken place since that time—including the recreational legalization of cannabis in Canada under Bill C-45—we would like to take this time to brief you on some of the more important material events for BLOCKStrain that have occurred over the past three months and why we believe they matter to our business.

### **Material Events**

One of the most significant events in the development of our company occurred on May 29, 2018 when BLOCKStrain formally welcomed WeedMD Inc. to its platform, making it an early adopter of blockchain-enabled software within the cannabis industry. Working alongside the management and cultivation team at WeedMD—including industry veteran and Design, Cultivation and Production partner of WeedMD Derek Pedro—BLOCKStrain has been able to identify and develop systems that automate administrative functions within a Licensed Producer's facility and reduce the "red tape" associated with their business. We have been able to customize our platform to fit the real world needs of the industry, all while providing a functional data archival system designed to support transparency and product integrity. Furthermore, our work with WeedMD allowed us to see what type of tools it is currently using, and then focusing on solutions for its problem areas, especially relating to production batch reporting and product testing.

The importance of this strategic relationship should not be underestimated. Not only does WeedMD provide BLOCKStrain with a lead customer and investor, but also an invaluable development partner. The talented BLOCKStrain developers are designing software hand in hand with a highly respected Licensed Producer cultivation team. In other words, we are making real tools for real growers. Moreover, the investment by WeedMD into BLOCKStrain also illustrates a mutual interest between the two companies, as our platform is designed to be an invaluable tool in the global genetics business of WeedMD.

WeedMD, as evidenced by its recent acquisition by Tokyo Smoke's parent company Hiku Brands Company, Ltd., could now be considered amongst one of the leading cannabis companies in Canada. [https://web.tmxmoney.com/article.php?newsid=7949494070308572&qm\\_symbol=DNAX](https://web.tmxmoney.com/article.php?newsid=7949494070308572&qm_symbol=DNAX) Having such an experienced and well-respected partner in the early days of our development has been, and will continue to be invaluable to BLOCKStrain's development.

Equally important was the decision by WeedMD founder and Chairman Michael Kraft to join the BLOCKStrain Board of Directors. Mr. Kraft is an extremely talented and experienced leader in the Canadian business community with a wealth of knowledge about capital markets, sales and marketing, and of course the developing cannabis industry. This guidance and leadership speaks volumes about the core strategy of the BLOCKStrain business—to support a transparent and legal supply chain for cannabis with a focus on product integrity.

On June 5, 2018, BLOCKStrain announced an agreement with cannabis industry technology leader Abattis Bioceuticals Corp. to integrate BLOCKStrain's technology into their products and service offerings. Our company is very excited to work with a life sciences and biotechnology company that aggregates, integrates, and invests in cannabis technologies and biotechnology services. As discussed in our prior release, Abattis has successfully developed and licensed natural health products, medicines, extractions, and ingredients for the biologics, nutraceutical, bioceutical, and cosmetic markets, and most recently announced a definitive agreement with XLABS Therapeutics to launch a new cannabis laboratory in Belleville, Ontario, designed to service Ontario's growing cannabis sector. <https://abattis.com/2018/06/28/abattis-enters-into-definitive-agreement-to-launch-new-cannabis-lab-in-ontario/> The management of BLOCKStrain is very excited to see how our platform can help maximize this development by bringing our core technology into the labs themselves.

In the same week, on June 7, 2018, BLOCKStrain was happy to announce that cannabis industry pioneer Derek Pedro agreed to join our company's Advisory Board.

Mr. Pedro was a co-founder and Master Grower at Maricann Group Inc., an early Licensed Producer under the Access to Cannabis for Medical Purposes Regulations (ACMPR), and as mentioned is currently the Design, Cultivation and Production Partner at WeedMD Inc., where he designed and supervised construction of that company's production facility in Ontario.

Mr. Pedro's experience in the legal Canadian cannabis industry extends back to 2003 when he first cultivated cannabis for medical patients under the Medical Marihuana Access Regulations.

In 2009 he started Medical Marihuana Alliance and Resources Inc., a co-operative business with 14 locations, designed to provide low-cost medical cannabis to patients with lower incomes. Mr. Pedro later built the first 'hybridized' cannabis greenhouse in Canada, allowing growers to produce high quality cannabis in a modified greenhouse setting.

As Canada shifted to the new model of cannabis production under the Access to Cannabis for Medical Purposes Regulation (ACMPR), Mr. Pedro again played a pivotal role by bringing 54 live strains and 25,550 seeds into the legal cannabis system. Today, many of those strains form a major part of Canada's genetic seed bank for cannabis. Mr. Pedro is also heavily involved in research and development as one of Canada's premier breeders of new cannabis strains, including Pedro's Wine Gums, the most popular strain currently sold by WeedMD. Derek's expertise and guidance in the development of the BLOCKStrain platform is paramount.

Two weeks later, on June 19, BLOCKStrain announced that National Green Biomed, a cannabis company based in the Fraser Valley of British Columbia, is also adopting BLOCKStrain technology as it builds out its cannabis production facility. This is particularly exciting as it will give BLOCKStrain the ability to work with the management of NG Biomed as a late stage applicant under the ACMPR throughout the early development stages of their facility.

[https://web.tmxmoney.com/article.php?newsid=7132335109644940&qm\\_symbol=DNAX](https://web.tmxmoney.com/article.php?newsid=7132335109644940&qm_symbol=DNAX)

On June 21, our company had the honor and privilege of being invited to ring the opening bell at the Toronto Stock Exchange and I had the opportunity to discuss some key parts of our business with the market. <https://www.tsx.com/listings/tsx-and-tsxv-issuer-resources/the-view-from-the-c-suite>

Please know that our team is working hard to develop further business development opportunities, and we are receiving a great deal of interest from the legal cannabis community in Canada and abroad.

## **Software Development**

As the management team continues to work on business development, our team of designers and developers led by CTO Tommy Stephenson has been working around the clock to finalize the market-ready version of our core BLOCKStrain technology platform.

As mentioned previously, BLOCKStrain has developed the first integrated software platform that utilizes blockchain to register and track intellectual property for the cannabis industry. BLOCKStrain brings value in three key areas:

### **For Governments:** *Accuracy, Transparency, Accountability:*

BLOCKStrain helps governments regulate and legalize a substance that, until recently was monopolized by the black markets. The ecosystem delivers needed transparency to growers, retailers, regulators, and consumers who have struggled to find realistic solutions to these logistical challenges.

### **For Producers:** *Branding and IP Empowerment*

Cannabis is a complex product with over 400 properties that can change, strain to strain: seed, fiber, cannabinoid content, regional or cultivation environments, growth characteristics, flavor and terpene profiles. BLOCKStrain technology allows growers to release their varieties into the public domain without fear of losing their ownership claim or rights to be paid for their intellectual property (IP).

### **For Consumers:** *Confidence, Security, Trust*

Today, consumers are largely unaware of how cannabis will affect their bodies. Moreover, as an agricultural product, the microbial or chemical makeup of the product can have a detrimental effect on the body and therefore on consumer confidence. BLOCKStrain's data and certification system gives consumers the information they need to make informed decisions about the products they choose.

As strain protection and genetic identification become major issues for growers and breeders, this new technology allows them to identify and secure rights to their valuable intellectual property (IP). With BLOCKStrain, Licensed Producers under the ACMPR, as well as Micro-cultivators transitioning into the new legal ecosystem, can genetically verify their product and place that identification on the blockchain for immutability. We then track that genetic identity throughout the entire supply chain with each step being further validated and protected on the chain. Each registered product is given a unique QR-code that links up to all of the testing data of the product, as well as full visibility of where that product traveled throughout the chain of custody. Customers can verify that they are buying a safe and legal product and producers have a validated record of ownership.

The BLOCKStrain platform also helps Licensed Producers manage the process of meeting regulatory requirements by streamlining the administrative process of genetic and mandatory quality-control testing for legal cannabis, cutting the administrative time and expense in half. BLOCKStrain's proprietary, immutable, cryptographically-secure blockchain enabled technology establishes a global 'single source of truth' for cannabis strains, their ownership, potency and chemical makeup.

At this stage, our development team is working with the WeedMD team to finalize the software so that it fully meets the needs of Canadian Licensed Producers. We estimate the software will be ready for full deployment in just a few short weeks, after which the Company can look forward to growing its customer base and generating revenue.

Further, our company is also working to finalize the license agreement of the IgnitePro software suite owned by Spark Digital Technologies, which is designed to give full supply chain visibility and global

tracking of cannabis products in real time. When completed, we believe the combined BLOCKStrain solution will redefine the 'Track and Trace' terminology.

## **Financial Sustainability**

Our company is in a very good financial position as we move forward to full commercialization of our software. BLOCKStrain raised \$10.5 million to date, and the Company has sufficient capital to complete the development and commercialization of our software products. Under our current business model, the Company does not need to raise any more funds until well after BLOCKStrain is already generating revenue.

We would like to address one issue that has raised concerns for our investors, which is the sharp decline in our share price over the past 54 to 60 days. Some investors have contacted us with concerns that this decline in share price might be due to an adverse material event that had not been reported. We can assure you that this is not the case. Our company is in a solid financial position and we are working to surpass all the benchmarks we set forth earlier this year. BLOCKStrain has only been in the public markets for a little over six weeks and we're just getting started.

## **Summary**

We would again like to thank our investors for believing in BLOCKStrain, and for supporting our company in the early stages of development. Our focus is to build a business that will benefit all of our shareholders, and particularly those who took a chance on us in the early days. We believe we are on that path. Meeting the objectives in our business plan would make BLOCKStrain the world's largest repository of data on the cannabis industry, making the Company very valuable to the thousands of cannabis companies that are even now growing in Canada and around the globe. We hope that this Management Report will at a minimum provide you with some background facts and transparency on our operations and successes as we proceed down the path toward full commercialization.

On Behalf of the Board of Directors,

Robert Galarza, CEO

### **Disclaimer for Forward-Looking Information**

*Certain statements in this Management Report are forward-looking statements, which reflect the expectations of management regarding BLOCKStrain's future business plans. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Forward looking statements in this Management Report include statements relating to the expected benefits of, and impact on, WeedMD's, NG Biomed's and Abattis' respective businesses as a result of the use of BLOCKStrain's technology; the importance of the strategic relationship with WeedMD in connection with the development of BLOCKStrain and its business; the impact of Derek Pedro's expertise and guidance on the development of the BLOCKStrain platform; the expected benefits of, and impact on, the cannabis industry as a result of BLOCKStrain's technology; that BLOCKStrain's software will be ready for full deployment in just a few short weeks, after which BLOCKStrain can look forward to growing its customer base and generating revenue; that BLOCKStrain will finalize the license agreement of the IgnitePro software suite owned by Spark Digital Technologies and when completed, that the combined BLOCKStrain solution will redefine the 'Track and Trace' terminology; and other statements regarding the business of BLOCKStrain. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements, including that: BLOCKStrain's platform may not operate as expected; WeedMD, NG Biomed and Abattis may not derive the expected benefits from use of the BLOCKStrain platform; legislative changes may occur that negatively impact BLOCKStrain's business; BLOCKStrain's inability to manage growth; the adverse effect of competitors on BLOCKStrain's operation, strategies and profitability; and other factors beyond BLOCKStrain's control. No assurance can be given that any of the events anticipated by the forward looking statements will occur or, if they do occur, what benefits the Company will obtain from them. Readers are urged to consider these factors carefully in evaluating the forward-looking statements contained in this Management Report and*

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**For further information:** please visit the Company's website at: [www.blockstrain.io](http://www.blockstrain.io) or contact Paula Arab at (403) 889-9128 or email at [paula.arab@BLOCKStrain.io](mailto:paula.arab@BLOCKStrain.io)

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