

**TRUTRACE TECHNOLOGIES INC.
(formerly BLOCKSTRAIN TECHNOLOGY CORP.)**

**2303 4th Street SW
Calgary, Alberta
T2S 2S7**

CSE FORM 2A

LISTING STATEMENT

**DATE: June 13, 2019
(except as otherwise indicated)**

CAUTIONARY NOTE ON U.S. CANNABIS INVOLVEMENT

This Listing Statement is being filed by an entity that is expected to indirectly derive a portion of its revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. TruTrace Technologies Inc. (formerly Blockstrain Technology Corp.) (the "Company", the "Issuer" or "TruTrace") may be considered to have ancillary involvement in the cannabis industry (by virtue of entering into agreements with producers of cannabis for the use of the Company's technology) in the states where local state laws permit such activities. Currently, the Company is not directly engaged in the manufacture, importation, possession, use, sale or distribution of cannabis in the recreational cannabis marketplace in either Canada or the United States, nor is the Company directly engaged in the manufacture, importation, possession, use, sale or distribution of cannabis in the medical cannabis marketplace in Canada or the United States. See Section 4 - Narrative Description of the Business for more information.

Almost half of the states in the United States have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol ("THC"), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the trend towards a permissive regulatory environment of adult use recreational and medical cannabis at the state level in certain states, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act (the "CSA") in the United States and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under United States federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's financial performance.

As a result of the conflicting views between state legislatures and the federal government of the United States regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which may adversely affect the current and future business and investments of the Company in the United States. As such, there are a number of risks associated with the Company's existing and future business and investments in the United States.

For the reasons set forth above, the Company's interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. There are a number of risks associated with the business of the Company. See Section 17 - Risk Factors for more information.

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SCHEDULES:

- Schedule A - Certificate of the Issuer
- Schedule B - Financial Statements
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Definitions

The following is a glossary of certain definitions used in this Listing Statement. Terms and abbreviations used in this Listing Statement and also appearing in the documents attached as schedules to the Listing Statement (including the financial statements) are defined separately if the terms and abbreviations defined below are not used therein, except where otherwise indicated. Any capitalized term used but not defined in this Listing Statement have the meanings ascribed thereon in the CSE's Policies. Words below importing the singular, where the context requires, include the plural and *vice versa*, and words importing any gender include all genders. All dollar amounts herein are in Canadian dollars, unless otherwise stated.

"2018 Circular" means Company's information circular dated November 19, 2018, a copy of which is available under the Company's profile on SEDAR;

"ACMPR" means the *Access to Cannabis for Medical Purposes Regulations* (Canada) issued pursuant to the CDSA;

"Affiliate" means a Company that is affiliated with another Company as described below. A Company is an Affiliate of another Company if (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same person. A Company is "controlled" by a person if (a) voting securities of the Company are held, other than by way of security only, by or for the benefit of that person, and (b) the voting securities, if voted, entitle the person to elect a majority of the directors of the Company. A person beneficially owns securities that are beneficially owned by (a) a Company controlled by that person, or (b) an Affiliate of that person or an Affiliate of any Company controlled by that person;

"Associate" has the meaning ascribed to it in the *Securities Act* (British Columbia), as amended;

"BCBCA" means the *Business Corporations Act* (British Columbia) including the regulations thereunder, as amended;

"Blockstrain Subco" means Blockstrain Technology Group Inc., a company incorporated under the laws of the Province of British Columbia, which is a wholly-owned subsidiary of the Company;

"Blockstrain Subco Shareholders" mean the registered holders of outstanding Blockstrain Subco Shares immediately prior to the Closing;

"Blockstrain Subco Shares" means common shares in the capital of Blockstrain Subco immediately prior to the Closing;

"Board" means the board of directors of the Company;

"Cannabis Act" means the *Cannabis Act*, SC 2018 c 16;

"CEO" means an individual who acted as the Company's chief executive officer, or acted in a similar capacity, for any part of the most recently completed financial year;

"CDSA" means the *Controlled Drugs and Substances Act* (Canada);

"CFO" means an individual who acted as the Company's chief financial officer, or acted in a similar capacity, for any part of the most recently completed financial year;

“**Closing**” means the closing of the Transaction, which occurred on May 22, 2018;

“**Cole Memorandum**” has the meaning ascribed thereto in Section 3.3 – *Trends, Commitments, Events or Uncertainties – Issuers with U.S. Cannabis-Related Activities – United States Federal Overview*;

“**Company Split**” means the split of the Shares that occurred on March 5, 2018, pursuant to which each pre-split Share was exchanged for two post-split Shares;

“**Concurrent Financing**” means the non-brokered private placement offering of Subscription Receipts pursuant to which the Company raised gross proceeds of \$10,500,000 through the issuance of 35,000,000 Subscription Receipts, on a post-Company Split basis, at price of \$0.30 per Subscription Receipt;

“**CPC**” means Capital Pool Company, being a company: (a) that has been incorporated or organized in a jurisdiction in Canada; (b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and (c) in regard to which the completion of the Qualifying Transaction has not yet occurred;

“**CPC Escrow Agreement 1**” means the TSXV Form 2F *CPC Escrow Agreement* for Tier 2 issuers dated July 11, 2012, among the Company, the Transfer Agent and certain shareholders of the Company, pursuant to which 458,400 of the CPC Escrow Shares are currently held in escrow;

“**CPC Escrow Agreement 2**” means the TSXV Form 2F *CPC Escrow Agreement* for Tier 2 issuers dated January 26, 2017, among the Company, the Transfer Agent and certain shareholders of the Company, pursuant to which 96,000 of the CPC Escrow Shares are currently held in escrow;

“**CPC Escrow Agreements**” means CPC Escrow Agreement 1 and CPC Escrow Agreement 2;

“**CPC Escrow Shares**” means the 554,400 Shares currently held in escrow pursuant to the CPC Escrow Agreements;

“**CPC Policy**” means TSXV Policy 2.4 *Capital Pool Companies* in the TSXV Corporate Finance Manual;

“**CSA**” means the *Controlled Substances Act* (United States);

“**CSE**” means the Canadian Securities Exchange, operated by CNSX Markets Inc.;

“**CSE Approval**” means the final approval of the CSE in respect of the listing of the common shares of the Company on the CSE, as evidenced by the issuance of the final approval bulletin of the CSE in respect thereof;

“**DOJ**” has the meaning ascribed thereto in Section 3.3 – *Trends, Commitments, Events or Uncertainties – Issuers with U.S. Cannabis-Related Activities – United States Federal Overview*.

“**Escrow Agent**” means the Transfer Agent, in its capacity as escrow agent for the Shares held in escrow under the CPC Escrow Agreements or the Value Security Escrow Agreement, as applicable;

“**FDA**” means the U.S. Food and Drug Administration;

“**FDCA**” means the U.S. *Food, Drug and Cosmetic Act* (United States);

“**FinCEN**” means the Financial Crimes Enforcement Network;

“**FinCEN Memorandum**” has the meaning ascribed thereto in Section 17 – *Risk Factors*;

“**Heated Details**” means Heated Details, Inc., a company incorporated under the laws of the State of Washington;

“**Heated Details Master Services Agreement**” means the master services agreement and a statement of work between the Company and Heated Details whereby the parties agreed to develop the initial phases of the product development strategy necessary to launch the Company’s platform;

“**Licensed Producer**” means the holder of a licence issued under section 62 of the Cannabis Act or, if issued prior to October 17, 2018, under section 35 of the ACMPR;

“**Listing Statement**” means this CSE Form 2A Listing Statement dated effective June 13, 2019;

“**Related Person**” has the meaning ascribed to it in CSE Policy 1;

“**Option Plan**” means the stock option plan of the Company;

“**Options**” means options to acquire Shares pursuant to the Option Plan;

“**Qualifying Transaction**” means a transaction where a CPC acquires Significant Assets other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means;

“**Reporting Issuer**” has the meaning ascribed to it in the *Securities Act* (British Columbia), as amended;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval available on the Internet at www.sedar.com;

“**Significant Assets**” means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions, would result in the CPC meeting the initial listing requirements of the TSXV;

“**Shares**” means the common shares without par value of the Company;

“**Share Exchange Agreement**” means the share exchange agreement dated January 16, 2018 among the Company, Blockstrain Subco and each of the Blockstrain Subco Shareholders;

“**Spark**” means Spark Digital Technologies, Inc., a company incorporated under the laws of Canada;

“**Spark Assets**” means Spark’s IgnitePro™ software and other intellectual property;

“**Spark Loan**” means the loan by Blockstrain Subco to Spark in the principal amount of \$100,000, which matured on December 29, 2018, and bears interest at the rate of 10% per annum, and is payable in full;

“**Spark Acquisition LOI**” means the letter of intent dated February 28, 2019 between Spark and TruTrace, as amended on April 29, 2019, to extend the deadlines to enter into the Spark Share Exchange Agreement and close the transactions contemplated therein;

“**Spark LOI**” means the letter of intent dated December 29, 2017 between Spark and Blockstrain Subco;

“**Spark Master Services Agreement**” means the master services agreement and statement of work dated December 20, 2017 between Spark and Blockstrain Subco with respect to certain preliminary creative work and infrastructure development that was completed in 2017, which is unrelated to the transactions contemplated by the Spark LOI;

“**Spark Share Exchange Agreement**” means the share exchange agreement contemplated by the Spark Acquisition LOI to be entered into among the Company, Spark and the shareholders of Spark;

“**StrainSecure™**” means the Company’s core technology platform, as further described in this Listing Statement;

“**Subscription Receipts**” means the subscription receipts issued by the Company in connection with the Concurrent Financing;

“**Titan Subco**” means Titan Collection USA, Inc., a company incorporated pursuant to the laws of the State of Delaware, which is a wholly-owned subsidiary of the Company that, as of the date of this Listing Statement, is not material to the Company;

“**Transaction**” means, collectively: (a) the acquisition by the Company of all of the Blockstrain Subco Shares from the Blockstrain Subco Shareholders, (b) the Concurrent Financing, and (c) all other transactions contemplated by the Share Exchange Agreement;

“**Transfer Agent**” means Computershare Investor Services Inc., the transfer agent of the Company;

“**TSXV**” means the TSX Venture Exchange Inc., and includes the NEX board thereof, as applicable;

“**TSXV Approval**” means the final approval of the TSXV in respect of the voluntary de-listing of the Shares on the TSXV and the subsequent listing on the CSE;

“**U.S.**” or “**United States**” means the United States of America, its territories and possessions, and any state of the United States and the District of Columbia.

“**Value Escrow Shares**” means the 23,010,000 Shares deposited into escrow pursuant to the Value Security Escrow Agreement;

“**Value Security Escrow Agreement**” means the escrow agreement in TSXV Form 5D dated May 17, 2018 among the Escrow Agent, the Company and all of the former Blockstrain Subco Shareholders;

“**WeedMD**” means WeedMD RX Inc., a company incorporated under the laws of Canada;

“**WeedMD Master Services Agreement**” means the master services agreement and a statement of work between the Company and WeedMD whereby the Company agreed to use the

StrainSecure™ platform to provide full genome analysis, mapping and identification of certain strains of cannabis provided by WeedMD; and

“we”, “us”, “our”, the “Company”, the “Issuer” or “TruTrace” means TruTrace Technologies Inc. (formerly Blockstrain Technology Corp.), a company incorporated under the laws of the Province of British Columbia;

FORWARD-LOOKING STATEMENTS

The information provided in this Listing Statement, including information incorporated by reference, may contain “forward-looking statements” about us. In addition, we may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by us that address activities, events or developments that we expect or anticipate will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on our then current expectations and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- the Company’s limited operating history upon which an evaluation of TruTrace and its prospects can be based;
- the enforcement of cannabis laws;
- statements regarding expected regulatory changes in global legalization of cannabis;
- statements regarding changes in laws and enforcement of laws in the United States;
- risks inherent in an agricultural business;
- environmental regulations and risks;
- negative consumer perception;
- the Company’s ability to generate profits;
- the Company’s ability to manage growth;
- the adverse effect of competitors on the Company’s operation, strategies and profitability;
- risks related to the reliability of genetic and testing information used within the Company’s platform;
- risks relating to storing our clients’ data;
- network security risks;
- the impact of negative cash flows on the Company’s operations and how, if the Company is unable to obtain further financing, the Company’s business operations may fail; and

- other risks described in this Listing Statement and described from time to time in our documents filed with Canadian securities regulatory authorities.

Consequently, all forward-looking statements made in this Listing Statement and our other documents are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences or effects. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that we and/or persons acting on our behalf may issue. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation. See Section 17 – *Risk Factors*.

2. CORPORATE STRUCTURE

2.1 Corporate Name and Head and Registered Office

The Company’s name is “TruTrace Technologies Inc.” The Company’s head office is located at 2303 4th Street SW, Calgary, AB T2S 2S7. The Company’s registered and records office is located at 800 – 885 West Georgia Street, Vancouver, British Columbia V6C 3H1.

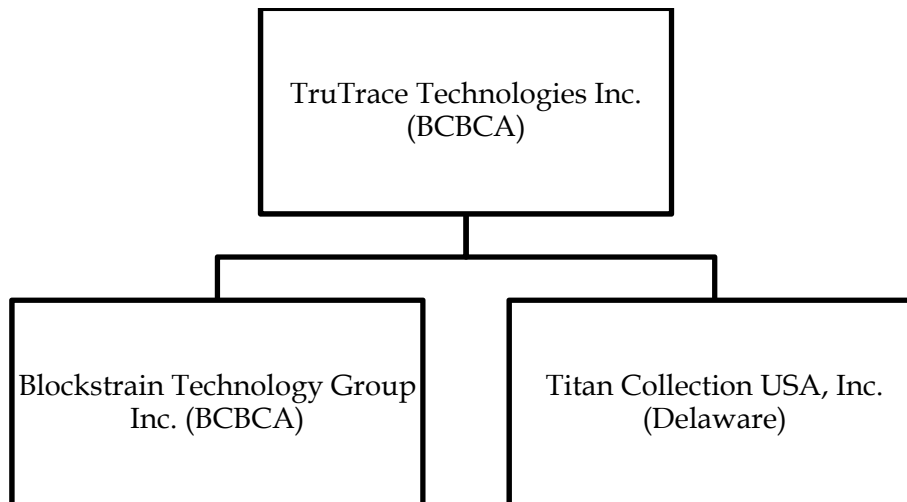
2.2 Jurisdiction of Incorporation

The Company was incorporated under the BCBCA under the name “Scorpion Resources Inc.” on October 19, 2011. On May 17, 2018, the Company changed its name to “Blockstrain Technology Corp.” On April 24, 2019, the Company changed its name to “TruTrace Technologies Inc.”

2.3 Inter-corporate Relationships

The Company has two wholly-owned subsidiaries, Blockstrain Subco and Titan Subco.

The following diagram presents the organizational chart of the Company, as of the date of this Listing Statement:



2.4 Fundamental Change

This is not applicable to the Company.

2.5 Incorporation Outside Canada

This is not applicable to the Company.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 General Development of the Business

The Company

The Company is a Reporting Issuer in the Provinces of British Columbia, Alberta and Ontario and trades on the CSE under the stock symbol "TTT".

The Company was a Capital Pool Company (previously defined as "CPC") and, until the Closing, did not carry on any operations. The sole business of the Company from its incorporation was to identify and evaluate opportunities for the acquisition of an interest in assets or businesses so as to complete a Qualifying Transaction. Until the Closing, the Company did not operate a business or have any material assets other than cash. Following the Closing, the business of Blockstrain Subco became the business of the Company. After completion of the Transaction, the Company is in the business of developing a comprehensive, community-driven cannabis genetics registration and licensing archive platform, as further described under the heading "*Narrative Description of the Business*".

On September 9, 2014, the TSXV informed the Company that it had halted trading in the Shares for failure to complete a Qualifying Transaction prior to the suspension deadline of September 8, 2014. The halt was changed to a suspension effective September 11, 2014. The Company was placed on notice to delist from the TSXV, and to avoid delisting, the Company was required to either complete a Qualifying Transaction or transfer to NEX prior to the delisting deadline of December 8, 2014.

On December 10, 2014, the Company announced that it had applied for a transfer of the listing of the Shares from the TSXV to the NEX board of the TSXV. The Company obtained the requisite shareholder approval for the transfer to NEX at the annual general meeting of the Company's shareholders held on September 12, 2014. In connection with the transfer to NEX, an aggregate of 250,000 CPC Escrow Shares held in escrow by certain non-arm's length parties were cancelled in accordance with TSXV policy. Effective February 3, 2017, the listing of the Shares was transferred to NEX and the trading symbol was changed to SR.H.

Effective January 16, 2018, the Company entered into the Share Exchange Agreement, a copy of which is available under the Company's profile on SEDAR at www.sedar.com, pursuant to which the Company agreed to acquire all of the issued and outstanding Blockstrain Subco Shares by way of a share exchange with the Blockstrain Subco Shareholders. Upon completion of the Transaction, Blockstrain Subco became a wholly-owned subsidiary of the Company. The Transaction represented a reverse takeover of the Company by Blockstrain Subco and constituted the Company's Qualifying Transaction.

Pursuant to the terms of the Share Exchange Agreement, the Company agreed to: (i) complete the Company Split, which was completed on March 5, 2018; (ii) complete the Concurrent Financing, the first tranche of which closed on March 8, 2018 and the final tranche of which was completed on March 16, 2018; and adopt the 2018 Option Plan, which was adopted by the Board on May 10, 2018.

The Transaction was completed pursuant to available exemptions under applicable legislation. The Closing occurred on May 18, 2018. In connection with the completion of the Transaction, an aggregate of 38,350,000 Shares were issued to the Blockstrain Subco Shareholders. Following the completion of the Transaction, the business of Blockstrain Subco became the business of the Company.

In order to raise operating capital for the Company following the Transaction, the Company completed the Concurrent Financing, by way of a non-brokered private placement, which closed in two tranches on March 8, 2018 and March 16, 2018, pursuant to which the Company issued an aggregate of 35,000,000 Subscription Receipts at a price of \$0.30 per Subscription Receipt for gross proceeds of \$10,500,000, which proceeds were deposited into escrow with an escrow agent. Cash finder's fees in an amount equal to 6% of the gross proceeds raised were paid in connection with the Closing. Immediately prior to the Closing, each Subscription Receipt was, for no additional consideration, automatically exchanged into one Share (on a post-Company Split basis).

On May 23, 2018, the Shares resumed trading as a Tier 2 Industrial Issuer on the TSXV under the symbol "DNAX".

On May 29, 2018, the Company welcomed WeedMD Inc. to use its proprietary platform, making it one of the first federally Licensed Producers of medical cannabis to integrate blockchain technology into its ecosystem.

On June 5, 2018, the Company entered into a letter of intent (the "**Abattis LOI**") with Abattis Bioceuticals Corp. to integrate the Company's proprietary technology into Abattis's product and services ecosystem. Pursuant to the Abattis LOI, Abattis and the Company agreed to negotiate in good faith the terms of a definitive technology development agreement respecting the terms of their partnership.

On July 16, 2018, the Company entered into a memorandum of understanding with Spire Secure Logistics Inc. ("**Spire**"), a wholly-owned subsidiary of Friday Night Inc. (CSE: TGIF), to introduce and implement the Company's proprietary platform to governments throughout Canada, as well as to procure software contracts and commercial agreements with regulatory bodies and Licensed Producers within the Canadian legal cannabis industry. The Company and Spire agreed to collaborate on the design and implementation of security programs and infrastructure for the legal distribution and sale of cannabis. This strategic partnership is being launched with the intent to integrate the benefits of the Company's platform into the regulatory framework for medical and adult-use cannabis in Canada.

On September 21, 2018, the Company entered into a Term Sheet that sets forth the terms and conditions of a technology partnership (the "**Lighthouse Agreement**") with Lighthouse Genomics Inc. (formerly Integral Genomics Inc. dba BC Better Genetics Corporation) ("**Lighthouse**"), which operates an advanced testing laboratory for DNA and Quality Assurance testing of cannabis products. Lighthouse provides cutting edge technology and scientific processes which will support the Company's registry of genetic profiles of cannabis strains, and will support the Company's initiative to provide quality assurance data to consumers and governmental regulators. As part of

the Agreement, the Company agreed to invest up to \$750,000 in Lighthouse, subject to the completion of due diligence and the entering into of definitive agreements, as well as the successful completion of various benchmarks and milestones. The parties agreed that the investment would be made in the form of a convertible note at seven percent interest per annum, and would be convertible to Class A common shares of Lighthouse at the Company's option, at an agreed upon pre-money valuation of approximately \$1.7 million dollars. On November 6, 2018, the parties entered into a second amendment to the Lighthouse Agreement whereby the Company paid an additional \$40,000 deposit towards the subscription in a convertible note to increase the deposit from \$60,010 to \$100,010.

On October 24, 2018, the Company announced the formal launch of the Company's proprietary genome tracking software following the collection of WeedMD's cannabis plant DNA. Testing began in November 2018. Further to its relationship with WeedMD, the Company entered into the WeedMD Master Services Agreement.

On January 15, 2019, the Company announced that it and WeedMD had completed the 'first-of-its-kind' cannabis strain validation registration program - a testing and verification process that will confirm cannabis strains as purchased.

On January 10, 2019, the Company entered into a letter of intent with NXT Water LLC ("**NXT Water**"), a company in the Hemp-Derived Beverage category, to integrate the Company's technology into NXT's launch. The partnership will develop and launch AKESO Functional Fitness Water, a hemp-derived CBD beverage. The parties intend for the letter of intent to be superseded by a formal agreement and the transactions contemplated therein are subject to the all required regulatory approvals.

On January 19, 2018, the Company entered into the Heated Details Master Services Agreement and a statement of work to develop the initial phases of the product development strategy necessary to launch the Company's platform. Thomas Stephenson, the Chief Technology Officer of the Company, is the Chief Executive Officer and a director and shareholder of Heated Details.

On February 28, 2019, the Company entered into the Spark Acquisition LOI, pursuant to which the Company intends to acquire all of the issued and outstanding securities of Spark in exchange for securities of the Company, on the terms and conditions set out in the Spark Acquisition LOI, to be superseded by the Spark Share Exchange Agreement. Robert Galarza, the Chief Executive Officer of the Company, is the Chief Executive Officer, a director and a shareholder of Spark and Thomas Stephenson, the Chief Technology Officer of the Company, is the Chief Strategic Officer, a director and a shareholder of Spark.

On April 24, 2019, the Company changed its name to "TruTrace Technologies Inc.

On April 30, 2019, the Company entered into a letter of intent with Strainprint Technologies Ltd. (the "**Strainprint LOI**"). Under the terms of the Strainprint LOI, the parties agreed to work together to explore development and integration opportunities to utilize their mutual technologies in order to bring greater transparency and visibility to the legal cannabis industry.

On June 3, 2019, the Company received the conditional approval of the CSE in connection with the Listing.

On June 12, 2019, the Company received the TSXV Approval.

On June 13, 2019, the Company received the CSE Approval.

3.2 Significant Acquisition and Disposition

Please refer to Section 3.1 – *General Development of the Business*.

3.3 Trends, Commitments, Events or Uncertainties

The regulated cannabis market, with respect to both medical and recreational use, is rapidly changing, with regulatory bodies and governments in various international jurisdictions working to develop frameworks in connection with legalization. However, despite the enthusiasm and cultural shift in perception towards cannabis, the Company believes there are three significant challenges that governments and the industry face, being:

1. How will governments and regulatory bodies ensure that there is an auditable trail throughout the cannabis supply chain and that health and safety regulations are followed?
2. How will Licensed Producers protect their genetic strains from potential copyright infringement, understand the provenance of each strain, and help governments and consumers understand the key attributes of each strain?
3. How will Licensed Producers optimize their operations through real-time data reporting and analysis?

The Company believes there is not yet one unified solution that addresses all of the challenges mentioned above. Governments and the industry as a whole currently rely on existing agriculture-based inventory tracking and logistics solutions, that have been modified for use in the cannabis industry. Unfortunately, the fragmentation and functionality issues of the current systems have left Licensed Producers and regulators unsatisfied. Moreover, cannabis is a licensed and regulated agriculture product and it is clear that the industry requires unique and highly secure solutions that are developed and tailored with its needs in mind at each step. The Company believes that its platform will be able to address these issues.

For a detailed discussion of these risk factors, refer to Section 17 – *Risk Factors* in this Listing Statement. Apart from the risks noted in Section 17 – *Risk Factors*, the Company is not aware of any other trends, commitments, events or uncertainties that are reasonably likely to have a material adverse effect on the Company's business, financial condition or results of operations.

Issuers with U.S. Cannabis-Related Activities

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana Related Activities* ("**Staff Notice 51-352**"), which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular state's regulatory framework. All issuers with United States cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

As a result of the Company's intention to develop relationships with cannabis producers and other companies with cannabis-related activities in the United States, management of the Company has

determined that it considers the Company subject to Staff Notice 51-352. Staff Notice 51-352 defines “material ancillary involvement” as when an issuer provides goods and/or services not limited to financing, branding, recipes, leasing, consulting or administrative services to third parties who are directly involved in the U.S. marijuana industry.

At this time, the Company does not have involvement in the U.S. cannabis industry. The Company intends to develop relationships with cannabis producers and other entities with cannabis-related activities in the United States, whereby those entities employ the Company’s technology. If the Company’s technology is used by entities with cannabis-related activities, then the Company may be considered to have “material ancillary involvement” in cannabis activities under Staff Notice 51-352 as a result of these relationships.

The following table is intended to assist readers in identifying those parts of this Listing Statement that address the disclosure expectations outlined in Staff Notice 51-352.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer’s involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	Not applicable as of the date of this Listing Statement
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	Cover Page (disclosure in bold typeface)
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana related activities.	Not applicable as of the date of this Listing Statement
	Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer’s ability to operate in the U.S.	Section 17 – <i>Risk Factors – Risks Relating to the Cannabis Industry – Service Providers</i> Section 3.3 – <i>Trends, Commitments, Events or Uncertainties – Issuers with U.S. Cannabis-Related</i>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
		<i>Activities – United States Federal Overview.</i>
	Given the illegality of marijuana under U.S. federal law, discuss the issuer’s ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	Section 3.3 – <i>Trends, Commitments, Events or Uncertainties – Issuers with U.S. Cannabis-Related Activities – Ability to Access Public and Private Capital.</i>
	Quantify the issuer’s balance sheet and operating statement exposure to U.S. marijuana related activities.	None at this time
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	Section 3.3 – <i>Trends, Commitments, Events or Uncertainties – Issuers with U.S. Cannabis-Related Activities – Compliance with Applicable State Laws in the United States</i>
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements that the applicable customer’s or investee’s business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	Not applicable as of the date of this Listing Statement

Compliance with Applicable State Laws in the United States

The Company has not obtained legal advice regarding compliance with applicable state regulatory frameworks and exposure and implication arising from U.S. federal laws as they relate to the cannabis industry.

United States Federal Overview

In the United States, as of November 7, 2018, thirty-three (33) states and Washington D.C. have legalized medical marijuana, while ten (10) states and Washington, D.C. have legalized recreational marijuana. Cannabis currently remains a Schedule I drug under the CSA and is,

therefore, illegal under federal law. Even in those states in which the use of cannabis has been legalized pursuant to state law, its use, possession or cultivation remains a violation of federal law. A Schedule I controlled substance is defined as one that has no currently accepted medical use in the United States, a lack of safety for use under medical supervision and a high potential for abuse. The U.S. Department of Justice (previously defined as the “DOJ”) defines Schedule I controlled substances as the most dangerous drugs of all the drug schedules with potentially severe psychological or physical dependence. If the United States federal government decides to enforce the CSA, persons that are charged with distributing, possessing with intent to distribute or growing cannabis could be subject to large fines and/or terms of imprisonment. This is the case even if a business is operating legally under state law.

The U.S. Department of Justice under the former Obama administration previously issued a series of memoranda, including, among others, “Policy Statement Regarding Marijuana Issues in Indian Country,” issued by then-Director of the Executive Office for U.S. Attorneys Monty Wilkinson and a memoranda issued by then-Deputy Attorney General James Cole, on August 29, 2013, commonly referred to as the “**Cole Memorandum**”, which generally directed the U.S. Attorneys’ offices (U.S. federal prosecutors) that individuals and businesses that rigorously comply with state regulatory provisions in states that have strictly-regulated legalized medical or recreational cannabis programs should not be a prosecutorial priority for violations of federal law.

However, on January 4, 2018, then-Attorney General Jeff Sessions issued a new memorandum “Marijuana Enforcement” then rescinded the previous guidance memoranda, including the Cole Memorandum. Under the new guidance, then-Attorney General Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress and to follow well-established principles when pursuing prosecutions related to marijuana activities. The DOJ asserted that this return to the rule of law was also a return of trust and local control to federal prosecutors who know where and how to deploy Justice Department resources most effectively to reduce violent crime, stem the tide of the drug crisis, and dismantle criminal gangs. Therefore, the prosecution of individuals and businesses under the Controlled Substances Act that are engaging in cannabis-related activities in compliance with state law is now at the discretion of local U.S. Attorneys.

Despite this, the Sessions memorandum, being only a statement of DOJ enforcement policy, did not affect the Rohrabacher-Blumenauer amendment which prohibits the DOJ from using federal funds to interfere with state-legal medical marijuana programs. While that amendment is still in effect, it is subject to periodic extensions by Congress, the most recent being a February 15, 2019 extension through to September 30, 2019. The amendment does not cover activities under state recreational marijuana laws.

CBD is a product that often is derived from hemp, which contains only trace amounts of THC, the psychoactive substance found in marijuana. On December 20, 2018, President Trump signed a bill enacting the *Agriculture Improvement Act of 2018* (commonly referred to as the “**2018 Farm Bill**”) into law. Until the 2018 Farm Bill became law, hemp and products derived from it, such as CBD, fell within the definition of “marijuana” under the CSA and hemp was classified as a Schedule I controlled substance because hemp is part of the cannabis plant.

The 2018 Farm Bill defines hemp as the plant *Cannabis sativa L.* and any part of the plant with a delta-9 THC concentration of not more than 0.3 percent by dry weight, and removes hemp from the CSA. The 2018 Farm Bill also allows states to create regulatory programs allowing for the licensed cultivation of hemp and production of hemp-derived products.

While the 2018 Farm Bill removed hemp from Schedule I of the CSA, the law did not change the U.S. Food and Drug Administration's (previously defined as the "FDA") authorities with respect to food or drugs. As of the date of this Listing Statement, the FDA has not made a determination that the use of hemp extract in food is safe. The FDA has evaluated Generally Recognized as Safe ("GRAS") notices for three hemp seed-derived food ingredients and determined that the agency has no questions that those ingredients are GRAS under their intended conditions of use. The production of a beverage infused with hemp, as "hemp" is defined in the 2018 Farm Bill is contingent on the FDA, and state laws, regulations, and guidance.

The FDA has jurisdiction over drugs and foods that contain CBD, including CBD derived from hemp. Under the Federal *Food, Drug and Cosmetic Act* (previously defined as the "FDCA"), it is a prohibited act to introduce or deliver for introduction into interstate commerce any food (which the FDCA defines to include beverages) that is adulterated. The FDCA therefore prohibits the introduction or delivery for introduction of a food that contains CBD, because the FDCA deems a food to be adulterated if it bears or contains any food additive that is unsafe and CBD is presently an unsafe food additive under the FDCA and FDA regulations. The FDCA also states that it is a prohibited act to introduce or deliver for introduction into interstate commerce any food to which an FDA-approved drug has been added, unless certain exceptions are met. The FDA has approved a drug in which CBD is an active ingredient, and the agency has stated that based on available evidence, none of the exceptions apply to CBD. One of the exceptions addresses whether the drug was marketed in food before the FDA approved the drug and before the institution of any substantial clinical investigations involving the drug. The FDA has stated that interested parties may present the agency with evidence that has bearing on the issue of whether CBD was marketed in food before the FDA approved the CBD drug in 2018 or before the institution of substantial clinical investigations involving the CBD drug. The FDA's current position is that this provision of the FDCA also prohibits the introduction or delivery for introduction into interstate commerce of a food to which CBD has been added.

Congress may decide to amend the FDCA to permit the use of hemp-derived CBD in food. The FDA may also decide to issue regulations or guidance that address the use of hemp-derived CBD in food or use its enforcement discretion with respect to hemp-derived CBD products. On February 27, 2019, the FDA Commissioner stated that the agency is interested in hearing from Congress and stakeholders with respect to a regulatory framework for CBD products. Any legislative or regulatory action could take years to implement or finalize and may not include provisions that would enable our company to produce, market and/or sell hemp beverages that contain hemp-derived CBD.

Accordingly, if Congress amended federal laws or the FDA issued regulations or guidance permitting the use of hemp-derived CBD in food or announcing the agency's decision to use its enforcement discretion with respect to hemp-derived CBD products, affected parties would be required to implement significant enterprise risk management measures to ensure that there is no commingling of CBD derived from marijuana, as "marihuana" is defined in the federal CSA, with any future commercial supply of hemp-derived CBD that is used to produce an affected party's products.

Under U.S. federal law it is highly likely a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted

and possibly convicted of money laundering and other violations of organized crime statutes for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, conspiracy and other federal crimes.

In 2014, the Financial Crimes Enforcement Network (previously defined as “**FinCEN**”), in coordination with the DOJ, issued guidelines for financial institutions serving marijuana businesses. The FinCEN guidance is singularly focused on ways to meet Bank Secrecy Act/anti-money-laundering (BSA/AML) obligations while serving the state-legal marijuana sector. It does not authorize financial institutions to serve that sector; rather, it provides a roadmap for BSA/AML compliance for institutions that choose to do so or that otherwise encounter transactions involving marijuana. The FinCEN Guidance requires that banks engaged in banking marijuana businesses file special-purpose suspicious activity reports (each, a “**SAR**”) that distinguish among: (a) marijuana businesses lawfully operating in a state (requiring the filing of a “marijuana limited” SAR); (b) marijuana businesses that arguably may not be operating in a manner compliant with state laws (requiring the filing of a “marijuana priority” SAR); and (c) marijuana businesses for which the bank has concluded that a cannabis business was operating in violation of one or more red-flags identified in the Cole Memorandum (requiring the filing of a “marijuana termination” SAR). Despite the memorandum by former Attorney General Jeff Sessions, FinCEN has subsequently reaffirmed its guidance. In the U.S., on several occasions, bills have been introduced in Congress to grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business follows state law. These bills have not been passed and there can be no assurance that any will be passed. In both Canada and the United States, transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape. Legislative changes to help reduce these challenges would eliminate these challenges for companies in the cannabis space, and would improve the efficiency of both significant and minor financial transactions.

Despite the legal, regulatory, and political obstacles the marijuana industry currently faces, the industry has continued to grow.

Enforcement of U.S. Federal Laws

For the reasons set forth above, the Company’s intended involvement with cannabis producers or other entities with cannabis related-activities in the United States, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company’s ability to invest in the United States or any other jurisdiction.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public’s perception of medical cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis.

Further, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company.

Ability to Access Public and Private Capital

While the Company may not be able to obtain bank financing in the U.S. or financing from other U.S. federally regulated entities, it may be able to access equity and debt financing from prospectus exempt (private placement) markets in Canada and the United States. Since the use of marijuana is illegal under U.S. federal law, and in light of concerns in the banking industry regarding money laundering and other federal financial crime related to marijuana, U.S. banks have been reluctant to accept deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty finding a bank willing to accept their business. Likewise, marijuana businesses have limited, if any, access to credit card processing services. As a result, marijuana businesses in the U.S. are largely cash-based. This complicates the implementation of financial controls and increases security issues.

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and projects similar to the Company's projects and investments. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to issuers with cannabis-related activities. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability. See Section 17 - *Risk Factors – Additional Financing*.

4. NARRATIVE DESCRIPTION OF BUSINESS

4.1 General

Business Objectives

Upon listing on the CSE, the Company's business objectives for the forthcoming 12 months are as follows:

1. Implement the full feature set of the Company's platform and ensure that it is fully functioning with recurring revenue;
2. Begin expanding the market of the Company to include jurisdictions around the world, including, but not limited to, the United States, South America, the United Kingdom and Europe;
3. Increase feature sets and integrations in to third-party systems, as well as expanding our consumer facing tools for medical and recreational customers; and

4. Work to make the Company's platform the industry leader for testing, actionable quality assurance and product verification in the legal cannabis industry.

Milestones

Milestones

Timeframe Post-listing	Business Objectives	Milestone/Notes	Estimated Cost to Complete⁽¹⁾
0 to 3 months	Implement the full feature set of the Company's platform and ensure that it is fully functioning with recurring revenue	<ul style="list-style-type: none"> Continue to onboard customers with the Company's core platform Finalize customer service and technical support infrastructure Launch test certification and visibility platform in Canada and legal jurisdictions of the United States Finalize and launch inventory and batch management tools within core StrainSecure™ platform Finalize laboratory partnerships and integrations Work to hire sale and business development talent in the cannabis space Establish the Company as a player in the cannabis markets in Canada and the legal jurisdictions of the United States 	\$464,321
3 to 6 months	Begin expanding the market of the Company to include jurisdictions around the world, including but not limited to, the United States, South America, the United Kingdom and Europe	<ul style="list-style-type: none"> Launch updated version of the Company's platform Continue to optimize our platform for licensed producers in Canada and the United States Integrate grow management and tracking features to increase product offering for customers Manage and implement an enterprise-based product registry and tracking solution with partners in Canada Maximize our data analytics team in order to create a market leader database Continue the launch and marketing efforts for StrainSecure™ both direct to business owners and through white label partnerships 	\$298,142
6 to 9 months	Increase feature sets and integrations in to third-party systems, as well as expanding our consumer facing tools for medical and recreational customers	<ul style="list-style-type: none"> Launch full features of the Company's platform across North America and Europe with an initial focus in the cannabis space Build upon the Company's entire product suite team with an emphasis on testing visibility and product verification 	\$202,616
9 to 12 months	Work to make the Company's platform the industry leader for testing, actionable quality assurance and product verification in the legal cannabis industry	<ul style="list-style-type: none"> Grow the Company's product suite by scaling appropriately Put partnerships in place to continue to grow the business Implement IoT and advanced feature sets for the customer base 	\$109,921

⁽¹⁾ Comprised of all estimated costs for the applicable time period post-listing.

While the Company intends to pursue these milestones, there may be circumstances where, for valid business reasons, a reallocation of efforts may be necessary or advisable.

Available Funds and Principal Purposes

The total amount of funds available to the Company for achieving the business objectives set out above is approximately \$1,132,084 (estimated consolidated working capital as at April 30, 2019). The Company had approximately \$2,570,782 in working capital as at January 31, 2019. The difference in the working capital as at April 30, 2019 compared to as at January 31, 2019 is due to: revenue of \$106,000, corporate development costs of \$436,872, operating, general and administrative costs of \$238,585, product development costs of \$580,232, and costs related to salaries, contractors and benefits of \$289,009.

The Company expects to use the funds available to it over the twelve months following the Listing as set out below:

Use of Funds	Estimated Amount
Cost of completing listing on the CSE	\$25,000
Corporate Development Costs	\$271,411 ⁽¹⁾
General & Administrative Costs	\$146,472 ⁽²⁾
Operating Costs	\$16,000 ⁽³⁾
Product Development Costs	\$313,200 ⁽⁴⁾
Salaries, Subcontractors & Benefits	\$327,918 ⁽⁵⁾
Unallocated Working Capital	\$32,083
TOTAL	\$1,132,084

(1) Comprised of business development, marketing, and investor relations costs.

(2) Comprised of professional fees, rent, office costs, compliance fees, and bank charges.

(3) Comprised of lab and testing costs.

(4) Comprised of software development costs.

(5) Comprised of employee costs.

There may be circumstances where, for sound business reasons, the Company reallocates the funds. The Company may require additional funds in order to fulfill all of the Company's expenditure requirements and to meet its objectives, in which case the Company expects to either issue additional securities or incur indebtedness. There is no assurance that additional funding required by the Company will be available if required or available on terms that are favourable to the Company.

Overview

The Company has developed a comprehensive, community-driven cannabis genetics registration and licensing archive platform, dedicated to making it safe and conformable for breeders and growers, large and small, to protect and release their genetics and strain varieties into the public domain, while also being compensated and rewarded. The Company intends to accomplish this by utilizing blockchain features to create an ecosystem that encourages contribution of genetics and

intellectual property, coupled with the security, authenticity and verification that modern distributed ledger technology provides.

The Company combines traditional cannabis culture with modern blockchain-technology. By being open and available to everyone, the platform is expected to help shape the future adoption and authenticity of the cannabis industry. Through use of a secure Application Programming Interface network, the Company will make it easy for testing providers, grow facilities, app and software developers, research groups, and major supply chain platforms to build applications and solutions, thereby helping fuel technology and innovation for the cannabis industry as a whole.

With compliance and regulation being a critical priority for industry participants, the Company will be focused on ensuring that applicable regulatory standards are adhered to, while providing real-time visibility of industry operations directly to, and collaboration with, agencies assigned to enforce and regulate cannabis activity nationwide. The Company intends to use powerful supply chain and IoT technology to allow for the tracking of cannabis movement from genetics to sale, while providing for the scalability of what is expected to become a globally traded product.

Description of the Business

The Company's technology is expected to:

- be built with the highest standard of blockchain or distributed ledger technology, on a trusted and tested blockchain, to ensure irrefutable, auditable, transparent, highly-secure and encrypted data and transaction processing for all parties within the Company's value chain;
- provide an industry-first "Genome to Sale™" platform, which will allow regulators, producers, growers, distributors and retailers to easily protect, review and manage the genetic backbone of inventory in order to ensure that safe and legal products are made available to customers and patients;
- provide a transparent system in alignment with IgnitePro™, a proven cloud-based logistics SaaS platform that provides 24/7 global visibility, as well as intelligent inventory management and collaboration of teams which has been built from the ground up to meet the specific needs of the cannabis industry; and
- utilize industry-leading sensor technology, which, when tied to the Company's platform, is expected to provide Licensed Producers with real-time insight and analytics into all aspects of their grow management, thereby enabling them to optimize their operations.

StrainSecure™ - Genetics Blockchain Verification Platform

The StrainSecure™ platform is a highly-secure, transparent, genome-to-sale governance and provenance analytics platform that provides governments, regulators, geneticists, Licensed Producers and other participants in the cannabis value chain with accurate, real-time information.

IgnitePro™ - Cannabis Supply Chain Visibility and Collaboration Platform

The Company has entered into the Spark LOI which contemplates the entering into of an exclusive definitive licensing agreement with Spark for the use of Spark's proprietary platform, IgnitePro™,

which was built exclusively for the cannabis industry. The highlights of the IgnitePro™ platform include:

- intuitive, global track-and-trace software;
- secure infrastructure powered by Microsoft Azure;
- robust APIs and web services for integration;
- inventory management and IgnitePro™ Smart Serialization™;
- document management, regulation and compliance reporting;
- a mobile companion app for tracking and monitoring; and
- sophisticated machine learning & AI capability.

The IgnitePro™ technology is connected globally and will be able to travel with cannabis plants and products as they move from cultivation to distribution. IgnitePro™ will produce reports, store documentation and track transports, and, when combined with StrainSecure™, is expected to ensure regulation and compliance standards are being met and protected on the blockchain.

The Company's Principal Markets and Customers

From a geographic perspective, the Company initially intends to target the Canadian marketplace. In the future, it plans to expand into other jurisdictions, including, but not limited to, the United States, South America, the United Kingdom and Europe.

The Company's principal customers are expected to be:

- regulators and law enforcement agencies, who will be able to access and collaborate through the Company's web and mobile platforms, which will support efforts to mandate and monitor adherence to their respective rules, regulations and statutes;
- licensed seed farmers and geneticists, who will be able to register their strains on the StrainSecure™ platform; and
- Licensed Producers, for which the Company has designed its real-time, highly scalable cloud-based, blockchain-powered platform to provide Licensed Producers with a best-in-breed experience, full regulatory compliance and end-to-end track and trace capabilities. As of December 18, 2018, there were 134 Licensed Producers in Canada, so this is expected to represent a large potential customer base for the Company.

The Company plans to sell its products and services directly to potential customers by utilizing industry specific relationships throughout Canada. To date, the Company's management has been responsible for the sales and marketing of the proposed software.

Location of Services

Over the next six to eight months, the Company will be formally developing and growing sales, marketing and business development teams in Vancouver, British Columbia and Toronto, Ontario. The Company also has teams in Seattle, Washington and Los Angeles, California. Additionally, the Company intends to build a development team in Calgary, Alberta for the implementation and optimization of its enterprise software solutions.

Competitive Conditions

Although the Company has many potential competitors, from IBM through to technology start-ups, TruTrace's management believes it has several unique competitive differentiators, which will allow it to successfully compete against them. Specifically, TruTrace believes it is the only company that:

- is focused on tracking/tracing from genome through to sale, while all other direct competitors focus from seed to sale. While this difference may seem immaterial, TruTrace believes this differentiation is a key differentiator, as it will provide information regarding provenance to everyone in the cannabis supply chain with respect to the authenticity of strains, seeds and product lineage;
- has designed its platform from inception on the blockchain, which will make it highly secure, tamper-resistant, scalable, auditable, and visible to all in the trusted network; and
- will have a mobile and IoT-centric platform. Most of TruTrace's competitors still only offer on-site, web-based solutions, which result in higher operating costs.

TruTrace does not believe it will depend on one or a few major customers, due to the growing number of Licensed Producers and the vast amount of genetics strains and products in the developing cannabis industry.

For further information on competitive conditions, see Section 17 – *Risk Factors*.

Intellectual Property

TruTrace does not currently have any patents pending or trademarks issued, nor has it entered into any franchise agreements or contracts relating to concessions, royalties or labor relations. TruTrace has entered into the Spark Acquisition LOI which contemplates the acquisition of Spark and its IgnitePro™ platform. As of the date of this Listing Statement, the Spark Share Exchange Agreement has not been entered into.

Regulatory Environment

At this time, TruTrace's products and service do not need government approval, however, TruTrace intends to comply and align itself with the regulatory environments in which its customers operate.

As a result of information derived from meetings with governmental authorities and potential customers, TruTrace believes that its platform will meet applicable regulatory requirements with

regards to governance, transparency, auditability, communications, collaboration and security across the medical and, when legal, recreational use cannabis supply chain.

The legal global cannabis industry is still in its infancy, and is dependent on the government regulatory environment. In jurisdictions such as the United States, the conflict between federal and state legislation could have a material adverse impact on TruTrace's business.

In Canada, TruTrace and its customers will have to comply with any applicable federal, provincial and local legislation. In the event the Federal Government permits cannabis to be sold as a food product, TruTrace expects that it will need to adapt and provide customers with a Good Manufacturing Processes (GMP) operational platform in order to stay competitive.

TruTrace intends to serve customers from third-party data center hosting facilities located in British Columbia and Alberta. Any damage to, or failure of, TruTrace's systems could result in interruptions to TruTrace's service. As TruTrace continues to add data centers and add capacity in existing data centers, TruTrace may move or transfer its data and its customers' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of its services. Further, any damage to, or failure of, TruTrace's systems generally could result in interruptions in TruTrace's service. Interruptions in TruTrace's service may reduce revenue, cause TruTrace to issue credits or pay penalties, cause customers to terminate their subscriptions and materially adversely affect its renewal rates and ability to attract new customers.

It is also expected that TruTrace's business will be harmed if its customers believe its service is unreliable. TruTrace intends to replicate and back-up customer data as part of its disaster recovery plans. However, these plans may not be successful in all circumstances. TruTrace will not control the operation of any third party facilities it may use. All of the facilities it operates or utilizes are expected to be vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism, a decision to close any facility without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in TruTrace's service. Even with the disaster recovery arrangements, TruTrace's service could be interrupted.

Specialized Skill and Knowledge

The Company relies in part on its strategic relationships with Spark and Heated Details for specialized skill and knowledge. The available of this specialized skill and knowledge has been formalized through the Spark LOI and Heated Details Master Services Agreement and statement of work.

TruTrace has entered into the Spark Acquisition LOI which contemplates the acquisition of Spark and its IgnitePro™ platform. As of the date of this Listing Statement, the Spark Share Exchange Agreement has not been entered into.

Pursuant to the Heated Details Master Services Agreement, Heated Details will provide strategy, design, and solution guidance, advice and input based on previous implementation experience and development best practices. The services will be provided with the goal of understanding and defining the past state, the current state and the long-term future state of legalized cannabis production, distribution and regulation in Canada, including traceability and deployment of a

blockchain platform for supporting the verification and tracking of genetics and strains. The methodology used for this project will consist of preparation for, conducting of, and reporting on, a series of working sessions that will take place over the course of the project.

Intangible Properties

The Company does not currently have any patents pending or trademarks issued, nor has it entered into any franchise agreements or contracts relating to concessions, royalties or labor relations. In regards to license agreements, TruTrace has entered into the Spark Acquisition LOI which contemplates the acquisition of Spark and its IgnitePro™ platform. As of the date of this Listing Statement, the Spark Share Exchange Agreement has not been entered into.

We plan to continue utilizing both internal and external teams as we continue to build out our platform. All intellectual property associated with the build that is not licensed through a licensing agreement will remain the property of TruTrace.

Cycles

The business of the Company generally is not affected by seasonality.

Changes to Contracts

The Company does not expect to be affected in the current financial year by renegotiation or termination of contracts or sub-contracts.

Effect of Environmental Protection Requirements

The Company does not expect our capital expenditures, earnings and competitive position to be materially affected by environmental protection requirements in the current financial year, or in future years.

Employees

Together, the Company, Blockstrain Subco and Titan Subco have three full time employees. The Company has utilized contractors as needed from time to time.

Foreign Operations

TruTrace has been developing and growing sales, marketing and business development teams in Vancouver, British Columbia, Toronto, Ontario. The Company also has teams in Seattle, Washington and Los Angeles, California. Additionally, TruTrace intends to build a development team in Calgary, Alberta for the implementation and optimization of its enterprise software solutions.

If the Company expands its operations outside of Canada with increased global sales, it is expected that it may be necessary to transact sales in foreign currencies other than Canadian dollars, thus exposing the Company to foreign currency risk. A portion of the revenues of the Company could be collected in US dollars and the fluctuation of value of the US dollar could impact the success of the business of the Company and its financial results.

Economic Dependence

TruTrace does not believe it will depend on one or a few major customers, due to the growing number of Licensed Producers and the vast amount of genetics strains and products in the developing Canadian cannabis industry.

For further information on competitive conditions, see Section 17 – *Risk Factors*.

Lending

The Company and Blockstrain Subco may from time to time advance loans to third parties subject to approval of the Board. Pursuant to the Spark Loan, Blockstrain Subco made an advance to Spark in the principal amount of \$100,000, which matured on December 29, 2018, and bears interest at the rate of 10% per annum, and is payable in full.

Bankruptcy, Receivership or Similar Proceedings

The Company and Blockstrain Subco have not been subject to any voluntary or involuntary bankruptcy, receivership or similar proceedings.

Material Restructuring Transactions

See Section 3.1 – *General Development of the Business* and Section 3.2 *Significant Acquisition and Disposition* for more information.

Social and Environmental Policies

The Company has not implemented any social or environmental policies that are fundamental to its operations.

4.2 Asset Backed Securities

The Company does not have any asset backed securities.

4.3 Companies with Mineral Projects

The Company does not have any mineral projects.

4.4 Companies with Oil and Gas Operations

The Company does not have any oil and gas operations.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.1 Consolidated Financial Information - Annual Information

The following selected financial information is subject to the detailed information contained in the financial statements of the Company and related notes thereto appearing elsewhere in this Listing Statement. This information should only be read in conjunction with the financial statements, and accompanying notes, included elsewhere in this Listing Statement. The selected financial information is derived from the audited financial statements of the Company for the years ended March 31, 2018, March 31, 2017 and March 31, 2016 and the unaudited condensed consolidated interim financial statements for the nine months ended January 31, 2019. This information should only be read in conjunction with the audited financial statements for the years ended March 31, 2018, March 31, 2017 and March 31, 2016, and accompanying notes, and the unaudited condensed consolidated interim financial statements for the nine months ended January 31, 2019, and accompanying notes, which are attached hereto as Schedule B. The most recent audited financial statements of Blockstrain Subco, for the period from incorporation on November 22, 2017 to April 30, 2018, and accompanying notes are attached hereto as Schedule B.

	For the nine months ended January 31, 2019 (unaudited) (\$)	For the Year Ended March 31 (audited)		
		2018 (\$)	2017 (\$)	2016 (\$)
Total Revenue	Nil	Nil	Nil	Nil
Total Expenses	10,545,055	350,109	188,916	53,602
Net Loss	12,891,198	346,112	191,573	106,052
Comprehensive Loss	12,891,198	346,112	191,573	106,052
Income (Loss) per Share – Basic and diluted ⁽¹⁾	(0.17)	(0.09)	(0.16)	(0.18)
Dividends	Nil	Nil	Nil	Nil
Balance Sheet Data:	As at January 31, 2019 (\$)	As at March 31, 2018 (\$)	As at March 31, 2017 (\$)	As at March 31, 2016 (\$)
Total Assets	3,101,107	33,027	14,987	Nil
Total Long Term Financial Liabilities	Nil	Nil	Nil	Nil
Total Current Assets	3,077,662	33,027	14,987	Nil
Total Current Liabilities	506,880	258,587	325,737	148,177
Shareholders' Equity (deficit)	3,101,107	(225,560)	(310,750)	(148,177)

⁽¹⁾ On March 5, 2018, the Company effected the Company Split.

5.2 Consolidated Financial Information - Quarterly Information

The results of the Company for each of the eight most recently completed quarters ending at the end of the most recently competed fiscal year, namely March 31, 2018, are summarized below:

Fiscal 2018 (unaudited and prepared in accordance with IFRS)				
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Revenue	Nil	Nil	Nil	Nil
Net Income (loss) before tax	(185,844)	(191,525)	(13,327)	(44,584)
Net earnings (loss) per Share (basic and diluted) ⁽¹⁾	(0.03)	(0.03)	(0.01)	(0.02)

⁽¹⁾ On March 5, 2018, the Company effected the Company Split.

Fiscal 2017 (unaudited and prepared in accordance with IFRS)				
	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Revenue	Nil	Nil	Nil	Nil
Net Income (loss)	(31,477)	(128,872)	(19,146)	(12,078)
Net earnings (loss) per Share (basic and diluted) ⁽¹⁾	(0.02)	(0.07)	(0.02)	(0.01)

⁽¹⁾ On March 5, 2018, the Company effected the Company Split.

5.3 Dividends

The Company does not have a dividend policy and does not pay dividends to its shareholders.

5.4 Foreign Generally Accepted Accounting Principles (GAAP)

Section 5.4 is not applicable to the Company.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company

The Company's management's discussion and analysis of its financial statements for the years ended March 31, 2018 and March 31, 2017 and for its interim period ended January 31, 2019 is attached hereto as Schedule C.

7. MARKET FOR SECURITIES

Prior to Listing, the common shares of the Company were listed on the TSXV under the symbol "TTT". The common shares of the Company are currently listed on the CSE under the symbol "TTT".

8. CONSOLIDATED CAPITALIZATION

As of the date hereof, the outstanding capital of the Company consists of:

- (i) 80,204,382 Shares; and
- (ii) 14,450,000 Options.

9. OPTIONS TO PURCHASE SECURITIES

The Company currently has in place a fixed stock option plan (previously defined as the "Option Plan"), pursuant to which the number of Shares reserved for issuance from time to time, together with any other Shares reserved for issuance under any other plan or agreement of the Company, will not exceed 16,000,000 Shares. The Option Plan was previously approved by the shareholders of the Company at an annual general and special meeting held on December 19, 2018. The Option Plan is more particularly described in the 2018 Circular, a copy of which is available under the Company's profile on SEDAR at www.sedar.com.

Currently there are 14,450,000 Options outstanding under the Option Plan as summarized in the below table, leaving 1,550,000 Shares available for grant of further Options.

The table below sets out the number of Options held by optionees of the Company:

Persons who hold Options	Number of Options	Exercise Price (\$)	Expiry Date	Current Market Value of Shares under Option ⁽¹⁾
All officers of the Company, as a group (3 persons)	2,050,000	\$0.30	1,750,000 - May 18, 2023 300,000 - September 28, 2023	\$635,500
All directors and past directors of the Company who are not also officers, as a group (4 persons)	2,700,000	\$0.30	2,300,000 - May 18, 2023 300,000 - September 28, 2023 100,000 - July 12, 2019	\$837,000
All other employees and past employees of the Company	500,000	\$0.30	May 18, 2023	\$155,000
All consultants of the Company	5,200,000	\$0.30	3,950,000 - May 18, 2023 100,000 - September 28, 2023	\$1,612,000
		\$0.36	500,000 - April 11, 2024	
		\$0.26	500,000 - May 7, 2024	
		\$0.245	150,000 - May 10, 2024	
All other persons	4,000,000	\$0.30	May 18, 2023	\$1,240,000
Total	14,450,000	\$0.30⁽²⁾	-	\$4,479,500

(1) Based on a market price of \$0.31 per Share on the TSXV on June 13, 2019, being the last trading day prior to the listing on the CSE.

(2) Weighted average.

10. DESCRIPTION OF THE SECURITIES

10.1 Description of Company's Securities

The Company is authorized to issue an unlimited number of Shares without par value.

Shares

Holder of Shares are entitled to one vote for each Share held at all meetings of Shareholders, to receive dividends if, as and when declared by the Board, and to participate ratably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the

Company. The Shares carry no pre-emptive rights, conversion or exchange rights, or redemption, retraction, repurchase, sinking fund or purchase fund provisions. There are no provisions requiring a holder of Shares to contribute additional capital, and no restrictions on the issuance of additional securities by the Company. There are no restrictions on the repurchase or redemption of Shares by the Company except to the extent that any such repurchase or redemption would render the Company insolvent.

10.2 10.6 - Miscellaneous Securities Provisions

None of the matters set out in sections 10.2 to 10.6 of CSE Form 2A are applicable to the share structure of the Company.

10.7 Prior Sales of Common Shares

On May 17, 2018 the Transaction was completed and the Company acquired, on a one for one basis, all of the Blockstrain Subco Shares in exchange for the issuance of 38,350,000 Shares to the Blockstrain Subco Shareholders at a deemed price of \$0.30 per Share.

On May 17, 2018, concurrent to the Transaction, the Company issued 35,000,000 Shares for gross proceeds of \$10,500,000 pursuant to the Concurrent Financing at a price of \$0.30 per Share.

10.8 Stock Exchange Price

The Shares are currently listed on the CSE under the symbol "TTT". The following table sets out the high, low and closing trading prices and total trading volume of the Shares on a monthly basis for each month of the current quarter, for each month of the quarter immediately preceding the current quarter, and on a quarterly basis for the next preceding seven quarters:

Period	High	Low	Close	Volume Traded
June 1 to 13, 2019	\$0.32	\$0.23	\$0.31	2,695,397
Month ended May 31, 2019	\$0.29	\$0.185	\$0.26	5,183,437
Month ended April 30, 2019	\$0.385	\$0.255	\$0.27	7,944,057
Month ended March 31, 2019	\$0.45	\$0.255	\$0.305	10,618,137
Month ended February 28, 2019	\$0.495	\$0.215	\$0.42	13,564,765
Quarter ended January 31, 2019	\$0.265	\$0.105	\$0.215	22,985,620
Quarter ended October 31, 2018	\$0.465	\$0.175	\$0.265	30,792,520
Quarter ended July 31, 2018	\$1.20	\$0.16	\$0.19	27,640,230
Quarter ended April 30, 2018	No trades ⁽¹⁾			
Quarter ended January 31, 2018 ⁽²⁾	\$0.30	\$0.16	\$0.30	51,200
Quarter ended October 31, 2017 ⁽²⁾	\$0.1925	\$0.105	\$0.155	113,400
Quarter ended July 31, 2017 ⁽²⁾⁽³⁾	\$0.2	\$0.10	\$0.135	135,000

⁽¹⁾ Trading in the Shares on the TSXV was halted on December 15, 2017, following execution of the Share Exchange Agreement.

⁽²⁾ Adjusted to give effect of the Company Split.

⁽³⁾ Adjusted to give effect of a consolidation of the Company's shares on a 5:1 basis which occurred on May 23, 2017.

11. ESCROWED SECURITIES AND POOLING AGREEMENTS

Escrowed Securities

CPC Escrow Shares

The following table sets out the number and percentage of Shares held in escrow under the CPC Escrow Agreements:

Designation of class held in escrow	Number of Securities Held in Escrow	Percentage of class
Shares	554,400	0.69%

The CPC Escrow Shares are currently held in escrow pursuant to the CPC Escrow Agreements. The Transfer Agent is the escrow agent for the purposes of the CPC Escrow Agreements. There are 693,000 CPC Escrow Shares currently in escrow.

The CPC Escrow Shares are currently subject to the release schedule set out in Schedule B(1) to the CPC Escrow Agreements. Pursuant to Schedule B(1) of the CPC Escrow Agreements, 10% of the CPC Escrow Shares were released on May 18, 2018 and an additional 15% of the CPC Escrow Shares are to be released every 6 months thereafter until all CPC Escrow Shares have been released (36 months following May 18, 2018).

Value Escrow Shares

The following table sets out the number and percentage of Shares held in escrow under the Value Security Escrow Agreement based on TSXV Form 5D:

Designation of class held in escrow	Number of Securities Held in Escrow	Percentage of class
Shares	23,010,000 ⁽¹⁾	28.69%

⁽¹⁾ 4,230,000 Shares of which are held by principals of the Company. See Section 13 - Directors, Officers and Promoters for additional information.

The Value Escrow Shares are subject to the release schedule set out in Schedule B(2) to the Value Security Escrow Agreement. Pursuant to Schedule B(2) of the Value Security Escrow Agreement, 10% of the Value Escrow Shares were released on May 18, 2018 and an additional 15% of the Value Escrow Shares are to be released every 6 months thereafter, until all Value Escrow Shares have been released (36 months following May 18, 2018).

12. PRINCIPAL SHAREHOLDERS

12.1 Principal Shareholders

To the knowledge of the directors and executive officers of the Company, no person or corporation beneficially owns, directly or indirectly, or exercises control or direction over, Shares carrying more than 10% of the voting rights attached to all outstanding Shares of the Company.

13. DIRECTORS AND OFFICERS

13.1 13.3, 13.5 Directors and Officers

The following table sets the name, residence and principal occupation of each director and executive officer of the Company. In addition, the table shows the date on which each individual first became a director and/or officer and the number of common shares of the Company that each individual beneficially owns, or exercises control or direction over, directly or indirectly, as of the date of this Listing Statement. The information as to shares owned beneficially, not being within the knowledge of the Company, has been forwarded by the directors and officers individually.

Name, Place of Residence and Position(s) with the Company	Principal Occupation, Business or Employment for Last Five Years ⁽¹⁾	Director Since	Number of Shares Owned ⁽¹⁾
Robert Galarza ⁽³⁾ British Columbia, Canada <i>Chief Executive Officer and Director</i>	Mr. Galarza is the co-founder and chief executive officer of Spark Digital Technologies, Inc., a software company specializing in revolutionary enterprise technology, since 2016. Senior Vice-President of Digital Development for Heated Details from September 2015 to February 2016. Self-employed attorney from January 2015 to September 2015. Consulting attorney for Attlesey Storm LLP from June 2014 to January 2015. Festival Director for AMFM Fest / Film for Change LLC from December 2013 to June 2014. Self-employed attorney from March 2011 to December 2013.	May 17, 2018	2,500,000 ⁽⁵⁾
Swapan Kakumanu ⁽²⁾ Alberta, Canada <i>Chief Financial Officer, Secretary and Director</i>	Partner, controller and chief financial officer of Red to Black Inc., a private company, from December 2012 to present. Mr. Kakumanu has been the chief financial officer of ICOX Innovations Inc., a technology company listed on the TSXV since December 2018. Mr. Kakumanu has been the chief financial officer of Pounce Technologies Inc., a technology company listed on the NEX board of the TSXV since July 2016. Mr. Kakumanu was the chief financial officer of Vogogo Inc., a cryptocurrency mining company listed on the Canadian Securities Exchange, from August 2017 to April 2018 and the chief financial officer of Intercept Energy Services Inc., a junior industrial company listed on the NEX board of the TSXV, from June 2014 to September 21, 2018.	September 28, 2018	300,000 ⁽⁶⁾
Cameron Chell ⁽³⁾⁽⁴⁾ California, United States <i>Director</i>	Mr. Chell has been the chief executive officer of Business Instincts Group Inc., a venture creation firm focused on high-tech start-ups since November 2009. He has been the chairman and a director of ICOX Innovations Inc., a company providing services for blockchain and cryptocurrency technologies, since August 21, 2017. Mr. Chell has also been a director and secretary of RYDE Holding Inc., a private blockchain and cryptocurrency company, from December 2017 and the chairman from February 2018.	May 17, 2018	1,750,000 ⁽⁷⁾
Michael Kraft ⁽²⁾⁽⁴⁾ Ontario, Canada <i>Director</i>	Founder, president and chief executive officer of Lingo Media Corporation, an online and print-based English language learning company listed on the TSXV, since 1996. He has been the chairman and a director of WeedMD Inc., a cannabis company listed on the TSXV that he co-founded in 2013, since April 2017.	May 17, 2018	125,000 ⁽⁸⁾

Name, Place of Residence and Position(s) with the Company	Principal Occupation, Business or Employment for Last Five Years ⁽¹⁾	Director Since	Number of Shares Owned ⁽¹⁾
James Carter ⁽²⁾⁽³⁾⁽⁴⁾ British Columbia, Canada <i>Director</i>	Mr. Carter was a Vice President of MFC Bancorp Ltd., a merchant banking company listed on the New York Stock Exchange, from January 1998 to February 2017. He has been a director of Aloro Mining Corp., a mining company listed on the TSXV, since April 2, 2018. He is currently retired.	July 12, 2018	Nil ⁽⁹⁾
Thomas Stephenson Washington, United States <i>Chief Technology Officer</i>	Co-founder of Spark in 2016. Founder and CEO of Heated Details since September 1998.	n/a	2,500,000 ⁽¹⁰⁾

(1) Information has been furnished by the respective officers/directors individually.

(2) Member of the Audit Committee.

(3) Member of Corporate Governance and Nominating Committee.

(4) Member of Compensation Committee.

(5) This number includes 2,000,000 Shares (1,200,000 of which are held in escrow pursuant to the Value Security Escrow Agreement as of the date of this Listing Statement) held indirectly through Ignite Holdings Ltd. and 500,000 Shares (300,000 of which are held in escrow pursuant to the Value Security Escrow Agreement as of the date of this Listing Statement) held indirectly through Vancouver Esports Marketing Ltd. Does not include Options to acquire 800,000 Shares, each of which is exercisable into one Share at a price of \$0.30 per Share until May 18, 2023.

(6) This number includes 300,000 Shares (180,000 of which are held in escrow pursuant to the Value Security Escrow Agreement as of the date of this Listing Statement) held by Red to Black Inc., a company controlled by Mr. Kakumanu. Does not include Options to acquire 150,000 Shares, each of which is exercisable into one Share at a price of \$0.30 per Share until May 18, 2023 and 300,000 Shares, each of which is exercisable into one Share at a price of \$0.30 per Share until September 28, 2023.

(7) This number includes: (i) 750,000 Shares (450,000 of which are held in escrow pursuant to the Value Security Escrow Agreement as of the date of this Listing Statement) held directly and (ii) 1,000,000 Shares (600,000 of which are held in escrow pursuant to the Value Security Escrow Agreement as of the date of this Listing Statement) held by Blockchain Merchant Group Inc. Does not include Options to acquire 800,000 Shares, each of which is exercisable into one Share at a price of \$0.30 per Share until May 18, 2023.

(8) Does not include Options to acquire 800,000 Shares, each of which is exercisable into one Share at a price of \$0.30 per Share until May 18, 2023.

(9) Does not include Options to acquire 300,000 Shares, each of which is exercisable into one Share at a price of \$0.30 per Share until September 28, 2023.

(10) Shares (1,500,000 of which are held in escrow pursuant to the Value Security Escrow Agreement as of the date of this Listing Statement) registered to Ember Technology Partners Ltd., a company controlled by Mr. Stephenson. Does not include Options to acquire 800,000 Shares, each of which is exercisable into one Share at a price of \$0.30 per Share until May 18, 2023.

As of the date of this Listing Statement, the directors and executive officers of the Company beneficially own, directly or indirectly, as a group 7,175,000 Shares representing approximately 8.95% of all outstanding Shares on a non-dilutive basis.

13.4 Board Committees

The Company has three committees of the Board: the audit committee (the “**Audit Committee**”), the corporate governance and nominating committee (the “**Corporate Governance and Nominating Committee**”) and the compensation committee (the “**Compensation Committee**”). The Audit Committee is comprised of three directors consisting of Swapan Kakumanu, Michael Kraft and James Carter (Chair). The Corporate Governance and Nominating Committee is

comprised of Robert Galarza, Cameron Chell and James Carter. The Compensation Committee's members are: James Carter (Chair), Cameron Chell and Michael Kraft. Please refer to the 2018 Circular, a copy of which is available under the Company's profile on SEDAR at www.sedar.com, for additional information on the Audit Committee, the Corporate Governance and Nominating Committee, the Compensation Committee and corporate governance.

13.5 Director and Officer Principal Occupations

The principal occupation of the Company's directors and officers is disclosed in the table above.

13.6 Corporate Cease Trade Orders or Bankruptcies

Except as set forth below, to the knowledge of the Company, no director, officer or promoter of the Company, or a securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been, within 10 years before the date of this Listing Statement, a director, officer or promoter of any person or company that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the issuer access to any exemptions under applicable Securities Laws, for a period of more than 30 consecutive days; or
- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Michael Kraft was a nominee director to represent Lingo Media Corporation's interest in A+ Child Development (Canada) Ltd. ("A+"), a 70.33% subsidiary of Lingo Media Corporation. On December 23, 2008, A+ filed a Notice of Intent to Make a Proposal under the *Bankruptcy and Insolvency Act* (Canada). On April 23, 2009, the proposal filed under the *Bankruptcy and Insolvency Act* (Canada) by A+ was approved by the Superior Court of Justice (Ontario) and the Company received the Certificate of Full Performance of Proposal.

James Carter was a director of ScotOil Petroleum Limited, a company listed on the TSXV at the relevant time, at the time it was subject to cease trade orders issued by the British Columbia Securities Commission (the "BCSC") on March 3, 2010, the Alberta Securities Commission (the "ASC") on March 2, 2010 and the Ontario Securities Commission (the "OSC") on March 12, 2010, for failure to file annual audited financial statements, related management's discussion and analyses and certifications and an annual information form for its financial year ended December 31, 2008 and for its interim financial periods ended March 31, 2009, June 30, 2009 and September 30, 2009 and related management's discussion and analyses and certifications. The cease trade orders were revoked by the BCSC and the ASC on June 8, 2011 and the OSC on June 9, 2011.

13.7 Penalties or Sanctions

Except as disclosed below, to the knowledge of the Company, no proposed director, officer or promoter of the Company, or a securityholder anticipated to hold sufficient securities of the Company to affect materially the control of the Company, has

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable securityholder making a decision about the Transaction.

Pursuant to a settlement agreement (the "**Settlement Agreement**") dated November 6, 1998 that Cameron Chell signed with the Alberta Stock Exchange (the "**ASE**"), Mr. Chell agreed to the following sanctions:

- prohibition against ASE Approval (as defined in the General By-law of the ASE) in any capacity for a period of five years commencing November 6, 1998;
- a fine in the sum of \$25,000;
- strict supervision for a period of two years following re-registration in any capacity; and
- close supervision for a period of one year following the period of strict supervision described above.

The matters respecting the Settlement Agreement are as set forth in an ASE Notice to Members dated November 12, 1998, which provides that:

- representations were made by the promoter of a company to one of Mr. Chell's clients that he would only be permitted to purchase securities in the initial public offering of that company if he would agree to purchase additional securities in the secondary market following the listing on the Alberta Stock Exchange and, in or around March or April, 1996, Mr. Chell disclosed confidential information to the promoter of that company concerning a client's account with respect to a cheque returned non-sufficient funds to Mr. Chell's employer;
- the investment objectives for two of Mr. Chell's clients were amended without prior knowledge or consent of such clients and purchases and sales of securities were subsequently executed in the accounts of such clients which were unsuitable for the clients given the stated investment objectives for the accounts prior to the amendment of such investment objectives;
- Mr. Chell executed a total of 21 transactions in the accounts of two of Mr. Chell's clients without prior knowledge or authorization of such clients;
- the signature on the new client account form for one of Mr. Chell's clients, which purported to be that of the client was not in fact the signature of the client nor did such client have any knowledge of any changes made to the investment objectives for his account(s);
- on or about June 10, 1996, the address for the account of one of Mr. Chell's clients was changed to Mr. Chell's local post office box address without such client's knowledge and while the client was resident in Ontario. As a result, during the period of June 10 to and including September, 1996, the client did not receive any trade confirmations or accounts statements with respect to her accounts with Mr. Chell;

- on or about March 19, 1996, Mr. Chell permitted one of his clients to acquire approximately 4% of the total initial public offering by a company, contrary to the rules of the Alberta Stock Exchange;
- on or about October 19, 1996, Mr. Chell purchased securities of a company in the account of one of his clients without disclosing the involvement of his brother as president of that company;
- on or about June 23, 1996, the private placement questionnaire & undertaking completed in connection with the purchase by one of Mr. Chell's clients and filed with the Alberta Stock Exchange disclosed that Mr. Chell's client was a resident of Alberta when in fact such client was a resident of Ontario. Mr. Chell knew or ought to have known that it contained a misstatement of fact in that regard;
- during the period of the summer 1996 to and including May 1997, Mr. Chell's day to day involvement as the president and chairman of Coffee.Com Interactive Café Corp. ("**Coffee.Com**") as well as being a shareholder was not disclosed to Mr. Chell's employer. Further, Mr. Chell purchased securities offerings via private placement by Coffee.Com for certain of his clients without fully disclosing his involvement with that company to such clients;
- on or about March 18 and June 19, 1996, Mr. Chell executed purchase of securities for Ontario residents. At the time of such purchases, Mr. Chell knew or ought to have known that he was not registered in the province of Ontario;
- during the summer of 1996, Mr. Chell represented to the Alberta Stock Exchange that certain purchasers of securities offered via private placement were close friends and business associates when he knew or ought to have known that such representations were untrue; and
- during the period of June 19, 1996 and to and including May 1, 1997, Mr. Chell failed to obtain the prior approval of his employer for advertisements and sales literature distributed by Mr. Chell regarding Coffee.Com.

Mr. Chell was the President, Chief Executive Officer and Chairman of the board of directors of the Chell Group Corporation (the "**Chell Group**") at the time the Chell Group was de-listed from the Nasdaq Stock Market Inc. ("**Nasdaq**"). On December 5, 2001, Nasdaq notified the Chell Group that it did not comply with either of the Nasdaq's \$2,000,000 net tangible assets or minimum \$2,500,000 stockholders' equity requirements for continued listing. Subsequently the Chell Group made a request to continue its listing on the Nasdaq SmallCap Market, which request was denied. The Chell Group appealed the Nasdaq's determination to deny the listing on the Nasdaq SmallCap Market, which appeal was also denied. Effective June 27, 2002, the Chell Group was de-listed from the Nasdaq.

13.8 Settlement Agreements

See Section 13.7 above.

13.9 Personal Bankruptcies

Except as disclosed below, to the knowledge of the Company, no proposed director, officer or promoter of the Company, or a securityholder anticipated to hold sufficient securities of the Company to affect materially the control of the Company, or a personal holding company of any such persons, has, within the 10 years before the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or promoter.

On November 6, 2006, Cameron Chell filed a Notice of Intention to Make a Proposal under the *Bankruptcy and Insolvency Act* (Canada). RSM Richter Inc. was appointed as Mr. Chell's trustee. Mr. Chell was absolutely discharged from bankruptcy on May 18, 2010. Mr. Chell's bankruptcy related to the calling of a \$3 million personal guarantee Mr. Chell made to HSBC with respect to an operating line of credit granted by HSBC to Logicorp Data Systems, Ltd. ("**Logicorp**"). HSBC had initially granted Logicorp the line of credit without requiring a personal guarantee. However, Logicorp subsequently became subject to a number of reseller rebate claims that adversely affected its financial position and, once this became known to HSBC, HSBC attempted to reduce the operating level amount available upon which Logicorp could draw under the line of credit. At the time, Mr. Chell was a significant shareholder of Logicorp's parent company, Chell Group Corporation, as well as a director and officer of Logicorp. In negotiations with HSBC, it was agreed that Mr. Chell would provide a personal guarantee to HSBC in order to maintain the previous operating level under the line of credit. Ultimately, Logicorp defaulted on the line of credit and HSBC called on Mr. Chell's personal guarantee.

13.10 Existing or Potential Conflicts of Interest

The directors of the Company are required by law to act honestly and in good faith with a view to the best interest of the Company and to disclose any interests with they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, that director will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Except as described below, to the knowledge of the Company, there are no known existing or potential conflicts of interest among the Company and its promoters, directors, officers or other members of management, as a result of their outside business interests except that certain of the directors, officers, promoters and other members of management serve as directors, officers, promotes and members of management of other public companies, and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of management of such other companies.

The Company has entered into the Heated Details Master Services Agreement and a statement of work to develop the initial phases of the product development strategy necessary to launch the Company's platform. Thomas Stephenson, the Chief Technology Officer of the Company, is the Chief Executive Officer and a director and shareholder of Heated Details.

The Company has entered into the Spark Acquisition LOI, pursuant to which the Company intends to acquire all of the issued and outstanding securities of Spark in exchange for securities of

the Company, on the terms and conditions set out in the Spark Acquisition LOI, to be superseded by the Spark Share Exchange Agreement. Robert Galarza, the Chief Executive Officer of the Company, is the Chief Executive Officer, a director and a shareholder of Spark and Thomas Stephenson, the Chief Technology Officer of the Company, is the Chief Strategic Officer, a director and a shareholder of Spark.

13.11 Directors and Officers

The following sets out details respecting the directors and officers of the Company upon completion of the Transaction:

Robert Galarza – Chief Executive Officer and Director

Mr. Galarza, age 40, is the co-founder and CEO of Spark, a software company specializing in revolutionary enterprise technology. Mr. Galarza has over ten years of experience in advertising and mass media communications, over seven years of experience as a corporate transactional attorney, during which his practice included the representation of professional athletes in the entertainment industry, and over four years of experience in the digital technology sector, specifically focused on mobile platform development, SaaS solutions and blockchain integration. Mr. Galarza received a Bachelor of Science in Advertising from the University of Texas at Austin in 2005 and a Doctorate of Jurisprudence, Cum Laude Honors, from St. Mary's University College of Law in San Antonio, Texas in 2009.

Mr. Galarza devotes 80% of his time to performing the work required in connection with acting as a director and officer of the Company. Mr. Galarza is an employee of the Company. Mr. Galarza has entered into an employment agreement with the Company that contains non-competition and non-disclosure provisions.

Swapan Kakumanu – Chief Financial Officer, Secretary and Director

Mr. Kakumanu, age 49, has been the Chief Financial Officer of the Company since September 28, 2018. Mr. Kakumanu has been the Chief Financial Officer of ICOX Innovations Inc., a technology company listed on the TSXV since December 2018. Since July 26, 2016, he has been the Chief Financial Officer of Pounce Technologies Inc., a technology company listed on the NEX board of the TSXV. He implements and manages the Company's financial strategy with a particular focus on financial performance and capital management as it relates to the Company's corporate vision and strategic plan. He is responsible for oversight of financial audits and transactional due diligence. Mr. Kakumanu is a CPA, CGA.

Mr. Kakumanu devotes 20% of his time to performing the work required in connection with acting as a director and officer of the Company. Mr. Kakumanu has not entered into a non-competition or non-disclosure agreement with the Company.

Thomas Stephenson – Chief Technology Officer

Mr. Stephenson, age 42, is the co-founder of Spark. Since September 1998, he has been CEO of Heated Details, a Seattle based design and development agency he founded, that provides services to Fortune 500 companies, including Microsoft, Google/YouTube, Starbucks and Mercedes Benz. Mr. Stephenson has also been the Chief Technology Officer of Globatom, Inc., a SaaS cloud-based technology company specializing in real-time global logistics management systems, since May

2016. He previously served as the Chief Technology Officer of Ghost Group, a technology company that owns and manages a portfolio of advertising, web, point of sale and logistics solutions for the cannabis industry (including their well-known flagship platform, Weedmaps), from September 2014 to January 2016.

Mr. Stephenson devotes 80% of his time to performing the work required in connection with acting as an officer of the Company. Mr. Stephenson is an independent consultant of the Company. Mr. Stephenson has entered into an independent consultant agreement with the Company that contains non-competition and non-disclosure provisions.

Cameron Chell –Director

Mr. Chell, age 49, is the CEO of Business Instincts Group Inc. (“**BIG**”). He has built several startups, including Draganfly, RaptorRig, ColdBore, as well as being the founder of Futurelink, the original cloud computing company. He is also the co-founder of UrtheCast, the first commercial video platform from space and Slyce, the visual purchasing engine. Mr. Chell is currently involved with creating and sourcing new projects, and overseeing corporate development for BIG, which is a venture creation and management services company that integrates a proprietary strategic planning process into organizations fostering strategic growth, valuation appreciation, liquidity, and management accountability. His primary responsibility is to provide project and strategic management facilitation while working with his co-founders, executives, and investors to determine what is most important and specifically how to get it done.

Mr. Chell devotes 10% of his time to performing the work required in connection with acting as a director of the Company. Mr. Chell has not entered into a non-competition or non-disclosure agreement with the Company.

Michael Kraft – Director

Mr. Kraft, age 54, is an entrepreneur with more than 30 years of experience in sales, marketing and corporate management, and with a strong record of success in both public and private company leadership. He has been the chairman and a director of WeedMD Inc., a Licensed Producer listed on the TSXV that he co-founded in 2013, since April 2017, and is also chair of its audit committee. Since 1996, when he founded the company, he has been the CEO of Lingo Media Corporation, an online and print-based English language learning company listed on the TSXV. Since September 1993, he has been the chairman of Buckingham Group Limited, a privately-owned merchant bank that provides a full range of business support and commercial services to investee companies in a wide range of sectors, including technology, education, life sciences and energy. Mr. Kraft obtained a Bachelor of Arts in Economics from York University in 1985.

Mr. Kraft devotes 5% of his time to performing the work required in connection with acting as a director of the Company. Mr. Kraft has not entered into a non-competition or non-disclosure agreement with the Company.

James Carter –Director

Mr. Carter, age 74, was a Vice President of MFC Bancorp Ltd., a merchant banking company listed on the New York Stock Exchange, from January 1998 to February 2017. He has been a director of Aloro Mining Corp., a mining company listed on the TSXV, since April 2, 2018. He is currently retired.

Mr. Carter devotes 5% of his time to performing the work required in connection with acting as a director of the Company. Mr. Carter has not entered into a non-competition or non-disclosure agreement with the Company.

14. CAPITALIZATION

14.1 Issued Capital

The following tables provide information about our capitalization as of the date of this Listing Statement:

Issued Capital ⁽¹⁾	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% of Issued (non-diluted)	% of Issued (fully diluted)
Public Float				
Total Outstanding (A)	80,204,382	94,654,382	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	7,175,000	11,125,000	8.95%	11.75%
Total Public Float (A-B)	73,029,382	83,529,382	91.05%	88.25%
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in shareholder agreement and securities held by control block holders (C)	23,564,400	23,564,400	29.38%	24.90%
Total Tradeable Float (A-C)	56,639,982	71,089,982	70.62%	75.10%

⁽¹⁾ Figures are reported to the best of the knowledge of management of the Company.

Public Securityholders (Registered)

The following table sets forth information regarding the number of registered “public securityholders of the Company, being persons other than persons enumerated in section (B) of the *Issued Capital* table above:

Class of Security: Common Shares

Size of Holding	Number of Holders	Total Number of Securities
1 - 99 securities	-	-
100 - 499 securities	-	-

500 - 999 securities	-	-
1,000 - 1,999 securities	-	-
2,000 - 2,999 securities	-	-
3,000 - 3,999 securities	-	-
4,000 - 4,999 securities	-	-
5,000 or more securities	62	80,204,382
Unable to confirm	-	-
TOTAL:	62	80,204,382

Public Securityholders (Beneficial)

The following table sets forth information regarding the number of beneficial “public securityholders of the Company⁽¹⁾, being persons other than persons enumerated in section (B) of the *Issued Capital* table above who either: (i) hold securities in their own name as registered shareholders; or (ii) hold securities through an intermediary where the Company has been given written confirmation of shareholdings:

Class of Security: Common Shares

Size of Holding	Number of Holders	Total Number of Securities
1 - 99 securities	109	5,026
100 - 499 securities	472	113,287
500 - 999 securities	287	175,725
1,000 - 1,999 securities	442	537,157
2,000 - 2,999 securities	240	532,730
3,000 - 3,999 securities	138	444,001
4,000 - 4,999 securities	139	580,708
5,000 or more securities	933	43,494,922
Unable to confirm	-	-
TOTAL:	2,760	45,883,556

- (1) The amounts included in this table are based on a share range report dated January 30, 2019. The Company may have other beneficial holders of its securities that it is not aware of. Certain of the shareholders in this table may be insiders of the Company, however such information is not distinguished in the share range report and accordingly is outside the knowledge of the Company.

Non-Public Securityholders (Registered)

The following table sets forth information regarding the number of registered “non-public securityholders of the Company, being persons enumerated in section (B) of the issued capital chart:

Class of Security: Common Shares

Size of Holding	Number of Holders	Total Number of Securities
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	5	7,175,000
Unable to confirm	0	0
TOTAL:	5	7,175,000

14.2 Convertible Securities

The following table summarizes the outstanding securities convertible into common shares in our authorized capital as of the date of this Listing Statement:

Description of Security (include conversion/exercise terms, including conversion/exercise price)	Number of convertible/exchangeable securities outstanding	Number of listed securities issuable upon conversion/exercise
Options ⁽¹⁾	14,450,000	14,450,000

- (1) Comprised of: (a) 700,000 Options exercisable at \$0.30 until September 28, 2023; (b) 12,600,000 Options exercisable at \$0.30 until May 18, 2023; (c) 500,000 Options exercisable at \$0.36 until April 11, 2024; (d) 500,000 Options exercisable at \$0.26 until May 7, 2024; and (e) 150,000 Options exercisable at \$0.245 until May 10, 2024.

14.3 Other Listed Securities

The Company has no other listed securities reserved for issuance that are not included in section 14.2.

15. EXECUTIVE COMPENSATION

Details related to the executive compensation paid by the Company, prepared in accordance with Form 51-102F6 of National Instrument 51-102 – *Continuous Disclosure Obligations*, are described below and can also be found under the Company’s profile on SEDAR at www.sedar.com in the

2018 Circular. As of the date of this Listing Statement, the Company does not intend to make any material changes to that compensation.

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

16.1 Aggregate Indebtedness

No directors, executive officers or employees, and no former directors, executive officers or employees, are indebted to the Company as at the date of this Listing Statement or were indebted to the Company since the beginning of the most recently completed financial year of the Company.

16.2 Indebtedness of Directors and Executive Officers under Securities Purchase and Other Programs

No directors or executive officers of the Company, or associates of such directors or executive officers, are indebted to the Company as at the date of this Listing Statement or were indebted to the Company since the beginning of the most recently completed financial year of the Company, nor is any indebtedness of any such person to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

17. RISK FACTORS

The following are certain factors relating to the Company's business which prospective investors should carefully consider before deciding whether to purchase common shares in the Company's authorized capital. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Listing Statement. These risks and uncertainties are not the only ones we are facing. Additional risk and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our operations. If any such risks actually occur, the business, financial condition, liquidity and results of our operations could be materially adversely affected.

Forward Looking Information

Certain information set out in this Listing Statement includes or is based upon expectations, estimates, projections or other "forward looking information". Such forward looking information includes projections or estimates made by us about our future business operations. While such forward looking statements and the assumptions underlying them are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost certainly vary (sometimes materially) from any estimates, predictions, projections, assumptions or other type of performance suggested here.

There are inherent risks in the business of the Company. Investors must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company. The business of the Company is subject to risks and hazards, some of which will be beyond its control. Such risk factors include, but are not limited to: regulatory risks; changes in laws, regulations and guidelines; limited operating history; reliance on management; factors which may prevent realization of growth targets; the fact that TruTrace may not achieve or maintain profitability; need for additional financing in the future; competition; risks inherent in an agricultural business;

vulnerability to rising energy costs; transportation disruption risks; risks associated with unfavourable publicity or consumer perception; product liability risks; risks related to product recalls; reliance on key inputs; dependence on suppliers and skilled labour; difficulty in forecasting; operating risk and insurance coverage; conflicts of interest; litigation; the fact that the market price of the Shares may be subject to wide price fluctuation; the fact that the Company does not anticipate paying any dividends on the Shares in the foreseeable future; risks associated with ongoing legal challenge(s) to the medical cannabis regulatory regime in Canada; the limited market for the Shares; and risks associated with environmental and employee health and safety regulations.

Limited Operating History and History of Losses

The Company has not commenced commercial operations and has no assets other than cash. TruTrace has no history of earnings and has not yet generated any revenue. As such, it is subject to many of the risks common to early-stage enterprises, including: under-capitalization; cash shortages; limitations with respect to personnel, financial, and other resources; and lack of revenue. Although TruTrace anticipates generating revenue in the future, it is also incurring substantial expenses in the establishment of its business. The success of the Company will ultimately depend on its ability to generate cash from its business. There is no assurance that the future expansion of the business will be sufficient to raise the required funds to continue the development of its business. There is no assurance that the Company will be successful in achieving a return on shareholders' investment, and the likelihood of success must be considered in light of the early stage of its operations.

Service Interruptions

TruTrace intends to serve customers from third-party data center hosting facilities located in British Columbia and Alberta. Any damage to, or failure of, TruTrace's systems could result in interruptions to its service. As TruTrace continues to add data centers and add capacity in existing data centers, it may move or transfer its data and its customers' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of its services. Further, any damage to, or failure of, TruTrace's systems generally could result in interruptions in its service. Interruptions in TruTrace's service may reduce revenue, cause it to issue credits or pay penalties, cause customers to terminate their subscriptions and materially adversely affect its renewal rates and ability to attract new customers.

It is also expected that TruTrace's business might be harmed if its customers believe its service is unreliable. TruTrace intends to replicate and back-up customer data as part of its disaster recovery plans. However, these plans may not be successful in all circumstances. The Company will not control the operation of any third party facilities it may use. All of the facilities it operates or utilizes would be vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism, a decision to close any facility without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in TruTrace's service. Even with its disaster recovery arrangements, TruTrace's service could be interrupted and its business and financial condition could be materially adversely affected.

Need for Continued Development of Technology

The success of TruTrace's platform will be dependent on the accuracy, proper use and continuing development of its technological systems, including its business systems and operational platforms. Its ability to effectively use the information generated by its information technology systems, as well as its success in implementing new systems and upgrades, may affect its ability to: conduct business with its clients, including delivering services and solutions; manage its inventory and accounts receivable; purchase, sell, ship and invoice its products and services efficiently and on a timely basis; and maintain its cost-efficient operating model while expanding its business in revenue and in scale.

Ability to Generate Profits

There can be no assurance that TruTrace will generate net profits in future periods. Further, there can be no assurance that it will be cash flow positive in future periods. In the event that TruTrace fails to achieve profitability, the value of its shares may decline. In addition, if TruTrace is unable to achieve or maintain positive cash flows, it will be required to seek additional funding, which may not be available on favourable terms, or at all.

Regulatory Uncertainty – Canada and the United States

The legal global cannabis industry is still in its infancy and is dependent on the regulatory environment, including federal, state, provincial and local laws. TruTrace's business and achievement of its business objectives will be dependent, in part, on compliance with regulatory requirements enacted by governmental authorities for the collection and tracking of data related to the cannabis sector. An assumption in TruTrace's business plan was that the Federal Government would proceed with legalization of adult use cannabis in late summer/early fall of 2018. While TruTrace expects that its business model will be perceived to be viable and compliant with applicable regulatory requirements, there is no guarantee that its platform will be adopted or utilized. To the extent that there are changes to existing regulations, the adoption and use of TruTrace's platform may be adversely affected.

Further, even within Canada, different provinces and local governmental authorities will have different regulatory requirements and it is possible that TruTrace's platform may not be compatible with those requirements. This variability may be difficult and/or ineffective to manage from both a technological and cost standpoint. There can be no assurance that the regulatory environment will remain favourable to the conduct of TruTrace's business. In the event that TruTrace's business is determined to be non-compliant with certain applicable regulatory requirements, its business and financial condition could be materially adversely affected.

Inconsistent Regulation in the United States

The Company's business may involve developing relationships with entities that are expected to directly or indirectly derive a portion of their revenues from the cannabis industry in certain U.S. states, which industry is illegal under U.S. federal law. As a result of these relationships, TruTrace may be considered to have ancillary involvement in the cannabis industry in the United States where local state law permits such activities. Currently, TruTrace is not directly engaged in the manufacturing, importation, possession, use, sale or distribution of cannabis in the recreational cannabis marketplace in either Canada or the United States, nor is TruTrace directly engaged in the

manufacturing, importation, possession, use, sale or distribution of cannabis in the medical cannabis marketplace in the United States or Canada.

Many U.S. states have enacted legislation to regulate the sale and use of medical cannabis without limits on THC, while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the trend towards a permissive regulatory environment of cannabis at the state level in certain states, cannabis continues to be categorized as a controlled substance under the CSA in the United States and as such, may be in violation of federal law in the United States.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, involvement in cannabis businesses in the United States is subject to inconsistent legislation and regulation. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which may adversely affect the current and future business of TruTrace in the United States. As such, there are a number of risks associated with TruTrace's existing and future business in the United States.

Violations of any federal regulations and laws could result in administrative sanctions, penalties, fines, criminal charges and convictions which may result in diminished profit, cessation of business activities or divestiture losses. These violations can also have a material adverse effect on TruTrace, including its brand, reputation and ability to conduct business, financial position, ability to raise additional capital, operating results, profitability or liquidity. It is difficult for TruTrace to estimate the resources and time needed for the investigation of any such matters or its final resolution.

For the reasons set forth above, TruTrace's intended business in the United States cannabis market, and future business, may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada.

Anti-money Laundering Laws and Regulations

TruTrace may be subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the *Bank Secrecy Act*, as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001* (commonly referred to as the "PATRIOT Act"), Sections 1956 and 1957 of U.S.C. Title 18 (the *Money Laundering Control Act*), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*, as amended and the rules and regulations thereunder, the *Criminal Code (Canada)* and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

Banks often refuse to provide banking services to businesses involved in the marijuana industry due to the present state of the laws and regulations governing financial institutions in the United States. The lack of banking and financial services presents unique and significant challenges to businesses in the marijuana industry. The potential lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the unavailability of traditional banking and financial services.

The FinCEN guidance provides instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN guidance states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. While the FinCEN guidance has not been rescinded by the DOJ at this time, it remains unclear whether the current administration will follow its guidelines. Overall, the DOJ continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the *Bank Secrecy Act*, that occur in any state, including in states that have legalized the applicable conduct and the DOJ's current enforcement priorities could change for any number of reasons, including a change in the opinions of the President of the United States or the United States Attorney General. A change in the DOJ's enforcement priorities could result in the DOJ prosecuting banks and financial institutions for crimes that previously were not prosecuted.

In the event that any of TruTrace's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of TruTrace to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, in the event that a determination was made that TruTrace's proceeds from operations (or any future operations or investments in the United States) could reasonably be shown to constitute proceeds of crime, TruTrace may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Service Providers

As a result of any adverse change to the approach in enforcement of United States cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third party service providers to TruTrace could suspend or withdraw their services, which may have a material adverse effect on TruTrace's business, revenues, operating results, financial condition or prospects.

Unfavourable Publicity or Consumer Perception

Management of TruTrace believes the marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the marijuana produced. Consumer perception of the products and services of entities with which TruTrace has material relationships may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of marijuana products.

There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the marijuana market or any particular product, or consistent with earlier publicity. The Company's indirect dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on TruTrace, the demand for

TruTrace's products and services, and the business, results of operations, financial condition and cash flows of TruTrace.

Liability, Enforcement and Complaints

TruTrace's participation in the marijuana industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, provincial, state, or local governmental authorities. Litigation, complaints, and enforcement actions could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on TruTrace's future cash flows, earnings, results of operations and financial condition.

The Marijuana Industry Faces Significant Opposition

It is believed by many that large well-funded businesses may have strong economic opposition to the marijuana industry. The pharmaceutical industry is well funded with a strong and experienced lobby that eclipses the funding of the marijuana industry. Any inroads the pharmaceutical industry could make in halting or impeding the marijuana industry could have a material adverse effect on TruTrace.

Blockchain Related Risks

The use of blockchain technology for enterprise applications is in its early stages. While numerous use cases have been developed to demonstrate the efficiency, security and viability of blockchain technology, it is still largely unproven. There are risks that the underlying blockchain protocols and methodologies will not be scalable or sustainable in industry-wide applications. As a new and largely unregulated industry, changes in or more aggressive enforcement of laws and regulations around blockchain could adversely impact companies involved in the industry. Failure or delays in obtaining necessary approvals, or changes in government regulations and policies and practices could have an adverse impact on TruTrace's future cash flows, earnings, results of operations and financial condition. Further, governmental agencies could shut down or restrict the use of blockchain platforms or blockchain based technologies. This could lead to a loss or interruption in business for TruTrace.

Intellectual Property Risk

TruTrace's activities may infringe on patents, trademarks or other intellectual property rights owned by others. If TruTrace is required to defend itself against intellectual property rights claims, it may spend significant time and effort and incur significant litigation costs, regardless of whether such claims have merit. If TruTrace is found to have infringed on the patents, trademarks or other intellectual property rights of others, it may also be subject to substantial claims for damages or a requirement to cease the use of such disputed intellectual property, which could have an adverse effect on its operations. Such litigation or claims and the consequences that could follow could distract management of TruTrace from the ordinary operation of its business and could increase costs of doing business, resulting in a negative impact on the business, financial condition, or results of operations of the Company.

Evolving Business Model

As digital assets and blockchain technologies become more widely available, management expects the services and products associated with them to evolve. As a result, to stay current with the industry, TruTrace's business model may need to evolve as well. From time to time, TruTrace may modify aspects of its business model relating to its product mix and service offerings. It cannot offer any assurance that these or any other modifications will be successful or will not result in harm to the business. TruTrace may not be able to manage growth effectively, which could damage its reputation, limit its growth and negatively affect its operating results. Such circumstances would have a material adverse effect on the Company's ability to continue as a going concern, which would have a material adverse effect on its business, prospects and operations, and harm TruTrace's investors.

Network Security Risks

TruTrace expects to obtain, transmit and store confidential user information in connection with its services. These activities are subject to the laws and regulations of Canada and other jurisdictions. The requirements imposed by these laws and regulations, which often differ materially among the many jurisdictions where TruTrace intends to offer services, are designed to protect the privacy of personal information and to prevent that information from being inappropriately disclosed. TruTrace expects to rely on a variety of technologies to secure its systems. Despite the implementation of network security measures, its infrastructure will potentially be vulnerable to computer break-ins and similar disruptive problems. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments, including improper acts by third parties, may result in a compromise or breach of the security measures that the Company uses to protect its systems. TruTrace could also suffer from an internal security breach.

Computer viruses, break-ins or other security problems could lead to misappropriation of proprietary information and interruptions, delays or cessation in service to TruTrace users. If internal TruTrace personnel or a third party were to misappropriate, misplace or lose corporate information, including financial and account information, customers' personal information, or source code, its business may be harmed. TruTrace may be required to expend significant capital and other resources to protect against these security breaches or losses or to alleviate problems caused by these breaches or losses. If third parties gain improper access to TruTrace's systems or databases or those of its partners or contractors, they may be able to steal, publish, delete or modify confidential customer information. A security breach could expose TruTrace to monetary liability, and lead to inquiries, fines, or penalties.

Reliance on Key Personnel

TruTrace's success depends in large measure on certain key personnel and the contributions of these individuals to its immediate operations are likely to be of central importance. The loss of the services of such key personnel could have a material adverse effect on the Company. In addition, the competition for qualified personnel in the blockchain industry is intense and there can be no assurance that TruTrace will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity, and good faith of TruTrace's management.

Management of Complex Software Implementation Projects

The successful deployment of TruTrace's software will depend on managing complex implementation projects. A variety of factors may result in complex deployments being delayed, cancelled or failing, including: the inherent complexity of modern software; difficulty staffing the project with qualified personnel; difficulty managing a project in which the customer and multiple vendors must work together effectively; unrealistic deadlines; inability to realistically limit the scope of the project; problems with third party systems, software or services; inaccurate or faulty data; and insufficient time and investment spent in the planning and design phases of the project. As a result, TruTrace may not be able to successfully manage deployments of its software which could harm its reputation, be costly to correct, delay revenues, and expose it to litigation.

Conflicts of Interest

Certain of the directors and officers of TruTrace are also directors and officers of other companies. In addition, they may devote time to other outside business interests, so long as such activities do not materially or adversely conflict with their duties to the Company. The interests of these persons could conflict with those of TruTrace. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Board, a director who has such a conflict will abstain from voting for or against the approval of any such matter. In accordance with applicable laws, the directors of TruTrace will be required to act honestly, in good faith, and in the best interests of TruTrace.

Competition

TruTrace expects to compete with other blockchain platforms focused on the cannabis sector. Market and financial conditions, and other conditions beyond TruTrace's control, may make it more attractive to invest in other financial vehicles which could limit the market for TruTrace's shares.

18. PROMOTER CONSIDERATION

Mr. Chell is a promoter of the Company in that he took the initiative in founding and organizing Blockstrain Subco and was instrumental in facilitating the Transaction. Mr. Chell beneficially owns, directly or indirectly, or exercise control or direction over, an aggregate of 1,750,000 Shares, on an undiluted basis, being 2.18% of the outstanding Shares, as more particularly described elsewhere in this Listing Statement. See "*Directors, Officers and Promoters*" for additional information.

19. LEGAL PROCEEDINGS

There are no legal proceedings material to the Company to which the Company is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Company to be contemplated.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described below, no director, executive officer or principal shareholder of the Company, or an associate or affiliate of a director, executive officer or principal shareholder of the Company, has any material interest, direct or indirect, in any transaction which has occurred within the three years before the date of this Listing Statement, or in any proposed transaction, that has materially affected or will materially affect the Company or a subsidiary of the Company.

The Company has entered into the Heated Details Master Services Agreement and a statement of work to develop the initial phases of the product development strategy necessary to launch the Company's platform. Thomas Stephenson, the Chief Technology Officer of the Company, is the Chief Executive Officer and a director and shareholder of Heated Details.

The Company has entered into the Spark Acquisition LOI, pursuant to which the Company intends to acquire all of the issued and outstanding securities of Spark in exchange for securities of the Company, on the terms and conditions set out in the Spark Acquisition LOI, to be superseded by the Spark Share Exchange Agreement. Robert Galarza, the Chief Executive Officer of the Company, is the Chief Executive Officer, a director and a shareholder of Spark and Thomas Stephenson, the Chief Technology Officer of the Company, is the Chief Strategic Officer, a director and a shareholder of Spark.

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

21.1 Auditors

The Company's auditor is Dale Matheson Carr-Hilton LaBonte LLP, Chartered Professional Accountants, of Suite 1500 - 1140 West Pender Street, Vancouver, British Columbia V6E 4G1.

21.2 Transfer Agent and Registrar

The Company's registrar and transfer agent is Computershare Trust Company of Canada, at its Vancouver office, located at 510 Burrard Street, 3rd Floor, Vancouver, BC V6C 3A8. Transfers may be recorded in Toronto, Ontario or Vancouver, British Columbia.

22. MATERIAL CONTRACTS

Except as described herein, the Company has not entered into any material contracts within the two years before the date of this Listing Statement, other than contracts entered into in the ordinary course of business and disclosed in this Listing Statement

- (a) the CPC Escrow Agreement 1, as described elsewhere in this Listing Statement;
- (b) the CPC Escrow Agreement 2, as described elsewhere in this Listing Statement;
- (c) the Share Exchange Agreement, as described elsewhere in this Listing Statement;
- (d) the Spark Master Services Agreement and supporting statement of work, as described elsewhere in this Listing Statement;
- (e) the Spark LOI, as described elsewhere in this Listing Statement;

- (f) the Spark Acquisition LOI, as described elsewhere in this Listing Statement;
- (g) the Spark Share Exchange Agreement, as described elsewhere in this Listing Statement;
- (h) the WeedMD Master Services Agreement and supporting statement of work, as described elsewhere in this Listing Statement;
- (i) the Heated Details Master Services Agreement, as described elsewhere in this Listing Statement; and
- (j) the Strainprint LOI, as described elsewhere in this Listing Statement.

23. INTEREST OF EXPERTS

No person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Listing Statement or as having prepared or certified a report or valuation described or included in this Listing Statement holds any beneficial interest, direct or indirect, in any securities or property of the Company or of an Associate or Affiliate of the Company and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of the Company or of an Associate or Affiliate of the Company and no such person is a promoter of the Company or an Associate or Affiliate of the Company. Dale Matheson Carr-Hilton LaBonte LLP, Chartered Professional Accountants is independent of the Company in accordance with the rules of professional conduct of the Chartered Professional Accountants of British Columbia.

24. OTHER MATERIAL FACTS

Other than as set out elsewhere in this Listing Statement, there are no other material facts about the Company and its securities which are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Company and its respective securities.

25. FINANCIAL STATEMENTS

The following financial statements, with the accompanying notes, are attached hereto as Schedule B:

- audited financial statements of the Company for the years ended March 31, 2018, March 31, 2017 and March 31, 2016;
- unaudited financial statements of the Company for the nine month interim period ended January 31, 2019; and
- audited financial statements of Blockstrain Subco for the period from incorporation on November 22, 2017 to April 30, 2018.

SCHEDULE A

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, TruTrace Technologies Inc., hereby applies for the listing of the above mentioned securities on the CSE. The foregoing contains full, true and plain disclosure of all material information relating to TruTrace Technologies Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia, this 13th day of June, 2019.

"Robert Galarza"

Name: Robert Galarza
Title: Chief Executive Officer and a director

"Swapam Kakumanu"

Name: Swapam Kakumanu
Title: Chief Financial Officer and a director

"Cameron Chell"

Name: Cameron Chell
Title: Chairman and Director

"James Carter"

Name: James Carter
Title: Director

SCHEDULE B
FINANCIAL STATEMENTS

Audited financial statements for the years ended March 31, 2018, March 31, 2017 and March 31, 2016

BLOCKStrain Technology Corp.
(formerly Scorpion Resources Inc.)
Financial Statements
For the Year Ended March 31, 2018

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

We have audited the accompanying financial statements of BLOCKStrain Technology Corp., which comprise the statements of financial position as at March 31, 2018 and 2017, and the statements of comprehensive loss, changes in deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of BLOCKStrain Technology Corp. as at March 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Scorpion Resources Inc.'s ability to continue as a going concern.

DML

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
July 30, 2018

An independent firm associated with
Moore Stephens International Limited

MOORE STEPHENS

BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

Statements of Financial Position

As at March 31, 2018 and 2017

(Expressed in Canadian Dollars)

	Note	March 31, 2018	March 31, 2017
ASSETS			
Current assets			
Cash		\$ 277	\$ 14,987
Prepaid expenses	4	32,750	-
TOTAL ASSETS		\$ 33,027	\$ 14,987
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	5	\$ 255,587	\$ 318,237
Loan payable	6	3,000	7,500
TOTAL LIABILITIES		258,587	325,737
SHAREHOLDERS' DEFICIT			
Share capital	7	833,345	402,043
Stock option reserve	7	-	45,351
Deficit		(1,058,905)	(758,144)
TOTAL DEFICIT		(225,560)	(310,750)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT		\$ 33,027	\$ 14,987

Nature and continuance of operations (Note 1)

Subsequent events (Note 12)

Approved on behalf of the Board of Directors:

"Robert Galarza"
Director

"Anthony Jackson"
Director

BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

Statements of Comprehensive Loss

For the Years Ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

		For the Years Ended March 31,	
	Note	2018	2017
Expenses			
Business development		\$ 1,663	\$ 1,493
Consulting		34,125	-
Office and miscellaneous		67,122	2,761
Professional fees		61,350	88,806
Project investigation costs	8	119,225	68,000
Transfer agent and filing fees		66,624	27,856
		(350,109)	(188,916)
Other item			
Foreign exchange gain		(3,997)	(1,343)
Loss on settlement of debt	7	-	(4,000)
Net and comprehensive loss		\$ (346,112)	\$ (191,573)
Loss per share – basic and diluted	7	\$ (0.09)	\$ (0.16)
Weighted average number of shares outstanding			
– basic and diluted	7	3,695,894	1,232,438

BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

Statements of Changes in Deficit

For the Years Ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

	Note	Share capital		Stock option reserve	Deficit	Total
		Number of shares	Amount			
Balance at March 31, 2016		1,940,000	\$ 373,043	\$ 45,351	\$ (566,571)	\$ (148,177)
Shares issued from private placement	7	160,000	20,000	-	-	20,000
Shares issued for settlement of debt	7	40,000	9,000	-	-	9,000
Net and comprehensive loss		-	-	-	(191,573)	(191,573)
Balance at March 31, 2017		2,140,000	402,043	45,351	(758,144)	(310,750)
Shares issued from private placement	7	4,714,382	459,652	-	-	459,652
Options expired	7	-	-	(45,351)	45,351	-
Share issuance costs	7	-	(28,350)	-	-	(28,350)
Net and comprehensive loss		-	-	-	(346,112)	(346,112)
Balance at March 31, 2018		6,854,382	\$ 833,345	\$ -	\$ (1,058,905)	\$ (225,560)

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

BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

Statements of Cash Flows

For the Years Ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

	For the Years Ended March 31,	
	2018	2017
Operating activities		
Net loss	\$ (346,112)	\$ (191,573)
Non-cash items:		
Foreign exchange gain	3,997	1,343
Loss on settlement of debt	-	4,000
Changes in non-cash working capital item:		
Prepaid expenses	(32,750)	-
Trade payables and accrued liabilities	(66,647)	173,717
Net cash flows used in operating activities	(441,512)	(12,513)
Financing activities		
Shares issued in private placement, net of share issuance costs	431,302	20,000
Loan payable	(4,500)	7,500
Net cash flows provided by financing activities	426,802	27,500
Increase (decrease) in cash	(14,710)	14,987
Cash, beginning	14,987	-
Cash, ending	\$ 277	\$ 14,987
Non-cash transaction		
Shares issued for settlement of debt	\$ -	\$ 9,000

BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

Notes to the Financial Statements

For the Years Ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

1. Nature and continuance of operations

BlockStrain Technology Corp. (formerly 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.

On January 18, 2018, the Company signed a definitive share exchange agreement with BLOCKStrain Technology Group Inc. (formerly, 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 38,350,000 post-split common shares, pro rata, to the shareholders of BlockStrain at a deemed price of \$0.30 per share. Subsequent to year ended March 31, 2018, the Company completed this qualifying transaction (Note 12).

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 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 financial statements were approved and authorized for issue, by the board of directors of the Company, on July 30, 2018.

BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

Notes to the Financial Statements

For the Years Ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

2. Significant accounting policies (cont'd)

Statement of compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards board (“IASB”) and including interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of preparation

These 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.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

Notes to the Financial Statements

For the Years Ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

2. Significant accounting policies (cont'd)

Financial instruments (cont'd)

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

Notes to the Financial Statements

For the Years Ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

2. Significant accounting policies (cont'd)

Income taxes (cont'd)

Deferred income tax (cont'd):

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Loss per share

Basic loss per share is calculated by dividing net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is determined by dividing the net loss attributable to common shares and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

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.

BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

Notes to the Financial Statements

For the Years Ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

4. Prepaid expenses

	March 31, 2018	March 31, 2017
Consulting fees	\$ 32,750	\$ -

5. Trade payables and accrued liabilities

	March 31, 2018	March 31, 2017
Trade payables (Note 8)	\$ 247,537	\$ 310,237
Accrued liabilities	8,000	8,000
	\$ 255,587	\$ 318,237

6. Loan payable

As at March 31, 2018, the Company had an outstanding loan of \$3,000 (2017 - \$7,500) from a director. The loan is unsecured, without interest and due on demand (Note 8).

7. 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. On March 5, 2018, the Company completed a two-for-one forward split of the outstanding common shares in the capital of the Company. All references to shares in the financial statement reflect the share consolidation and split.

At March 31, 2018, there were 6,854,382 issued and fully paid common shares (2017 - 2,140,000).

On January 30, 2017, the Company issued 40,000 common shares with a fair value of \$9,000 to settle \$5,000 of debt, resulting in a loss of \$4,000 on settlement of debt.

On January 31, 2017, the Company closed a non-brokered private placement whereby the Company issued 160,000 common shares at a price of \$0.125 per share for gross proceeds of \$20,000.

On September 20, 2017, the Company closed a private placement of 4,714,382 shares for gross proceeds of \$459,652 at a price of \$0.0975 per common share. The Company incurred share issue costs of \$28,350 in connection with this private placement (Note 8).

BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

Notes to the Financial Statements

For the Years Ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

7. Share capital (cont'd)***Restricted share capital***

The Company has 924,000 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:

92,400	Shares to be released after Final Exchange Bulletin;
138,600	Shares to be released 6 months following the Final Exchange Bulletin;
138,600	Shares to be released 12 months following the Final Exchange Bulletin;
138,600	Shares to be released 18 months following the Final Exchange Bulletin;
138,600	Shares to be released 24 months following the Final Exchange Bulletin;
138,600	Shares to be released 30 months following the Final Exchange Bulletin;
138,600	Shares to be released 36 months following the Final Exchange Bulletin;
<u>924,000</u>	Total

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended March 31, 2018 was based on the loss attributable to common shareholders of \$346,112 (2017 - \$191,573) and the weighted average number of post-split common shares outstanding of 3,695,894 (2017 - 1,232,438).

Diluted 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 194,000 options to be exercised until the Company is in compliance with the Exchange policies regarding the 10% rolling stock option plan. The remaining 46,000 options would not be available for exercise until the Company has 2,400,000 shares issued and outstanding.

No incentive stock options were issued during the years ended March 31, 2018 and 2017. The following table summarizes the continuity of the Company's stock options:

	Number	Weighted average exercise price
Balance, March 31, 2017 and 2016	240,000	\$0.25
Expired	(240,000)	\$0.25
Balance, March 31, 2018	-	-

BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

Notes to the Financial Statements

For the Years Ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

7. Share capital (cont'd)*Stock option reserve*

The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to deficit.

8. Related party

The following amounts are due to related parties and are included in accounts payable (Note 5):

	March 31, 2018	March 31, 2017
Companies controlled by directors and officers of the Company	\$ 20,424	\$ 58,570
Due to a director and former director of the Company	-	36,371
	\$ 20,424	\$ 94,941

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

As of March 31, 2018, the Company has a loan payable to a director of \$3,000 (2017 - \$7,500) (Note 6).

During the year ended March 31, 2018, the Company incurred share issuance costs of \$28,350 (2017 - Nil) to a company controlled by a director of the Company (Note 7), and administration fees of \$25,200 to the wife of a director of the Company.

Key management compensation

	March 31, 2018	March 31, 2017
Management and professional fees	\$ -	\$ 40,000
Property investigation costs	-	5,000
	\$ -	\$ 45,000

9. Income taxes

A reconciliation of the expected income tax recovery, based on Canadian federal and provincial tax rates, to the actual income tax recovery is as follows:

	March 31, 2018	March 31, 2017
Net loss	\$ (346,112)	\$ (191,573)
Statutory tax rate	26.0%	26.0%
Expected income tax recovery at the statutory tax rate	(89,989)	(49,809)
Non-deductible item and other	(7,305)	1,040
Effect of tax rate changes	(11,504)	-
Change in valuation allowance	108,798	48,769
Income tax recovery	\$ -	\$ -

BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

Notes to the Financial Statements

For the Years Ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

9. Income taxes (cont'd)

The Company has the following taxable temporary timing differences. No deferred tax assets have been recognized with respect to these tax affected temporary timing differences.

	March 31, 2018	March 31, 2017
Non-capital loss carry-forwards	\$ 235,698	\$ 135,572
Exploration and evaluation assets	68,776	66,229
Share issuance costs	6,124	-
	310,598	201,801
Less: valuation allowance	(310,598)	(201,801)
Net deferred income tax asset	\$ -	\$ -

The tax pools relating to these deductible temporary differences, noted above, expire as follows:

	Non-capital losses
2032	\$ 5,030
2033	74,567
2034	64,986
2035	112,942
2036	63,158
2037	200,746
2038	351,528
	\$ 872,957

10. Financial instruments and risks

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have any assets or liabilities that are affected by changes in interest rates.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. The Company's exposure to credit risk is its cash. The risk in cash is managed through the use of a major financial institution which has a high credit quality as determined by rating agencies. The Company's credit risk is assessed as low.

Foreign exchange rate risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company has no significant assets or liabilities denominated in foreign currencies; therefore, the exposure to foreign exchange risk is limited.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company requires funds to finance its business development activities. There is no assurance that financing will be available or, if available, that such financings will be on terms acceptable to the Company.

BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

Notes to the Financial Statements

For the Years Ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

10. Financial instruments and risks (cont'd)

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at March 31, 2018:

	Within one year	Between one and five years	More than five years
Trade payables	\$ 227,163	\$ -	\$ -
Loan payable	3,000	-	-
	\$ 230,163	\$ -	\$ -

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at March 31, 2017:

	Within one year	Between one and five years	More than five years
Trade payables	\$ 310,237	\$ -	\$ -
Loan payable	7,500	-	-
	\$ 317,737	\$ -	\$ -

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	March 31, 2018	March 31, 2017
Held for trading:		
Cash	\$ 277	\$ 14,987

Financial liabilities included in the statement of financial position are as follows:

	March 31, 2018	March 31, 2017
Non-derivative financial liabilities:		
Trade payables	\$ 227,163	\$ 310,237
Loan payable	3,000	7,500
	\$ 230,163	\$ 317,737

Fair values

The fair values of the Company's financial assets and liabilities approximate the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

As at March 31, 2018, the Company's financial assets measured at fair value include cash, which is determined based on Level 1.

BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

Notes to the Financial Statements

For the Years Ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

11. Capital management

The Company's capital structure consists of cash and share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to complete a Qualifying Transaction. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is not subject to externally imposed capital requirements.

12. Subsequent events

On May 22, 2018, the Company completed its Qualifying Transaction (the "Transaction"), pursuant to which it acquired all of the issued and outstanding shares of BLOCKStrain, a software company building a comprehensive, community-driven cannabis genetics registration and licensing archive platform. As a result, BLOCKStrain became a wholly-owned subsidiary of the Company. The Company issued one common share to each former shareholder of BLOCKStrain, on a one for one basis for a total of 38,350,000 shares.

The Company began trading as a Tier 2 Industrial Issuer on the Exchange under the symbol "DNAX" on May 23, 2018.

In connection with the closing of the Transaction (the "Closing"), the Company:

- changed its name to "BLOCKStrain Technology Corp.";
- issued 35,000,000 common shares on conversion of subscription receipts issued in connection with the concurrent financing for the Transaction, pursuant to which the Company raised aggregate gross proceeds of \$10,500,000; and
- appointed new officers and directors.

Immediately prior to the Closing, the Company converted an aggregate of 35,000,000 previously received subscription receipts issued pursuant to a non-brokered private placement for gross proceeds of \$10,500,000 into common shares on a one for one basis. The shares issued on conversion of the subscription receipts are subject to a hold period expiring four months and one day after original the issuance of the subscription receipts in March 2018. After giving effect to the completion of the Transaction, the Company has 80,204,382 common shares issued and outstanding.

In connection with the Closing, the Company agreed to grant an aggregate of 12,750,000 stock options of the Company, effective as of the date of the Final Exchange Bulletin with respect to the Transaction, to certain consultants, directors, officers, and advisors of the Company. Each of the options will be exercisable into one common share at a price of \$0.30 per share for a period of five years following the Closing.

Each of the options will vest four months from the date of grant, except an aggregate of 200,000 options which, subject to the approval of the Exchange, the Company intends to retain to provide investor relations services for monthly compensation of \$9,000. These options will vest over 12 months, with 25% vesting every three months, in accordance with the policies of the Exchange.

Scorpion Resources Inc.
Financial Statements
Year Ended March 31, 2017

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Scorpion Resources Inc.

We have audited the accompanying financial statements of Scorpion Resources Inc., which comprise the statements of financial position as at March 31, 2017 and 2016, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Scorpion Resources Inc. as at March 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Scorpion Resources Inc.'s ability to continue as a going concern.

A handwritten signature in black ink, appearing to read 'DMCL'.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
July 31, 2017

Scorpion Resources Inc.
 Statements of financial position
 (Expressed in Canadian Dollars)

	Note	March 31, 2017	March 31, 2016
ASSETS			
Current assets			
Cash		\$ 14,987	\$ -
TOTAL ASSETS		\$ 14,987	\$ -
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	5	\$ 318,237	\$ 148,177
Loan payable	6	7,500	-
TOTAL LIABILITIES		325,737	148,177
SHAREHOLDERS' EQUITY			
Share capital	7	402,043	373,043
Stock option reserve	7	45,351	45,351
Deficit		(758,144)	(566,571)
TOTAL EQUITY		(310,750)	(148,177)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 14,987	\$ -

Nature and continuance of operations (Note 1)
 Subsequent events (Note 12)

Approved on behalf of the Board of Directors:

"Quinn Field-Dyte"
 Director

"Von Torres"
 Director

Scorpion Resources Inc.
Statements of comprehensive loss
(Expressed in Canadian Dollars)

	Note	Year ended March 31, 2017	Year ended March 31, 2016
Expenses			
Administration	8	\$ -	\$ 2,857
Business development		1,493	138
Consulting		-	2,476
Exploration expenses	4	-	3,616
Foreign exchange loss (gain)		(1,343)	2,908
Mineral property investigation costs	8	68,000	-
Office and miscellaneous		2,761	1,527
Professional fees		88,806	25,915
Transfer agent and filing fees		27,856	14,165
		(187,573)	(53,602)
Other items			
Impairment of exploration and evaluation assets	4	-	(52,450)
Loss on settlement of debt		(4,000)	-
Net and comprehensive loss		\$ (191,573)	\$ (106,052)
Loss per share – basic and diluted	7	\$ (0.20)	\$ (0.18)
Weighted average number of shares outstanding – basic and diluted	7	986,164	588,000

Scorpion Resources Inc.
Statement of changes in equity
(Expressed in Canadian Dollars)

	Note	Share capital		Stock option reserve	Deficit	Total
		Number of shares	Amount			
Balance at March 31, 2015		4,850,000	\$ 373,043	\$ 45,351	\$ (460,519)	\$ (42,125)
Net and comprehensive loss		-	-	-	(106,052)	(106,052)
Balance at March 31, 2016		4,850,000	373,043	45,351	(566,571)	(148,177)
Shares issued from private placement	7	400,000	20,000	-	-	20,000
Shares issued for settlement of debt	7	100,000	9,000	-	-	9,000
Net and comprehensive loss		-	-	-	(191,573)	(191,573)
Balance at March 31, 2017		5,350,000	\$ 402,043	\$ 45,351	\$ (758,144)	\$ (310,750)

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

Scorpion Resources Inc.
 Statements of cash flows
 (Expressed in Canadian Dollars)

	Year ended March 31, 2017	Year ended March 31, 2016
Operating activities		
Net loss	\$ (191,573)	\$ (106,052)
Non-cash items:		
Impairment of exploration and evaluation assets	-	52,450
Foreign exchange gain	1,343	-
Loss on settlement of debt	4,000	-
Changes in non-cash working capital items:		
Trade payables and accrued liabilities	173,717	14,835
Net cash flows used in operating activities	(12,513)	(38,767)
Financing activities		
Shares issued in private placement	20,000	-
Loan payable	7,500	-
Net cash flows provided by financing activities	27,500	-
Increase (decrease) in cash	14,987	(38,767)
Cash, beginning	-	38,767
Cash, ending	\$ 14,987	\$ -
Non-cash transaction		
Shares issued for settlement of debt	\$ 9,000	\$ -

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

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 (Note 4). 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 608 - 1199 West Pender Street, Vancouver, B.C., V6E 2R1 and the records and registered office is located at 1500 - 1055 West Georgia Street, Vancouver, B.C., V6E 4N7.

These 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 financial statements were approved and authorized for issue, by the board of directors of the Company, on July 31, 2017.

Statement of compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards board (“IASB”) and including interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

2. Significant accounting policies (cont'd)

Basis of preparation

These 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 carrying value of the exploration and evaluation assets, and 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.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

2. Significant accounting policies (cont'd)

Financial instruments (cont'd)

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

2. Significant accounting policies (cont'd)

Income taxes (cont'd)

Deferred income tax (cont'd):

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Loss per share

Basic loss per share is calculated by dividing net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is determined by dividing the net loss attributable to common shares and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Exploration and evaluation assets

The Company capitalizes all direct costs related to the acquisition of exploration and evaluation assets. Exploration and evaluation expenditures incurred prior to the establishment of technical feasibility and commercial viability of extracting mineral resources and a decision to proceed with development are charged to operations as incurred.

The Company's exploration and evaluation assets are assessed for impairment when the facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

When an impairment test is performed and, as a result of this test, it is determined that the carrying amount of an exploration and evaluation asset exceeds its recoverable amount, a provision is made for the decline in value and charged against operations in the year.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

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.

4. Exploration and evaluation asset

CWT Property

The Property consists of mining claims in Pima County, Arizona.

Pursuant to an agreement dated August 27, 2013 and amended on May 21, 2014 and on August 28, 2014, the Company can earn up to an undivided 80% interest in and to the CWT Property upon the following terms:

1. The Company shall earn a 50% interest by making the following payments and expenditures:
 - a. US\$50,000 in cash upon signing the Agreement (Paid);
 - b. 1,000,000 common shares of the capital stock of the Company upon regulatory approval;
 - c. US\$75,000 cash and 1,000,000 common shares on or before the first anniversary of regulatory approval;
 - d. US\$100,000 and 1,000,000 common shares on or before the second anniversary of regulatory approval;
 - e. US\$150,000 and 1,000,000 common shares on or before the third anniversary of regulatory approval;
 - f. US\$250,000 and 1,000,000 common shares on or before the fourth anniversary of regulatory approval;
 - g. On or before the date that is four years from regulatory approval the Company shall incur exploration expenditures of at least US\$500,000 on the CWT Property.
2. The Company shall earn an additional 10% interest in the CWT Property upon completion and regulatory approval of a NI 43-101 compliant resource report prepared according to the standards of the Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”).
3. The Company shall earn an additional 10% interest in the CWT Property upon completion and regulatory approval of a Preliminary Economic Assessment prepared according to CIM standards.

4. Exploration and evaluation asset (cont'd)

4. The Company shall earn an additional 5% interest in the CWT Property upon completion and regulatory approval of a Pre-feasibility Study prepared according to CIM standards.
5. The Company shall earn an additional 5% interest in the CWT Property upon completion and regulatory approval of a Bankable Feasibility Study prepared according to CIM standards.

The agreement is subject to the approval of the Exchange and to other standard closing conditions, including satisfactory due diligence review of the CWT Property by the Company, approval of the board of directors of the Company, and the completion of a financing on terms satisfactory to the Company, in its sole discretion, as may be necessary in order to meet the minimum listing requirements of the Exchange. If the Exchange has not granted approval of this agreement by December 5, 2014, then either party may terminate the agreement without liability, by notice to the other party.

The Company decided not to pursue the exploration of the CWT Property. As a result, an impairment of \$52,450 was recognized in the year ended March 31, 2016 in the statements of comprehensive loss.

Exploration expenses incurred are as follows:

	March 31, 2017	March 31, 2016
Geological consulting and surveying	\$ -	\$ 3,616

5. Trade payables and accrued liabilities

	March 31, 2017	March 31, 2016
Trade payables (Note 8)	\$ 310,237	\$ 144,177
Accrued liabilities	8,000	4,000
	\$ 318,237	\$ 148,177

6. Loan payable

During the year ended March 31, 2017, the Company received a loan of \$7,500 from a director. The loan is unsecured, without interest and due on demand (Note 8).

7. 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 1,050,000 common shares and the outstanding escrowed shares was reduced to 382,000 shares.

At March 31, 2017, there were 5,350,000 issued and fully paid common shares (2016 – 4,850,000). The weighted average number of shares outstanding and the loss per share for the years ended March 31, 2017 and 2016 have been restated to reflect the share consolidation noted above.

For the year ended March 31, 2017:

On January 30, 2017, the Company issued 100,000 common shares with a fair value of \$9,000 to settle \$5,000 of debt, resulting in a loss of \$4,000 on settlement of debt.

On January 31, 2017, the Company closed a non-brokered private placement whereby the Company issued 400,000 common shares at a price of \$0.05 per share for gross proceeds of \$20,000.

For the year ended March 31, 2016:

No shares were issued during the year

Restricted share capital

The Company has 1,910,000 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:

191,000	Shares to be released after Final Exchange Bulletin;
286,500	Shares to be released 6 months following the Final Exchange Bulletin;
286,500	Shares to be released 12 months following the Final Exchange Bulletin;
286,500	Shares to be released 18 months following the Final Exchange Bulletin;
286,500	Shares to be released 24 months following the Final Exchange Bulletin;
286,500	Shares to be released 30 months following the Final Exchange Bulletin;
286,500	Shares to be released 36 months following the Final Exchange Bulletin;
<u>1,910,000</u>	Total

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended March 31, 2017 was based on the loss attributable to common shareholders of \$191,573 (2016 - \$106,052) and the weighted average number of post consolidated common shares outstanding of 986,164 (2016 - 588,000).

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

7. Share capital (cont'd)

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 485,000 options to be exercised until the Company is in compliance with the Exchange policies regarding the 10% rolling stock option plan. The remaining 115,000 options would not be available for exercise until the Company has 6,000,000 shares issued and outstanding.

No incentive stock options were issued during the years ended March 31, 2017 or 2016. The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price - \$ -
Balance, March 31, 2015, 2016 and 2017	600,000	0.10

At March 31, 2017, the following share purchase options were outstanding:

Number of options	Exercise price - \$ -	Weighted average contractual life (Years)	Expiry date
600,000	0.10	0.43	September 7, 2017

Stock option reserve

The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to deficit.

8. Related party

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

	March 31, 2017	March 31, 2016
Companies controlled by directors and officers of the Company (Note 5)	\$ 58,570	\$ 50
Due to a director and former director of the Company (Note 5)	36,371	2,500
	\$ 94,941	\$ 2,550

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. As of March 31, 2017, the Company has a loan payable to a director of \$7,500 (Note 6).

8. Related party (cont'd)

Key management compensation

	March 31, 2017	March 31, 2016
Administration services	\$ -	\$ 2,857
Management and professional fees	40,000	-
Mineral property investigation costs	5,000	-
	\$ 45,000	\$ 2,857

10. Income taxes

A reconciliation of the expected income tax recovery, based on Canadian federal and provincial tax rates, to the actual income tax recovery is as follows:

	Year ended March 31, 2017	Year ended March 31, 2016
Net loss	\$ (191,573)	\$ (106,052)
Statutory tax rate	26.0%	26.0%
Expected income tax recovery at the statutory tax rate	(49,809)	(27,573)
Non-deductible item and other	1,040	(1,058)
Change in valuation allowance	48,769	28,631
Income tax recovery	\$ -	\$ -

The Company has the following taxable temporary timing differences. No deferred tax assets have been recognized with respect to these tax affected temporary timing differences.

	March 31, 2017	March 31, 2016
Non-capital loss carry-forwards	\$ 135,572	\$ 83,378
Exploration and evaluation assets	66,229	66,229
Share issuance costs	-	3,425
	201,801	153,032
Less: valuation allowance	(201,801)	(153,032)
Net deferred income tax asset	\$ -	\$ -

The tax pools relating to these deductible temporary differences, noted above, expire as follows:

	Non-capital losses
2032	\$ 5,030
2033	74,567
2034	64,986
2035	112,942
2036	63,158
2037	200,746
	\$ 521,429

11. Financial instruments and risks

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have any assets or liabilities that are affected by changes in interest rates.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. The Company's exposure to credit risk is its cash. The risk in cash is managed through the use of a major financial institution which has a high credit quality as determined by rating agencies. The Company's credit risk is assessed as low.

Foreign exchange rate risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company has no assets or liabilities denominated in foreign currencies; therefore, is not exposed to foreign exchange risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company requires funds to finance its business development activities. There is no assurance that financing will be available or, if available, that such financings will be on terms acceptable to the Company.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at March 31, 2017:

	Within one year	Between one and five years	More than five years
Trade payables	\$ 310,237	\$ -	\$ -
Loan payable	\$ 7,500	\$ -	\$ -
	\$ 317,737	\$ -	\$ -

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at March 31, 2016:

	Within one year	Between one and five years	More than five years
Trade payables	\$ 144,177	\$ -	\$ -

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	March 31, 2017	March 31, 2016
Held for trading:		
Cash	\$ 14,987	\$ -

11. Financial instruments and risks (cont'd)

Financial liabilities included in the statement of financial position are as follows:

	March 31, 2017	March 31, 2016
Non-derivative financial liabilities:		
Trade payables	\$ 310,237	\$ 144,177
Loan payable	7,500	-
	\$ 317,737	\$ 144,177

Fair values

The fair values of the Company's financial assets and liabilities approximate the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

As at March 31, 2017, the Company's financial assets measured at fair value include cash, which is determined based on Level 1.

12. Capital management

The Company's capital structure consists of cash and share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to complete a Qualifying Transaction. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is not subject to externally imposed capital requirements.

13. Subsequent events

Effective May 23, 2017, the Company consolidated its capital on a 1:5 basis. Post consolidation capitalization consists of unlimited shares with no par value, of which 1,070,000 shares are issued and outstanding, 462,000 shares are subject to escrow.

Scorpion Resources Inc.
Financial Statements
Year Ended March 31, 2016

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Scorpion Resources Inc.

We have audited the accompanying financial statements of Scorpion Resources Inc., which comprise the statements of financial position as at March 31, 2016 and 2015, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Scorpion Resources Inc. as at March 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Scorpion Resources Inc.'s ability to continue as a going concern.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
July 26, 2016

Scorpion Resources Inc.
 Statements of financial position
 (Expressed in Canadian Dollars)

	Note	March 31, 2016	March 31, 2015
ASSETS			
Current assets			
Cash		\$ -	\$ 38,767
Non-current assets			
Exploration and evaluation asset	4	-	52,450
TOTAL ASSETS		\$ -	\$ 91,217
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	5	\$ 148,177	\$ 133,342
TOTAL LIABILITIES		148,177	133,342
SHAREHOLDERS' EQUITY			
Share capital	6	373,043	373,043
Stock option reserve	6	45,351	45,351
Deficit		(566,571)	(460,519)
TOTAL DEFICIT		(148,177)	(42,125)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ -	\$ 91,217

Nature and continuance of operations (Note 1)

Subsequent events (Note 11)

Approved on behalf of the Board of Directors:

"Quinn Field-Dyte"
 Director

"Von Torres"
 Director

Scorpion Resources Inc.
Statements of comprehensive loss
(Expressed in Canadian Dollars)

	Notes	Year ended March 31, 2016	Year ended March 31, 2015
Expenses			
Administration	7	\$ 2,857	\$ 2,625
Business development		138	222
Consulting		2,476	-
Exploration expenses	4,7	3,616	61,838
Foreign exchange loss		2,908	4,840
Office and miscellaneous		1,527	1,192
Professional fees		25,915	76,678
Transfer agent and filing fees		14,165	10,144
		(53,602)	(157,539)
Other item			
Impairment of exploration and evaluation assets	4	(52,450)	-
Net and comprehensive loss		\$ (106,052)	\$ (157,539)
Loss per share – basic and diluted			
	6	\$ (0.04)	\$ (0.05)
Weighted average number of shares outstanding			
– basic and diluted		2,940,000	2,940,000

Scorpion Resources Inc.
Statement of changes in equity
(Expressed in Canadian Dollars)

	Note	Share capital		Stock option reserve	Deficit	Total
		Number of shares	Amount			
Balance at March 31, 2014		6,100,000	\$ 373,043	\$ 61,446	\$ (319,075)	\$ 115,414
Net and comprehensive loss		-	-	-	(157,539)	(157,539)
Transactions with owners, in their capacity as owners, and other transfers:						
Options expired	6	-	-	(16,095)	16,095	-
Shares cancelled	6	(1,250,000)	-	-	-	-
Balance at March 31, 2015		4,850,000	373,043	45,351	(460,519)	(42,125)
Net and comprehensive loss		-	-	-	(106,052)	(106,052)
Balance at March 31, 2016		4,850,000	\$ 373,043	\$ 45,351	\$ (566,571)	\$ (148,177)

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

Scorpion Resources Inc.
 Statements of cash flows
 (Expressed in Canadian Dollars)

	Year ended March 31, 2016	Year ended March 31, 2015
Operating activities		
Net loss	\$ (106,052)	\$ (157,539)
Non cash item		
Impairment of exploration and evaluation assets	52,450	
Changes in non-cash working capital items:		
Trade payables and accrued liabilities	14,835	62,404
Net cash flows used in operating activities	(38,767)	(95,135)
Decrease in cash	(38,767)	(95,135)
Cash, beginning	38,767	133,902
Cash, ending	\$ -	\$ 38,767

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 (Note 4). 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 8, 2014. The halt was changed to a suspension effective September 11, 2014. The Company was placed on notice to delist and to avoid delisting the Company was required to satisfy either of the following requirements, prior to the delisting deadline of December 8, 2014:

- a. Completion of a Qualifying Transaction acceptable for the Exchange or
- b. Transfer to NEX subject to NEX acceptance rules.

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. In connection with the transfer to NEX, an aggregate 1,250,000 seed shares of the Company held in escrow by certain non-arm’s length parties have been cancelled in accordance with the Exchange policy. 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 608 - 1199 West Pender Street, Vancouver, B.C., V6E 2R1 and the records and registered office is located at 1500 - 1055 West Georgia Street, Vancouver, B.C., V6E 4N7.

These 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 financial statements were approved and authorized for issue, by the board of directors of the Company, on July 26, 2016.

2. Significant accounting policies (cont'd)

Statement of compliance with International Financial Reporting Standards

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and including interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of preparation

These 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 carrying value of the exploration and evaluation assets, and the recoverability of deferred tax assets.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company’s intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

2. Significant accounting policies (cont'd)

Financial instruments (cont'd)

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. Significant accounting policies (cont'd)

Loss per share

Basic loss per share is calculated by dividing net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is determined by dividing the net loss attributable to common shares and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Exploration and evaluation assets

The Company capitalizes all direct costs related to the acquisition of exploration and evaluation assets. Exploration and evaluation expenditures incurred prior to the establishment of technical feasibility and commercial viability of extracting mineral resources and a decision to proceed with development are charged to operations as incurred.

The Company's exploration and evaluation assets are assessed for impairment when the facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

The Company's criteria for testing impairment includes, but is not limited to, when:

- (i) Exploration rights for a specific area have expired or are expected to expire in the near future and these rights are not expected to be renewed;
- (ii) Substantive expenditures on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;
- (iii) Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and / or
- (iv) Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

When an impairment test is performed and, as a result of this test, it is determined that the carrying amount of an exploration and evaluation asset exceeds its recoverable amount, a provision is made for the decline in value and charged against operations in the year.

2. Significant accounting policies (cont'd)

Exploration and evaluation assets (cont'd)

Recoverability of the carrying amount of any exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

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.

4. Exploration and evaluation asset

CWT Property

The Property consists of mining claims in Pima County, Arizona.

Pursuant to an agreement dated August 27, 2013 and amended on May 21, 2014 and on August 28, 2014, the Company can earn up to an undivided 80% interest in and to the CWT Property upon the following terms:

1. The Company shall earn a 50% interest by making the following payments and expenditures:
 - a. US\$50,000 in cash upon signing the Agreement (Paid);
 - b. 1,000,000 common shares of the capital stock of the Company upon regulatory approval;
 - c. US\$75,000 cash and 1,000,000 common shares on or before the first anniversary of regulatory approval;
 - d. US\$100,000 and 1,000,000 common shares on or before the second anniversary of regulatory approval;
 - e. US\$150,000 and 1,000,000 common shares on or before the third anniversary of regulatory approval;
 - f. US\$250,000 and 1,000,000 common shares on or before the fourth anniversary of regulatory approval;
 - g. On or before the date that is four years from regulatory approval the Company shall incur exploration expenditures of at least US\$500,000 on the CWT Property.
2. The Company shall earn an additional 10% interest in the CWT Property upon completion and regulatory approval of a NI 43-101 compliant resource report prepared according to the standards of the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM").

4. Exploration and evaluation asset (cont'd)

3. The Company shall earn an additional 10% interest in the CWT Property upon completion and regulatory approval of a Preliminary Economic Assessment prepared according to CIM standards.
4. The Company shall earn an additional 5% interest in the CWT Property upon completion and regulatory approval of a Pre-feasibility Study prepared according to CIM standards.
5. The Company shall earn an additional 5% interest in the CWT Property upon completion and regulatory approval of a Bankable Feasibility Study prepared according to CIM standards.

The agreement is subject to the approval of the Exchange and to other standard closing conditions, including satisfactory due diligence review of the CWT Property by the Company, approval of the board of directors of the Company, and the completion of a financing on terms satisfactory to the Company, in its sole discretion, as may be necessary in order to meet the minimum listing requirements of the Exchange. If the Exchange has not granted approval of this agreement by December 5, 2014, then either party may terminate the agreement without liability, by notice to the other party.

Subsequent to March 31, 2016, the Company decided not to pursue the exploration of the CWT Property. As a result, an impairment of \$52,450 was recognized in the statements of comprehensive loss (Note 11).

Acquisition costs incurred are as follows:

	March 31, 2016	March 31, 2015
Acquisition	\$ -	\$ 52,450

Exploration expenses incurred are as follows:

	March 31, 2016	March 31, 2015
Geological consulting and surveying	\$ 3,616	\$ 26,829
License and filing	-	35,009
	\$ 3,616	\$ 61,838

5. Trade payables and accrued liabilities

	March 31, 2016	March 31, 2015
Trade payables (Note 7)	\$ 144,177	\$ 121,842
Accrued liabilities	4,000	11,500
	\$ 148,177	\$ 133,342

6. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At March 31, 2016 there were 4,850,000 issued and fully paid common shares (March 31, 2015 – 4,850,000).

Private placements

For the year ended March 31, 2016:

No shares were issued during the year.

For the year ended March 31, 2015:

No shares were issued during the year.

Restricted share capital

Effective July 11, 2012, 3,160,000 common shares were voluntarily placed in escrow pursuant to an escrow agreement. In connection with the transfer to NEX, an aggregate 1,250,000 seed shares of the Company held in escrow by certain non-arm's length parties have been cancelled in accordance with the Exchange policy.

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:

191,000	Shares to be released after Final Exchange Bulletin;
286,500	Shares to be released 6 months following the Final Exchange Bulletin;
286,500	Shares to be released 12 months following the Final Exchange Bulletin;
286,500	Shares to be released 18 months following the Final Exchange Bulletin;
286,500	Shares to be released 24 months following the Final Exchange Bulletin;
286,500	Shares to be released 30 months following the Final Exchange Bulletin;
286,500	Shares to be released 36 months following the Final Exchange Bulletin;
<u>1,910,000</u>	Total

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended March 31, 2016 was based on the loss attributable to common shareholders of \$106,052 (2015 - \$157,539) and the weighted average number of common shares outstanding of 2,940,000 (2015 – 2,940,000).

Diluted loss per share did not include the effect of 600,000 stock options as the effect would be anti-dilutive and 1,910,000 common shares held in escrow.

6. Share capital (cont'd)

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.

As mentioned above, in connection with the transfer to NEX, an aggregate 1,250,000 seed shares of the Company held in escrow by certain non-arm's length parties have been cancelled in accordance with the Exchange policy. The Company will not permit more than 485,000 options to be exercised until the Company is in compliance with the Exchange policies regarding the 10% rolling stock option plan.

The remaining 115,000 options would not be available for exercise until the Company has 6,000,000 shares issued and outstanding.

For the year ended March 31, 2016:

No incentive stock options were issued during the year.

For the year ended March 31, 2015:

No incentive stock options were issued during the year.

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price - \$ -
Balance, March 31, 2014	900,000	0.10
Expired	(300,000)	0.10
Balance, March 31, 2015	600,000	0.10
Expired	-	0.10
Balance, March 31, 2016	600,000	0.10

At March 31, 2016 the following share purchase options were outstanding:

Number of options	Exercise price - \$ -	Weighted average contractual life (Years)	Expiry date
600,000	0.10	1.43	September 7, 2017

6. Share capital (cont'd)

Stock option reserve

The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to deficit.

7. Related party

Related party balances

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

	March 31, 2016	March 31, 2015
Companies controlled by directors and officers of the Company (Note 5)	\$ 50	\$ 7,531
Due to directors of the Company (Note 5)	2,500	-
	\$ 2,550	\$ 7,531

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Key management compensation

	March 31, 2016	March 31, 2015
Administration services	\$ 2,857	\$ 2,625
Geological consulting services expensed as exploration expenses	-	18,000
	\$ 2,857	\$ 20,625

8. Income taxes

A reconciliation of the expected income tax recovery, based on Canadian federal and provincial tax rates, to the actual income tax recovery is as follows:

	Year ended March 31, 2016	Year ended March 31, 2015
Net loss	\$ (106,052)	\$ (157,539)
Statutory tax rate	26.0%	26.0%
Expected income tax recovery at the statutory tax rate	(27,573)	(40,960)
Non-deductible item and other	(1,058)	(1,059)
Change in valuation allowance	28,631	42,019
Income tax recovery	\$ -	\$ -

The Company has the following taxable temporary timing differences. No deferred tax assets have been recognized with respect to these tax affected temporary timing differences.

8. Income taxes (cont'd)

	March 31, 2016	March 31, 2015
Non-capital loss carry-forwards	\$ 83,378	\$ 65,899
Exploration and evaluation assets	66,229	51,652
Share issuance costs	3,425	6,850
	153,032	124,401
Less: valuation allowance	(153,032)	(124,401)
Net deferred income tax asset	\$ -	\$ -

The tax pools relating to these deductible temporary differences, noted above, expire as follows:

	Non-capital losses	Share issue costs
2032	\$ 5,030	\$ -
2033	74,567	-
2034	64,986	-
2035	112,942	-
2036	63,158	13,174
	\$ 320,683	\$ 13,174

9. Financial instruments and risks

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have any assets or liabilities that are affected by changes in interest rates.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. The Company's exposure to credit risk is its cash. The risk in cash is managed through the use of a major financial institution which has a high credit quality as determined by rating agencies. The Company's credit risk is assessed as low.

Foreign exchange rate risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company has no assets or liabilities denominated in foreign currencies; therefore, is not exposed to foreign exchange risk.

9. Financial instruments and risks (Cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company requires funds to finance its business development activities. There is no assurance that financing will be available or, if available, that such financings will be on terms acceptable to the Company.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at March 31, 2016:

	Within one year	Between one and five years	More than five years
Trade payables	\$ 144,177	\$ -	\$ -

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at March 31, 2015:

	Within one year	Between one and five years	More than five years
Trade payables	\$ 121,842	\$ -	\$ -

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	March 31, 2016	March 31, 2015
Held for trading:		
Cash	\$ -	\$ 38,767

Financial liabilities included in the statement of financial position are as follows:

	March 31, 2016	March 31, 2015
Non-derivative financial liabilities:		
Trade payables	\$ 144,177	\$ 121,842

9. Financial instruments and risks (Cont'd)

Fair values

The fair values of the Company's financial assets and liabilities approximate the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

As at March 31, 2016, the Company's financial assets measured at fair value include cash, which is determined based on Level 1.

10. Capital management

The Company's capital structure consists of cash and share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to complete a Qualifying Transaction. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is not subject to externally imposed capital requirements.

11. Subsequent events

Subsequent to March 31, 2016, the Company decided to abandon the CWT Property which resulting in an impairment of \$52,450 recognized during the year ended March 31, 2016 (Note 4).

Subsequent to March 31, 2016, the Company issued 100,000 common shares to settle an account payable of \$5,000.

Unaudited condensed consolidated interim financial statements for the nine months ended
January 31, 2019



BLOCKSTRAIN™

Condensed Consolidated Interim Financial Statements

For the three and nine months ended January 31, 2019

BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

(Unaudited)

Expressed in Canadian dollars



BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

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BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION			
As at		January 31,	April 30,
Expressed in Canadian dollars	Note	2019	2018
		(unaudited)	
Assets			
Current Assets			
Cash and cash equivalents	6	\$ 2,526,316	\$ 25,109
Note receivable	7	110,740	103,178
Sales tax receivables		136,620	3,736
Prepays and deposits	8	303,986	30,063
		<u>3,077,662</u>	<u>162,086</u>
Non-Current Assets			
Equipment	9	23,445	-
		<u>\$ 3,101,107</u>	<u>\$ 162,086</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	10	\$ 502,715	\$ 114,634
Loan payable	11	4,165	-
		<u>506,880</u>	<u>114,634</u>
Shareholders' Equity			
Share capital	12	12,788,566	575,250
Contributed surplus	12	3,224,657	-
Deficit		(13,418,996)	(527,798)
		<u>2,594,227</u>	<u>47,452</u>
		<u>\$ 3,101,107</u>	<u>\$ 162,086</u>
Commitment (Note 14)			

(See Notes to the Condensed Consolidated Interim Financial Statements)



BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS	Note	For the three months ended		For the nine months ended	
		2019	January 31, 2018	2019	January 31, 2018
Expressed in Canadian dollars – unaudited					
Expenses					
Corporate development costs	13	\$ 396,995	\$ -	\$ 3,784,737	\$ -
Depreciation	9	1,918	-	3,119	-
General and administrative costs		216,907	5,142	788,988	5,142
Operating costs		58,655	-	61,342	-
Product development costs	13	603,703	299,188	1,579,708	299,188
Salaries, subcontractors, and benefits	13	281,852	-	1,102,504	-
Stock-based compensation	12	28,691	-	3,224,657	-
		(1,588,721)	(304,330)	(10,545,055)	(304,330)
Other income (expense)					
Foreign exchange		(12,337)	-	(33,384)	-
Interest and other income		3,465	(40)	8,260	(40)
Listing expense	5	-	-	(2,321,019)	-
		(8,872)	(40)	(2,346,143)	(40)
Comprehensive loss		\$ (1,597,593)	\$ (304,370)	\$ (12,891,198)	\$ (304,370)
Loss per share					
Basic/Diluted		\$ (0.02)	\$ (0.01)	\$ (0.17)	\$ (0.01)
Weighted average number of common shares outstanding		80,204,382	38,350,000	77,626,395	38,350,000

(See Notes to the Condensed Consolidated Interim Financial Statements)



BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended January 31, 2019

Expressed in Canadian dollars – unaudited	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance at April 30, 2018	38,350,000	\$ 575,250	\$ -	\$ (527,798)	\$ 47,452
Shares issued for acquisition of the Corporation	6,854,382	2,056,315	-	-	2,056,315
Shares issued on private placement	35,000,000	10,500,000	-	-	10,500,000
Share issue costs	-	(342,999)	-	-	(342,999)
Stock-based compensation	-	-	3,224,657	-	3,224,657
Net loss	-	-	-	(12,891,198)	(12,891,198)
Balance at January 31, 2019	80,204,382	\$ 12,788,566	\$ 3,224,657	\$ (13,418,996)	\$ 2,594,227

(See Notes to the Condensed Consolidated Interim Financial Statements)



BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW	For the three months ended January 31,		For the nine months ended January 31,	
Expressed in Canadian dollars – unaudited	2019	2018	2019	2018
Operating activities				
Net loss for the period	\$ (1,597,593)	\$ (304,370)	\$ (12,891,198)	\$ (304,370)
Adjustments for:				
Depreciation	1,918	-	3,119	-
Interest on note receivable	(2,521)	-	(7,562)	-
Listing expense	-	-	2,321,019	-
Stock-based compensation	28,691	-	3,224,657	-
	<u>(1,569,505)</u>	<u>(304,370)</u>	<u>(7,349,965)</u>	<u>(304,370)</u>
Net changes in non-cash working capital items:				
Increase in sales tax receivable	(28,329)	-	(132,884)	-
Increase in prepaid expenses	81,419	-	(241,173)	-
Increase in accounts payable	78,063	229,330	111,897	229,330
Funds used in operations activities	<u>(1,438,352)</u>	<u>(75,040)</u>	<u>(7,612,125)</u>	<u>(75,040)</u>
Investing activities				
Purchase of property and equipment	-	-	(26,564)	-
Loan to Spark Digital	-	(100,000)	-	(100,000)
Bank indebtedness assumed from the RTO	-	-	(21,270)	-
Funds used in investing activities	<u>-</u>	<u>(100,000)</u>	<u>(47,834)</u>	<u>(100,000)</u>
Financing activities				
Proceeds from issuance of common shares	-	576,000	10,157,001	576,000
Proceeds from loan payable	-	-	4,165	-
Funds provided by financing activities	<u>-</u>	<u>576,000</u>	<u>10,161,166</u>	<u>576,000</u>
Net increase (decrease) in cash	(1,438,352)	400,960	2,501,207	400,960
Cash, beginning of period	3,964,668	-	25,109	-
Cash, end of period	\$ 2,526,316	\$ 400,960	\$ 2,526,316	\$ 400,960
Cash and cash equivalents consist of the following:				
Cash held in banks	\$ 1,593,394	\$ 400,960	\$ 1,593,394	\$ 400,960
Guaranteed investment certificate	932,922	-	932,922	-
	<u>\$ 2,526,316</u>	<u>\$ 400,960</u>	<u>\$ 2,526,316</u>	<u>\$ 400,960</u>

(See Notes to the Condensed Consolidated Interim Financial Statements)



BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2019
EXPRESSED IN CANADIAN DOLLARS**

1. NATURE OF OPERATIONS

BLOCKStrain Technology Corp. (formerly “Scorpion Resources Inc.”) (the “Corporation” or “BLOCKStrain”) was incorporated under the British Columbia Business Corporations Act on October 19, 2011. The head office and the records and registered office is located at 1820 - 1055 West Hastings Street, Vancouver, B.C., V6E 2E9.

The Corporation acquired all of the issued and outstanding shares of BLOCKStrain Technology Group Inc. (“PrivCo”) (the “Transaction”) (Note 5), a private company incorporated on November 22, 2017, under the laws of British Columbia. The Corporation has an integrated blockchain platform that registers and tracks intellectual property for the cannabis industry.

2. BASIS OF PREPARATION

Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standards (“IAS”) 34, Interim Financial Reporting.

The notes presented in these condensed consolidated interim financial statements include only significant events and transactions occurring since PrivCo’s last fiscal year end and they do not include all of the information required in PrivCo’s most recent annual financial statements. These condensed consolidated interim financial statements follow the same accounting policies and methods of application as PrivCo’s annual financial statements, and should be read in conjunction with PrivCo’s annual financial statements for the year ended April 30, 2018, which were prepared in accordance with IFRS as issued by IASB. There have been no changes in judgment or estimates from those disclosed in the consolidated financial statements for the year ended April 30, 2018.

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors as of March 25, 2018.

New standard IFRS 15 Revenue from Contracts with Customers

The Corporation has adopted IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) effective April 30, 2018 on a retrospective basis and applied the transitional provisions, so that any adjustments would be recorded in opening retained earnings at April 30, 2018.

IFRS 15 supersedes IAS 18 – Revenue, IAS 11 – Construction Contracts, and other revenue related interpretations. The standard outlines the principles that must be applied to measure and recognize revenue and the related cash flows. Revenue is recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.



BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2019
EXPRESSED IN CANADIAN DOLLARS**

2. BASIS OF PRESENTATION (CONT'D)

The principles in IFRS 15 will be applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The Corporation has concluded that the recognition and measurement of the sale of products in all contracts is consistent with the current revenue recognition practice and therefore does not expect any transitional adjustment.

New standard IFRS 9 Financial Instruments

The Corporation has adopted IFRS 9, Financial Instruments (IFRS 9) effective April 30, 2018 on a retrospective basis and applied the transitional provisions, so that any adjustments would be recorded in opening retained earnings at April 30, 2018. IFRS 9, addresses the classification, measurement and recognition of financial assets and financial liabilities. The adoption of IFRS 9 supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: (i) those measured at fair value through profit and loss, (ii) those measured at fair value through other comprehensive income and (iii) those measured at amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the IFRS 9 requirements are similar to those of IAS 39. The main distinction is that, in cases where the fair value option is chosen for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 introduces a single expected credit loss model for calculating impairment for financial assets, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Corporation's condensed consolidated interim financial statements and did not result in a transitional adjustment.

The Corporation has no hedges on its condensed consolidated interim financial statements for the reporting period.

The Corporation has concluded that the adoption of IFRS 9 did not require any transitional adjustments to the classification or measurement of the Corporation's financial assets and financial liabilities.



BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2019
EXPRESSED IN CANADIAN DOLLARS**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Corporation in these condensed consolidated interim financial statements are the same as those applied by the Corporation in its annual financial statements for the year ended April 30, 2018. Because the disclosures provided in these condensed consolidated interim financial statements do not conform in all respects with IFRS for annual consolidated financial statements, these condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended April 30, 2018.

Revenue Recognition

The Company principally derives its revenues from three sources: Lab testing, DNA Based Product Validation and Actionable Quality Assurance, and the registration of Intellectual Property.

Revenue is recognized upon transfer of control of promised products and services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services.

The Company determines the amount of revenue to be recognized through application of the following steps:

- Identification of the contract, or contracts with a customer;
 - Identification of the performance obligations in the contract;
 - Determination of the transaction price;
 - Allocation of the transaction price to the performance obligations in the contract; and
 - Recognition of revenue when or as the Company satisfies the performance obligations.
- a) Lab testing revenues usually consist of testing cannabis samples to retrieve their genomic structures. The Company typically invoices its customers when the testing process is complete.
- b) Product validation and quality assurance revenues consist of the confirmation of a product's source and genetics as it travels from farm to shelf. Revenue from these services is typically recognized when each step of the validation process is complete.
- c) Revenue from the registration of Intellectual Property consists of registering the genomic structures of a product in our database for reference for product validation. Revenue from this service is generally recognized when the Intellectual Property is registered and the client has received the certificate of registration.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Corporation makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the year of the change. Information about critical judgements in applying accounting policies are discussed below:



BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2019
EXPRESSED IN CANADIAN DOLLARS**

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Equity-settled Stock-Based Compensation Transactions

The Corporation measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for stock-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, share price, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for stock-based compensation transactions are disclosed in Note 10.

Significant judgement is also required when determining if consultants that provide services to the Corporation should be considered as employees or non-employees when they are granted stock-based compensation. In making this determination, the Corporation considers that individuals who render personal services to the entity are regarded as employees for legal or tax purposes, individuals that work for the entity under its direction in the same way as individuals who are regarded as employees for legal or tax purposes, and individuals whose services rendered are similar to those rendered by employees are considered as employees for stock-based compensation valuation purposes.

5. REVERSE TAKEOVER

The Transaction constituted a reverse takeover of the Corporation by the shareholders of PrivCo. At the time of the transaction the Corporation did not meet the definition of a business as defined under IFRS 3; therefore, the Transaction is accounted under IFRS 2, where the difference between the consideration given to acquire the Corporation and the net asset value of the Corporation is recorded as a listing expense. As PrivCo is deemed to be the accounting acquirer for accounting purposes, these financial statements present the historical financial information of PrivCo up to the date of the Transaction.

On May 17, 2018, the Transaction closed and the Corporation acquired, on a one for one basis, all issued and outstanding shares of PrivCo in exchange for 38,350,000 shares of the Corporation. The acquisition consideration deemed to have been transferred by PrivCo, the legal subsidiary, was in the form of the common shares of the Corporation at the date of the transaction.

Fair value of shares issued (6,854,382 @ \$0.30)	\$	2,056,315
Fair value of net liabilities		
Prepaid deposits		32,750
Bank indebtedness		(21,270)
Accounts payable		(276,184)
		<u>(264,704)</u>
Listing expense	\$	2,321,019

6. CASH AND CASH EQUIVALENTS

	January 31, 2019	April 30, 2018
Cash held in banks	\$ 1,593,394	\$ 25,109
Guaranteed investment certificates	932,922	-
	<u>\$ 2,526,316</u>	<u>\$ 25,109</u>



BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2019
EXPRESSED IN CANADIAN DOLLARS**

7. NOTE RECEIVABLE

In conjunction with the BLOCKStrain Technology Group Inc. letter of intent (“LOI”) executed on January 4, 2018, the Corporation advanced \$100,000 to Spark Digital Technologies (“Spark”) for one year, which bears interest at 10% per annum. At the option of the Corporation, the advance is convertible into equity securities of Spark or may be set off against the amount payable before the initial license fee as contemplated by the LOI. During the three and nine months ended January 31, 2019, the Corporation recorded \$2,520 and \$7,561 in interest income, included in other income.

8. PREPAIDS AND DEPOSITS

	January 31, 2019	April 30, 2018
Prepays	\$ 203,976	\$ 30,063
Deposits	100,010	-
	\$ 303,986	\$ 30,063

During the period ended January 31, 2019, the Corporation entered into a one year, US\$300,000 (CAN\$392,850) digital marketing agreement which was paid in advance.

During the period ended January 31, 2019, the Corporation paid a \$100,010 deposit towards a subscription agreement with Integral Genomics Inc. (formerly “BC Better Genetics Corporation”).

9. EQUIPMENT

	January 31, 2019	April 30, 2018
Equipment	\$ 26,564	\$ -
Depreciation	(3,119)	-
	\$ 23,445	\$ -

During the period ended January 31, 2019, the Corporation purchased equipment to perform genetic testing for cannabis.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2019	April 30, 2018
Accounts payable	\$ 493,665	\$ 106,364
Accrued liabilities	9,050	8,270
	\$ 502,715	\$ 114,634

11. LOAN PAYABLE

As at January 31, 2019, the Corporation has an outstanding loan of \$4,165 from a director. The loan is unsecured, non-interest bearing and due on demand.



BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2019
EXPRESSED IN CANADIAN DOLLARS**

12. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares and preferred shares without par value.

Common shares issued

On May 17, 2018, the Transaction (Note 5) was completed and the Corporation acquired, on a one for one basis, all issued and outstanding shares of PrivCo in exchange for 38,350,000 common shares of the Corporation.

On May 17, 2018, concurrent with the Transaction, the Corporation issued 35,000,000 common shares for proceeds of \$10,500,000. The Corporation incurred \$342,999 in share issuance costs.

Options

The Corporation has adopted a stock option plan where it may issue a maximum of 16,000,000 options. Under the terms of the stock option plan, options may be granted only to: (i) employees, officers, directors, and consultants of the Corporation; and (ii) employees, officers, directors, and consultants of an affiliate of the Corporation.

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 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 of the issued and outstanding common shares.

As at January 31, 2019 the Corporation had the following options outstanding and exercisable:

Expiry Date	Exercise Price	Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Exercisable
May 18, 2023	\$ 0.30	4.30	12,600,000	12,525,000
September 28, 2023	\$ 0.30	4.66	700,000	233,334

The following is a summary of the Corporation's stock option activity:

	Number of options	Weighted Average Exercise Price
Outstanding at May 1, 2018	-	\$ -
Granted	13,450,000	0.30
Cancelled	(150,000)	0.30
Outstanding at January 31, 2019	13,300,000	\$ 0.30
Exercisable at January 31, 2019	12,758,334	\$ 0.30



BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2019
EXPRESSED IN CANADIAN DOLLARS**

12. SHARE CAPITAL (CONT'D)

Options (continued)

On May 18, 2018, the Corporation issued 12,750,000 stock options to employees and directors of the Corporation. 12,600,000 of these options vest on September 19, 2018, with another 150,000 vesting over a twelve month from the date of the grant. The exercise price of these options is \$0.30, and they expire on May 18, 2023. On September 18, 2,750,000 options that were set to vest on September 19, 2018 were extended to vest on January 19, 2019.

On September 28, 2018, the Corporation issued 700,000 stock options to employees. 233,334 of these options vested upon grant, 233,333 will vest on September 28, 2019 and 233,333 will vest on September 28, 2020. The exercise price of these options is \$0.30, and they expire on September 28, 2023.

During the three and nine months ended January 31, 2019, the Corporation recorded \$28,691 and \$3,224,657 in stock-based compensation, respectively, based on the fair values of stock options granted which were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

For the nine months ended January 31,	2019
Risk free interest rate	2.24%-2.30%
Expected volatility	120.05%-123.65%
Expected life	5 years
Expected dividend yield	0%
Exercise price	\$ 0.30

13. RELATED PARTY TRANSACTIONS

Summary of key management personnel compensation:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation as a whole. The Corporation has determined that key management personnel consist of members of the Corporation's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the three and nine months ended January 31, 2019 is set out below:

For the three and nine months ended January 31,	Three Months		Nine Months	
	2019	2018	2019	2018
Corporate developments costs	\$ 36,000	\$ -	\$ 350,354	\$ -
Director fees	4,500	-	9,919	-
General and administrative costs	29,389	-	102,780	-
Product development costs	603,703	299,188	1,579,708	299,188
Salaries, subcontractors, and benefits	114,000	-	327,923	-
Stock-based compensation	12,913	-	1,110,346	-
	\$ 800,505	\$ 299,188	\$ 3,481,030	\$ 299,188



BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2019
EXPRESSED IN CANADIAN DOLLARS**

13. RELATED PARTY TRANSACTIONS (CONT'D)

Corporate Development Costs

On June 1, 2018, the Corporation entered into a master services agreement with a company controlled by a director to provide marketing, web development, planning, patent work, administrative services, and facilitation and negotiation services. For the three and nine months ended January 31, 2019, the Corporation incurred fees of \$36,000 and \$350,354, respectively. As at January 31, 2019, the Corporation was indebted to this company in the amount of \$3,729 (April 30, 2018 - \$14,644) which was included in accounts payable and accrued liabilities.

Director Fees

For the three and nine months ended January 31, 2019, \$4,500 and \$9,919 was paid to a director of the Corporation, respectively.

General and Administrative Costs

For the three and nine months ended January 31, 2019, related parties represented \$29,389 and \$102,780 of general and administrative costs, respectively.

Product Development Costs

On January 19, 2018, the Corporation entered into a master services agreement and a statement of work to develop the initial phases of the product development strategy necessary to launch the BLOCKStrain platform. The Corporation shares a named officer with the service provider. For the three months and nine months ended January 31, 2019, the Corporation incurred fees of \$603,703 and \$1,579,708, respectively. As at January 31, 2019, the Corporation was indebted by \$Nil (April 30, 2018 - \$Nil).

Salaries, Subcontractors, and Benefits

For the three and nine months ended January 31, 2019, a total of \$114,000 and \$327,923, was paid to the Chief Executive Officer, Chief Financial Officer, Chief Technology officer, and a company related to the Chief Financial Officer for their services, respectively. As at January 31, 2019, \$4,200 (April 30, 2018 - \$1,366) of expense reimbursements was due to these employees.

Stock-Based Compensation

For the three and nine months ended January 31, 2019, the Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, three directors, and two former directors, incurred stock-based compensation expense of \$12,913 and \$1,110,346, respectively.

Other

As at January 31, 2019, \$20,424 (April 30, 2018 - \$nil) of expense reimbursements was due to a former director of the Corporation and was included in accounts payable and accrued liabilities.

As at January 31, 2019, a note receivable (Note 6) of \$110,740 (April 30, 2018 - \$103,178) was due from a company controlled by directors of the Corporation.



BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2019
EXPRESSED IN CANADIAN DOLLARS

14. COMMITMENT

Operating lease

The Corporation has an obligation under an operating lease for its corporate office space as follows. This lease expires in 2023.

Year		Operating Leases
2019	\$	61,615
2020		68,846
2021		70,515
2022		72,184
2023		55,077
Total	\$	328,237

Audited financial statements of Blockstrain Subco, for the period from incorporation on November 22, 2017 to April 30, 2018

BLOCKSTRAIN TECHNOLOGY GROUP INC.
(Formerly “BLOCKSTRAIN TECHNOLOGY CORP.”)
FINANCIAL STATEMENTS
April 30, 2018
(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Director of BLOCKStrain Technology Group Inc. (formerly "BLOCKStrain Technology Corp.")

We have audited the accompanying financial statements of BLOCKStrain Technology Group Inc. (the "Company"), which comprise the statement of financial position as at April 30, 2018, the statements of comprehensive loss, changes in shareholders' equity and cash flows for the period from November 22, 2017 (inception) to April 30, 2018, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2018, and its financial performance and its cash flows for the period from November 22, 2017 (inception) to April 30, 2018 in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads "DMCL".

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
July 27, 2018

An independent firm associated with
Moore Stephens International Limited

MOORE STEPHENS

BLOCKSTRAIN TECHNOLOGY GROUP INC. (formerly "BLOCKSTRAIN TECHNOLOGY CORP.")
STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

April 30, 2018

ASSETS

Current		
Cash	\$	25,109
Sales tax receivable		3,736
Prepaid expenses		30,063
Note receivable (Note 5)		103,178
Total Assets	\$	162,086

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities

Accounts payable (Note 7)	\$	106,364
Accrued liabilities		8,270
Total Liabilities		114,634

Shareholders' Equity

Share capital (Note 3)		575,250
Deficit		(527,798)
Total Shareholders' Equity		47,452
Total Liabilities and Shareholders' Equity	\$	162,086

Subsequent Events (Note 1)

Approved and authorized for issue by the Director on July 27, 2018.

"Robert Galarza"
President and Director

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

BLOCKSTRAIN TECHNOLOGY GROUP INC. (formerly "BLOCKSTRAIN TECHNOLOGY CORP.")
STATEMENT OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

**From November 22,
2017 (inception) to
April 30, 2018**

Operating Expenses		
Bank charges	\$	497
Legal fees		23,202
Marketing		89,739
Office supplies		2,284
Product development (Note 4)		376,184
Travel		32,420
		(524,326)
Other item		
Interest income (Note 5)		3,178
Foreign exchange loss		(6,650)
Comprehensive loss	\$	527,798
Basic and diluted loss per share	\$	(0.02)
Weighted average shares outstanding		31,512,413

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

BLOCKSTRAIN TECHNOLOGY GROUP INC. (formerly "BLOCKSTRAIN TECHNOLOGY CORP.")
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Number of Shares #	Share Capital \$	Deficit \$	Total \$
Balance, November 22, 2017 (inception)	-	-		
Shares issued for cash (Note 3)	38,350,000	575,250	-	575,250
Net loss	-	-	(527,798)	(527,798)
Balance, April 30, 2018	38,350,000	575,250	(527,798)	47,452

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

BLOCKSTRAIN TECHNOLOGY CROUP INC. (formerly "BLOCKSTRAIN TECHNOLOGY CORP.")
STATEMENT OF CASH FLOWS
(Expressed in Canadian Dollars)

	From November 22, 2017 (inception) to April 30, 2018
CASH FLOW USED IN OPERATING ACTIVITIES	
Net loss	\$ (527,798)
Interest income	(3,178)
Changes in working capital items	
Sales tax receivable	(3,736)
Prepaid expenses	(30,063)
Accounts payable and accrued liabilities	114,634
Net cash flow used in operating activities	(450,141)
CASH FLOW FROM INVESTING ACTIVITIES	
Issuance of loans receivable	(100,000)
Net cash flow provided by investing activities	(100,000)
CASH FLOW FROM FINANCING ACTIVITIES	
Shares issued	575,250
Net cash flow provided by financing activities	575,250
NET CASH INFLOW	25,109
Cash - beginning of period	-
Cash - end of period	\$ 25,109

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

BLOCKSTRAIN TECHNOLOGY GROUP INC. (formerly "BLOCKSTRAIN TECHNOLOGY CORP.")

NOTES TO THE FINANCIAL STATEMENTS

Period from November 22, 2017 (Inception) to April 30, 2018

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

BLOCKStrain Technology Group Inc. (formerly "BLOCKStrain Technology Corp.") (the "Company") was incorporated on November 22, 2017, under the laws of the Province of British Columbia. The registered office and records office of the Company are located at 800 – 885 West Georgia Street, Vancouver, BC V6C 3H1.

On January 18, 2018, the Company and each of its shareholders entered into a definitive share exchange agreement (the "Share Exchange Agreement") with BLOCKStrain Technology Corp. (formerly "Scorpion Resources Inc.") ("Scorpion"), which was formerly a Capital Pool Company (as defined in the policies of the TSXV) listed on the NEX board of the TSXV. Scorpion agreed to acquire all of the issued and outstanding securities of the Company. The Transaction constituted a reverse takeover of Scorpion by the Company and Scorpion's Qualifying Transaction as defined in the policies of the TSXV. The Transaction closed on May 22, 2018. In connection with the Closing, the Company changed its name to "BLOCKStrain Technology Group Inc."

Pursuant to the terms of the Share Exchange Agreement, Scorpion issued one common share in the capital of Scorpion to former shareholders of the Company in exchange for each outstanding common share in the capital of the Company.

Concurrent with the completion of the Transaction, Scorpion issued 35,000,000 common shares on conversion of subscription receipts that had been issued by Scorpion for gross proceeds of \$10,500,000 prior to completion of the Transaction.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Reporting Interpretation Committee ("IFRIC") for all periods presented.

These financial statements were authorized for issue by the Board of Directors on July 27, 2018.

Basis of Presentation

These financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements are presented in Canadian dollars, except when otherwise indicated. The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES AND JUDGMENTS

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

BLOCKSTRAIN TECHNOLOGY GROUP INC. (formerly "BLOCKSTRAIN TECHNOLOGY CORP.")

NOTES TO THE FINANCIAL STATEMENTS

Period from November 22, 2017 (Inception) to April 30, 2018

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

Deferred tax:

Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that future taxable income will be available to allow all or part of the temporary differences to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted and are expected to apply by the end of the reporting period.

Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign currency translation

The Company's functional currency is the Canadian dollar. The Company is not exposed to significant currency risk at this time.

Financial instruments

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of loss and comprehensive loss. The losses arising from impairment are recognized in the statement of loss and comprehensive loss. The Company has classified cash and loans receivable as loans and receivables.

Other financial liabilities

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost. The effective interest rate (or amortized cost method) is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company does not have any Level 1, 2 or 3 fair value measurements.

BLOCKSTRAIN TECHNOLOGY GROUP INC. (formerly "BLOCKSTRAIN TECHNOLOGY CORP.")

NOTES TO THE FINANCIAL STATEMENTS

Period from November 22, 2017 (Inception) to April 30, 2018

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

Critical accounting estimates and significant management judgments

The preparation of financial statements in accordance with IFRS requires the Company to use judgment in applying its accounting policies and make estimates and assumptions about reported amounts at the date of the financial statements and in the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Research and Development Expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;

Research and Development Expenditure (continued)

- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

At April 30, 2018, the Company had not recognized any internally-generated intangible assets.

Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these income tax provisions at the end of each reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Deferred tax assets are recognized when it is determined that the Company is likely to recognize their recovery from the generation of taxable income.

Other significant judgments

The preparation of these 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;
- whether research and development costs are capitalized or expensed; and
- the fair value and classification of financial instruments.

BLOCKSTRAIN TECHNOLOGY GROUP INC. (formerly "BLOCKSTRAIN TECHNOLOGY CORP.")

NOTES TO THE FINANCIAL STATEMENTS

Period from November 22, 2017 (Inception) to April 30, 2018

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES AND JUDGMENTS (CONTINUED)**Changes in accounting standards**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

4. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common and preferred shares without par value.

Shares issued for cash

During the period ended April 30, 2018, the Company issued 38,350,000 common shares at \$0.015 per share for gross proceeds of \$575,250.

5. DEVELOPMENT FEES

On December 29, 2017, the Company entered into a letter of intent (the "LOI") with Spark Digital Technologies, Inc. ("Spark") to license certain software and other intellectual property. The intention is for the terms of the LOI to be incorporated into a formal license agreement whereby Spark will provide the Company with an exclusive perpetual license to use, develop, sublicense, sell and distribute intellectual property for the cannabis industry. The initial license fee is \$500,000. Pursuant to a master services agreement entered into with Spark, the Company paid \$75,000 to Spark for services, including product development and management strategy.

On January 19, 2018, the Company entered into a master services agreement and a statement of work with Heated Details, Inc. ("Heated Details"), a private company, pursuant to which Heated Details has agreed to develop the initial phases of the product development strategy necessary to launch the BLOCKstrain platform in consideration for payments of USD \$240,000 (\$302,040).

6. NOTE RECEIVABLE

In conjunction with the LOI (Note 4), on January 4, 2018, the Company advanced \$100,000 to Spark for one year, which advance bears interest at the rate of 10% per annum. At the option of the Company, the advance is convertible into equity securities of Spark or may be set off against the amount payable for the initial license fee as contemplated by the LOI.

As at April 30, 2018, the principal balance of \$100,000 and accrued interest of \$3,178 was outstanding.

7. INCOME TAX

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	April 30, 2018
Net loss for the period	\$ (527,798)
Statutory tax rate	26%
Expected income tax recovery at the statutory tax rate	(136,867)
Change in unrecognized deferred assets	136,041
Foreign exchange and other	826
Income tax recovery	\$ -

As at April 30, 2018, the Company had a total of \$136,041 in unrecognized deferred tax assets and non-capital loss carry-forwards.

BLOCKSTRAIN TECHNOLOGY GROUP INC. (formerly "BLOCKSTRAIN TECHNOLOGY CORP.")

NOTES TO THE FINANCIAL STATEMENTS

Period from November 22, 2017 (Inception) to April 30, 2018

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

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 the Company's director and corporate officers. There was no remuneration of the director or key management personnel from November 22, 2017 (inception) to April 30, 2018.

As at April 30, 2018, \$14,644, included in accounts payable was due to a company controlled by a director of the Company.

As at April 30, 2018, \$100,000 in principal and \$3,178 in accrued interest was due from Spark, which is a company controlled by the President of the Company, in connection with the the LOI.

9. FINANCIAL INSTRUMENTS

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its note receivable (Note 4). This receivable may be offset in the future against balances owing pursuant to the LOI. The Company's secondary exposure to credit risk is on its cash. All of its cash is held by a major Canadian financial institution. The credit risk associated with cash is minimized by ensuring that substantially all dollar amounts are held with a major financial institution with strong investment-grade ratings by a primary ratings agency.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at April 30, 2018, the Company incurred expenses in Canadian dollars and United States dollars. The Company therefore has exposure to fluctuations in the Canadian dollar - United States dollar exchange rate.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

The Company's sole source of funding since inception has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

10. CAPITAL MANAGEMENT

Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital.

In order to achieve this objective, management makes adjustments to its management of capital in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. The Company is not subject to externally imposed capital requirements. The Company's management of capital did not change from inception to April 30, 2018.

SCHEDULE C

MD&As

Management's discussion and analysis of its financial statements for the years ended March 31,
2018 and March 31, 2017

**BLOCKStrain Technology Corp.
(formerly Scorpion Resources Inc.)**

**Management Discussion and Analysis
For the Year Ended March 31, 2018**

Expressed in Canadian Dollars

Date Submitted: July 30, 2018

DATE

- This MD&A includes material occurring up to and including July 30, 2018.

Management’s Discussion and Analysis of Financial Position and Results of Operations

The following information should be read in conjunction with the audited financial statements of BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.) (the “Company”) for the years ended March 31, 2018 and 2017. All amounts are expressed in Canadian dollars unless otherwise stated.

This MD&A may contain “forward-looking statements” which reflect the Company’s current expectations regarding the future results of operations, performance and achievements of the Issuer. The Issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as “anticipate,” “believe,” “estimate,” “expect” and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements.

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 may 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. Those factors raise doubt as to the Company’s ability to continue as a going concern.

Overall Performance

During the year ended March 31, 2018, the Company raised cash of \$277 (2017 - \$14,987). Expenses amounted to \$346,112 (2017 - \$191,573).

Selected Annual Information

	March 31, 2018	March 31, 2017	March 31, 2016
Total Revenues	\$NIL	\$NIL	\$NIL
Net Loss	\$346,112	\$191,573	\$106,052
Net Loss per share (Basic and diluted)	\$0.10	\$0.16	\$0.09
Total Assets	\$33,027	\$14,987	\$NIL
Total Long-term Financial Liabilities	\$NIL	\$NIL	\$NIL

Business of the Company

The Company was incorporated under the Canada 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 could 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 8, 2014. The halt was changed to a suspension effective September 11, 2014. The Company was placed on notice to delist and to avoid delisting the Company was required to satisfy either of the following requirements, prior to the delisting deadline of December 8, 2014:

- 1.1 Completion of a Qualifying Transaction acceptable for the Exchange or
- 1.2 Transfer to NEX subject to NEX acceptance rules.

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. In connection with the transfer to NEX, an aggregate 250,000 seed shares of the Company held in escrow by certain non-arm’s length parties have been cancelled in accordance with the Exchange policy. The Company’s listing will transfer to NEX

under the trading symbol SR.H and the Company's tier classification will change from Tier 2 to NEX.

About the Company

The Company is designated as a Capital Pool Company by the Exchange. It has not commenced commercial operations and has no assets. The purpose of the offering under its Prospectus was to provide it with funds to identify and evaluate businesses or assets with a view to completing a Qualifying Transaction. Until completion of a Qualifying Transaction, the Company will not carry on any business other than identification and evaluation of businesses or assets with a view to completing a proposed Qualifying Transaction.

Qualifying Transaction

On January 18, 2018, the Company signed a definitive share exchange agreement with BLOCKStrain Technology Group Inc. (formerly, 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 38,350,000 post-split common shares, pro rata, to the vendors at a deemed price of \$0.30 per share.

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

- The Company completing a 2 for 1 forward split of the Company's shares;
- The vendors receiving one company share for each common share of BlockStrain held;
- The Company completing a private placement of subscription receipts for aggregate gross proceeds of up to \$10,500,000 at a price of \$0.30 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 TSX-V.

The Company shares issued to the vendors as consideration for the transaction are expected to be subject to a hold period expiring four months and one day after the closing of the transaction and such other escrow or pooling restrictions as may be applicable under the policies of the TSX-V. It is not expected that shareholder approval will be required for the transaction under the policies of the TSX-V.

Furthermore, the following directors and officers have been identified as proposed directors and officers of the Company following completion of the Transaction, subject to the approval of the TSXV:

- Robert Galarza, *Chief Executive Officer and Director*
- Tommy Stephenson, *Chief Technology Officer and Director*
- Anthony Jackson, *Chief Financial Officer and Director*
- Cameron Chell, *Director*

Subsequent to year ended March 31, 2018, the Company completed this qualifying transaction.

Management Changes

On January 18, 2018, Joshua Bleak resigned as a director of the Company.

On July 13, 2018, the Company appointed James Carter as a director of the Company.

Results of Operations

Net loss in the current year ending March 31, 2018 was \$346,112 compared to a net loss of \$191,573 in the prior year, reflecting an increase of \$154,539 in losses. Significant line item changes were as follows:

- Business development of \$1,663 compared to \$1,493 in the prior year.
- Consulting fees of \$34,125 compared to \$Nil in the prior year.
- Professional fees of \$61,350 compared to \$88,806 in the prior year.
- Foreign exchange gain of \$3,997 compared to \$1,343 in the prior year.
- Office and miscellaneous expenses of \$67,122 compared to \$2,761 in the prior year.
- Property investigation costs of \$119,225 compared to \$68,000 in the prior year.
- Transfer agent and filing fees of \$66,624 compared to \$27,856 in the prior year.

Summary of Quarterly Results

Three months ended	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Total revenue	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Net income (loss) before tax	\$(185,844)	\$(191,525)	\$(13,327)	\$44,584	\$(31,477)	\$(128,872)	\$(19,146)	\$(12,078)
Net earnings (loss) per share (basic and diluted)	\$(0.03)	\$(0.03)	\$(0.01)	\$0.02	\$(0.02)	\$(0.07)	\$(0.02)	\$(0.01)

Discussion

During the period ending March 31, 2018, professional fees were \$98,855 (2017 - \$42,394) reflecting an increase in accounting and legal fees during the period. Office and miscellaneous were \$36,951 (2017 - \$597) and consulting were \$34,125 (2017 - recovery of \$95,000) due to an increase in business activity during the period.

During the period ending December 31, 2017, professional fees were \$5,145 (2016 - \$16,844) reflecting a decrease in accounting and legal fees during the period. Office and miscellaneous were \$30,173 (2016 - \$1,401), property investigation costs were \$119,225 (2016 - \$Nil) and transfer agent and filing fees were \$37,690 (2016 - \$15,206) due to an increase in business activity during the period.

During the period ending September 30, 2017, professional fees were \$5,888 (2016 - \$19,068) reflecting a decrease in accounting and legal fees during the period. Transfer agent and filing fees were \$8,278 (2016 - \$Nil) due to an increase in business activity during the period.

During the period ending June 30, 2017, the Company recovered \$48,538 of professional fees due to the forgiveness of debt from a related party. This resulted to a net income of \$44,584. Transfer agent and filing fees were \$4,323 (2016 - \$893) due to an increase in business activity during the period.

During the period ending March 31, 2017, professional fees were \$42,394 (2016 - \$11,538) due to finding an acquisition target and getting the Company relisted. Mineral property investigation costs of \$68,000 (2016 - \$Nil) related to finding an acquisition target. Transfer agent and filing fees were \$11,757 (2016 - \$3,165) due to an increase in business activity associated with getting the Company relisted.

During the period ending December 31, 2016, business development expenses related to finding an acquisition target were \$1,493 (2015 - \$Nil). Consulting expenses were \$95,000 (2015 - \$Nil). The increase was due to finding an acquisition target and getting the Company relisted. Professional fees were \$16,844 (2015 - \$3,135) reflecting an increase in accounting fees and a decrease in legal fees. Transfer agent and filing fees were \$15,206 (2015 - \$4,448) due to an increase in business activity associated with getting the Company relisted.

During the period ending September 30, 2016, professional fees were \$19,068 (2015 - \$6,593) reflecting an increase in accounting fees and a decrease in legal fees. Filing fees were \$Nil (2015 - \$4,401) due to a decrease in business activity during the period.

During the period ending June 30, 2016, professional fees were \$10,500 (2015 - \$4,649) reflecting an increase in accounting fees during the period. Exploration expenses were \$Nil (2015 - \$3,616) due to the Company deciding not to pursue the exploration of the CWT Property. Filing fees were \$894 (2015 - \$2,151) due to a decrease in business activity during the period.

Other than costs already discussed, management does not believe that meaningful information about the Company's operations can be derived in more detail, from an analysis of quarterly fluctuations, as being presented herein.

Liquidity and Capital Resources

At March 31, 2018, the Company had working capital deficit of \$225,560 which management considers not being sufficient to continue operations for the coming year. The proposed business of the Company, completing its Qualifying Transaction involves a high degree of risk and there is no assurance that the Company will identify an appropriate business opportunity for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment.

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 8, 2014. The halt was changed to a suspension effective September 11, 2014. The Company was placed on notice to delist and to avoid delisting the Company was required to satisfy either of the following requirements, prior to the delisting deadline of December 8, 2014:

4.6.1 Completion of a Qualifying Transaction acceptable for the Exchange or

4.6.2 Transfer to NEX subject to NEX acceptance rules.

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. In connection with the transfer to NEX, an aggregate 250,000 seed shares of the Company held in escrow by certain non-arm's length parties have been cancelled in accordance with the Exchange policy. The Company was transferred to NEX under the trading symbol SR.H and the Company's tier classification will change from Tier 2 to NEX.

Additional funds may 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. Those factors raise doubt as to the Company's ability to continue as a going concern.

Operations of the Company are funded primarily by the issue of share capital. The continued operation of the Company is dependent on its ability to receive continued financial support from related parties, issue sufficient public equity, or generate profitable operations in the future.

On September 20, 2017, the Company closed a private placement for up to 4,714,382 shares for gross proceeds of \$459,652 at a price of \$0.0975 per common share.

Current assets are \$33,027 (2017 - \$14,987). Current liabilities being \$258,587 (2017 - \$325,737) consists of trade payables and accrued liabilities and loans payable. As of March 31, 2018, the Company had an accumulated deficit of \$1,058,905 (2017 - \$758,144).

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Related Party Transactions

As at March 31, 2018, an amount of \$20,424 (2017 - \$94,941) was owed to related parties. This amount is unsecured, non-interest bearing and has no fixed terms of repayment.

As of March 31, 2018, the Company has a loan payable to a director of \$3,000 (2017 - \$7,500). The loan is unsecured, without interest and due on demand.

For more information on related parties, please refer to note 8 of the annual financial statements for the year ended March 31, 2018.

Subsequent Events

On May 22, 2018, the Company completed its Qualifying Transaction (the "Transaction"), pursuant to which it acquired all of the issued and outstanding shares of BLOCKStrain, a software company building a comprehensive, community-driven cannabis genetics registration and licensing archive platform. As a result, BLOCKStrain become a wholly-owned subsidiary of the Company. The Company issued one common share to each former shareholder of BLOCKStrain, on a one for one basis for a total of 38,350,000 shares.

The Company began trading as a Tier 2 Industrial Issuer on the Exchange under the symbol "DNAX" on May 23, 2018.

In connection with the closing of the Transaction (the "Closing"), the Company:

- changed its name to "BLOCKStrain Technology Corp.";
- issued 35,000,000 common shares on conversion of subscription receipts issued in connection with the concurrent financing for the Transaction, pursuant to which the Company raised aggregate gross proceeds of \$10,500,000; and
- appointed new officers and directors.

Immediately prior to the Closing, the Company converted an aggregate of 35,000,000 previously received subscription receipts issued pursuant to a non-brokered private placement for gross proceeds of \$10,500,000 into common shares on a one for one basis. The shares issued on conversion of the subscription receipts are subject to a hold period expiring four months and one day after original the issuance of the subscription receipts in March 2018. After giving effect to the completion of the Transaction, the Company has 80,204,382 common shares issued and outstanding.

In connection with the Closing, the Company agreed to grant an aggregate of 12,750,000 stock options of the Company, effective as of the date of the Final Exchange Bulletin with respect to the Transaction, to certain consultants, directors, officers, and advisors of the Company. Each of the options will be exercisable into one common share at a price of \$0.30 per share for a period of five years following the Closing.

Each of the options will vest four months from the date of grant, except an aggregate of 200,000 options which, subject to the approval of the Exchange, the Company intends to retain to provide investor relations services for monthly compensation of \$9,000. These options will vest over 12 months, with 25% vesting every three months, in accordance with the policies of the Exchange.

Proposed Transactions

The Company has no proposed transactions other than **Proposed Qualifying Transaction – Subject to the approval of the Exchange and other** already discussed above as of the date of this MD&A.

Critical Accounting Estimates

The Company's critical accounting estimates include the estimated fair value of stock-based compensation and other share-based payments, and the recoverability of deferred tax assets.

Changes in Internal Controls over Financial Reporting

There were no changes in internal controls over financial reporting during the year.

Financial Instruments and Other Instruments

The Company's financial instruments at March 31, 2018 consist of cash and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to their short-term nature. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

Risk Factors

More detail on risk factors can be found in the Company's annual financial statements for the year ended March 31, 2018.

Disclosure of Outstanding Share Data

As at July 30, 2018, the Company had the following number of securities outstanding:

Common shares	80,204,382
Stock options	12,750,000
Fully diluted shares outstanding	92,954,382

As at July 30, 2018, the Escrow agent held 35,346,600 shares of the Company under an Escrow agreement.

Additional Information

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR (www.SEDAR.com). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

SCORPION RESOURCES INC.

**Management Discussion and Analysis
For the Year Ended March 31, 2017**

Expressed in Canadian Dollars

Date Submitted: July 31, 2017

DATE

- This MD&A includes material occurring up to and including July 31, 2017.

Management's Discussion and Analysis of Financial Position and Results of Operations

The following information should be read in conjunction with the audited annual financial statements of Scorpion Resources Inc. ("Scorpion" or the "Company") for the years ended March 31, 2017 and March 31, 2016. All amounts are expressed in Canadian dollars unless otherwise stated.

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Issuer. The Issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements.

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 may 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. Those factors raise doubt as to the Company's ability to continue as a going concern.

Overall Performance

During the year ended March 31, 2017, the Company raised cash of \$14,987 (2016 - \$Nil). Administration expenses amounted to \$187,573 (2016 - \$53,602), including exploration expenses of \$Nil (2016 - \$3,616).

Selected Annual Information

	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Total Revenues	NIL	NIL	NIL	NIL
Net Loss	191,573	106,052	157,539	184,568
Net Loss per share (basic and diluted)	(0.20)	(0.18)	(0.25)	(0.30)
Total Assets	14,987	NIL	91,217	186,352
Total Long Term Financial Liabilities	NIL	NIL	NIL	NIL

Business of the Company

The Company was incorporated under the Canada 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 could 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 8, 2014. The halt was changed to a suspension effective September 11, 2014. The Company was placed on notice to delist and to avoid delisting the Company was required to satisfy either of the following requirements, prior to the delisting deadline of December 8, 2014:

- 1.1 Completion of a Qualifying Transaction acceptable for the Exchange or
- 1.2 Transfer to NEX subject to NEX acceptance rules.

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. In connection with the transfer to NEX, an aggregate 250,000 seed shares of the Company held in escrow by certain non-arm’s length parties have been cancelled in accordance with the Exchange policy. The Company’s listing will transfer to NEX

under the trading symbol SR.H and the Company's tier classification will change from Tier 2 to NEX.

Proposed Qualifying Transaction – Subject to the approval of the Exchange and other.

CWT Property

The Property consists of 173 unpatented mining claims, and 7 mineral exploration permits situated in Township 17 South, Range 12 East, Gila and Salt River Meridian, Pima County, Arizona. MAG holds a 100% interest in the Property.

The Property contains the CWT mine, a historic underground operation which produced Zn-Cu-Pb-Ag, and was formerly owned by the Continental Materials Corp. The CWT produced approximately 69,000 tons of ore in 1967. The CWT includes a 1,000 foot deep shaft and extensive underground workings. The Property is located adjacent to ASARCO's Mission Complex and Freeport McMoran's Sierrita Mine and Twin Buttes Mine in Pima County, Arizona. There have been 38 core holes drilled in the immediate area of the Property. MAG has performed assaying work, geologic mapping and geophysics on the Property.

The Company engaged a firm for the purpose of preparing a technical report on the Property in accordance with *National Instrument 43-101 – Standards of Disclosure for Mineral Projects* ("NI 43-101"). That report will include a proposed work program and budget for the exploration and development of the Property. The Company anticipates that it will be able to cover the costs of exploration and development with its existing resources, however, if the costs are greater than anticipated, the Company may need to obtain further financing, and would complete a financing prior to, or concurrent with closing of the Qualifying Transaction.

Summary of the Proposed Transaction

Pursuant to the Agreement dated August 27, 2013 and amended on May 21, 2014 and amended on August 28, 2014, extending the date for receipt of regulatory approval, the Company can earn up to an undivided 80% interest in and to the Property upon the following terms:

1. The Company shall earn a 50% interest by making the following payments and expenditures:
 - a. US\$50,000 in cash upon signing the Agreement - Paid;
 - b. 1,000,000 common shares of the capital stock of the Company upon regulatory approval;
 - c. US\$75,000 cash and 1,000,000 common shares on or before the first anniversary of regulatory approval;
 - d. US\$100,000 and 1,000,000 common shares on or before the second anniversary of regulatory approval;
 - e. US\$150,000 and 1,000,000 common shares on or before the third anniversary of regulatory approval;

- f. US\$250,000 and 1,000,000 common shares on or before the fourth anniversary of regulatory approval;
 - g. On or before the date that is four years from regulatory approval the Company shall incur exploration expenditures of at least US\$500,000 on the Property.
2. The Company shall earn an additional 10% interest in the Property upon completion and regulatory approval of a NI 43-101 compliant resource report (in any category [i.e. inferred, indicated, measured] prepared according to the standards of the Canadian Institute of Mining, Metallurgy and Petroleum (“**CIM**”).
3. The Company shall earn an additional 10% interest in the Property upon completion and regulatory approval of a Preliminary Economic Assessment prepared according to CIM standards.
4. The Company shall earn an additional 5% interest in the Property upon completion and regulatory approval of a Pre-feasibility Study prepared according to CIM standards.
5. The Company shall earn an additional 5% interest in the Property upon completion and regulatory approval of a Bankable Feasibility Study prepared according to CIM standards.

The Proposed Transaction is subject to the approval of the Exchange and to other standard closing conditions, including satisfactory due diligence review of the CWT Property by the Company, approval of the board of directors of the Company, and the completion of a financing on terms satisfactory to the Company, in its sole discretion, as may be necessary in order to meet the minimum listing requirements of the Exchange. If the Exchange has not granted approval of this agreement by December 5, 2014, then either party may terminate the agreement without liability, by notice to the other party. Subsequent to March 31, 2016, the Company decided not to pursue the exploration in the CWT Property. As a result, an impairment of \$52,450 was recorded in the year ended March 31, 2016.

On September 9, 2014 the Exchange informed the Company that it has halted the Company’s securities from trading for failure to complete a Qualifying Transaction prior to the suspension deadline of September 8, 2014. The halt was changed to a suspension effective September 11, 2014. The Company was placed on notice to delist and to avoid delisting the Company was required to satisfy either of the following requirements, prior to the delisting deadline of December 8, 2014:

- 4.6.1 Completion of a Qualifying Transaction acceptable for the Exchange or
- 4.6.2 Transfer to NEX subject to NEX acceptance rules.

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. In connection with the transfer to NEX, an aggregate 250,000 seed shares of the Company held in escrow by certain non-arm’s length parties have been cancelled in accordance with the Exchange policy. The Company was transferred to NEX under the trading symbol SR.H and the Company’s tier classification will change from Tier 2 to NEX.

Discussion of Operations

Resulting Issuer

Following completion of the Qualifying Transaction the resulting issuer will operate the Property and proceed to carry on business in the mining sector. Scorpion’s current management will continue as officers and directors of the Company upon completion of the Qualifying Transaction. Eckersley will continue to serve as President and CEO. The directors and officers will continue to bear management responsibility for Scorpion following completion of the Qualifying Transaction.

About Scorpion Resources Inc.

Scorpion Resources Inc. is designated as a Capital Pool Company by the Exchange. It has not commenced commercial operations and has no assets. The purpose of the offering under its Prospectus was to provide it with funds to identify and evaluate businesses or assets with a view to completing a Qualifying Transaction. Until completion of a Qualifying Transaction, Scorpion will not carry on any business other than identification and evaluation of businesses or assets with a view to completing a proposed Qualifying Transaction.

Results of Operations

Net loss in the current year ending March 31, 2017, was \$191,573 compared to \$106,052 in the prior year, reflecting an increase of \$85,521 in losses. Significant line item changes were as follows:

- Business development expenses of \$1,493 compared to \$138 in the prior year.
- Consulting expenses of \$98,500 compared to \$2,476 in the prior year
- Professional expenses of \$53,306 compared to \$25,915 in the prior year.
- Transfer agent and filing fees of \$27,856 compared to \$14,165 in the prior year.

Summary of Quarterly Results

Three months ended	March 31, 2017	December 31 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
Total revenue	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Net loss before tax	(31,477)	(128,872)	(19,146)	(12,078)	(67,779)	(8,827)	(16,952)	(12,494)
Net loss per share (Basic and Diluted)	(0.00)	(0.22)	(0.03)	(0.02)	(0.12)	(0.02)	(0.03)	(0.02)

Discussion

The Company has no revenues, therefore increased activity and operations causes an increase in losses. During the year ending March 31, 2017, business development expenses related to finding an acquisition target were \$1,493 (2016 - \$138). Consulting expenses were \$Nil (2016 - \$2,476). Professional fees were 53,306 (2016 - \$25,915) due to finding an acquisition target and getting the company relisted. Mineral property investigation costs of \$68,000 (2016-\$Nil) related to finding an acquisition target. Transfer agent and filing fees were \$27,856 (2016 - \$14,165) due to an increase in business activity associated with getting the company relisted.

During the period ending December 31, 2016, business development expenses related to finding an acquisition target were \$1,493 (2015 - \$Nil). Consulting expenses were \$95,000 (2015 - \$Nil). The increase was due to finding an acquisition target and getting the company relisted. Professional fees were \$16,844 (2015 - \$3,135) reflecting an increase in accounting fees and a decrease in legal fees. Transfer agent and filing fees were \$15,206 (2015 - \$4,448) due to an increase in business activity associated with getting the company relisted.

During the period ending September 30, 2016, professional fees were \$19,068 (2015 - \$6,593) reflecting an increase in accounting fees and a decrease in legal fees. Filing fees were \$Nil (2015 - \$4,401) due to a decrease in business activity during the period.

During the period ending June 30, 2016, professional fees were \$10,500 (2015 - \$4,649) reflecting an increase in accounting fees during the period. Exploration expenses were \$Nil (2015 - \$3,616) due to the company deciding not to pursue the exploration of the CWT Property. Filing fees were \$894 (2015 - 2,151) due to a decrease in business activity during the period.

Other than costs already discussed, management does not believe that meaningful information about the Company's operations can be derived in more detail, from an analysis of quarterly fluctuations, as being presented herein.

Liquidity and Capital Resources

At March 31, 2017, the Company had negative working capital of \$310,750 which management considers not being sufficient to continue operations for the coming year. The proposed business of the Company, completing its Qualifying Transaction involves a high degree of risk and there is no assurance that the Company will identify an appropriate business opportunity for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment.

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 8, 2014. The halt was changed to a suspension effective September 11, 2014. The Company was placed on notice to delist and to avoid delisting the Company was required to satisfy either of the following requirements, prior to the delisting deadline of December 8, 2014:

4.6.1 Completion of a Qualifying Transaction acceptable for the Exchange or

4.6.2 Transfer to NEX subject to NEX acceptance rules.

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. In connection with the transfer to NEX, an aggregate 250,000 seed shares of the Company held in escrow by certain non-arm's length parties have been cancelled in accordance with the Exchange policy. The Company was transferred to NEX under the trading symbol SR.H and the Company's tier classification will change from Tier 2 to NEX.

Additional funds may 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. Those factors raise doubt as to the Company's ability to continue as a going concern.

Operations of the Company are funded primarily by the issue of share capital. The continued operation of the Company is dependent on its ability to receive continued financial support from related parties, issue sufficient public equity, or generate profitable operations in the future.

Current assets are \$14,987 (2016 - \$Nil). Current liabilities being \$325,737 (2016 - \$148,177) consists of trade payables and accrued liabilities and loans payable. As of March 31, 2017, the Company had an accumulated deficit of \$758,144 (2016 - \$566,571).

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Related Party Transactions

As at March 31, 2017, an amount of \$94,941 (2016 - \$2,550) was owed to related parties. This amount is unsecured, non-interest bearing and has no fixed terms of repayment.

For the year ended March 31, 2017, the Company received a loan of \$7,500 (2016 - \$Nil) from a related party. The loan is unsecured, without interest and due on demand.

For more information on related parties, please refer to note 8 of the annual financial statements for the year ended March 31, 2017.

Subsequent Events

Effective at the opening on May 23, 2017, the Company has consolidated its capital on a 1:5 basis. The name of the company has not been changed. The shares of the Company commenced trading on the TSX Venture Exchange on a consolidated basis. The company is classified as a capital pool company. Post consolidation capitalization: unlimited shares with no par value, of which 1,070,000 shares are issued and outstanding, 382,000 shares are subject to escrow.

Proposed Transactions

The Company has no proposed transactions other than **Proposed Qualifying Transaction – Subject to the approval of the Exchange and other** already discussed above as of the date of this MD&A.

Critical Accounting Estimates

The Company's critical accounting estimates include the estimated fair value of stock-based compensation and other share-based payments, and the recoverability of deferred tax assets.

Changes in Internal Controls over Financial Reporting

There were no changes in internal controls over financial reporting during the period.

Financial Instruments and Other Instruments

The Company's financial instruments at March 31, 2017 consist of cash and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to their short-term nature. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

Risk Factors

More detail on risk factors can be found in the Company's annual financial statements for the year ended March 31, 2017.

Disclosure of Outstanding Share Data

As at July 31, 2017, the Company had the following number of securities outstanding:

Common shares	1,070,000
Stock options	120,000
Fully diluted shares outstanding	1,190,000

As at July 31, 2017, the Escrow agent held 382,000 shares of the Company under an Escrow agreement.

ADDITIONAL INFORMATION

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR (www.SEDAR.com). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Management's discussion and analysis of its financial statements for the interim period ended
January 31, 2019



BLOCKSTRAIN™

Q3 2019

Management Discussion & Analysis

For the three and nine months ended January 31, 2019
BLOCKStrain Technology Corp. (formerly “Scorpion Resources, Inc.”)

The discussion and analysis of the financial condition and results of operations of the Corporation is prepared as at March 25, 2019 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of BLOCKStrain Technology Corp., and the notes thereto, for the three and nine months ended January 31, 2019, and with the audited consolidated financial statements of BLOCKStrain Technology Group Inc. and the notes thereto, for the year ended April 30, 2018.

All financial information is presented in Canadian dollars, except where otherwise indicated.



BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis (MD&A) of the financial condition and results of operations is intended to help the reader understand the current and prospective financial position and operating results of BLOCKStrain Technology Corp. (the "Corporation" or "BLOCKStrain"). The MD&A discusses the operating and financial results for the three and nine months ended January 31, 2019, is dated March 25, 2019, and takes into consideration information available up to that date.

The MD&A is based on the unaudited condensed consolidated interim financial statements of BLOCKStrain for the three and nine months ended January 31, 2019. The MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes for the three and nine months ended January 31, 2019, and the annual consolidated financial statements and related notes of BLOCKStrain Technology Group Inc. ("PrivCo") for the year ended April 30, 2018, prepared in accordance with International Financial Reporting Standards (IFRS). The PrivCo's audited consolidated financial statements have been prepared on the "going concern" basis, which presumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Additional information is available on BLOCKStrain's website (blockstrain.io) and all previous public filings, including the most recent filed Annual Information Form and Information Circular, are available through SEDAR (www.sedar.com). All amounts are denominated in Canadian dollars (CDN\$) unless otherwise identified.

FORWARD-LOOKING STATEMENTS

The MD&A contains certain forward-looking statements relating to the Corporation's plans, strategies, objectives, expectations and intentions. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "confident", "might" and similar expressions are intended to identify forward-looking information or statements. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this MD&A. The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Forward-looking statements are based on current expectations, estimates, and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated and described in the forward-looking statements. Such information and statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements. In particular, but without limiting the foregoing, this MD&A may contain forward-looking information and statements pertaining to the fluctuations in the demand for the Corporation's services; the ability for the Corporation to attract and retain qualified personnel; the existence of competitors; technological changes and developments; assumptions regarding foreign currency exchange rates and interest rates; the existence of regulatory and legislative uncertainties; the possibility of changes in tax laws and general economic conditions including the capital and credit markets; assumptions made about future performance and operations. The Corporation cautions that the foregoing list of assumptions, risks, and uncertainties is not exhaustive. The forward-looking information and statements contained in this MD&A speak only as of the date of this MD&A and the Corporation assumes no obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

NON-GAAP MEASURES AND ADDITIONAL GAAP MEASURES

Throughout this document, reference is made to "gross margin", "working capital", and "adjusted EBITDA", which are all non-IFRS measures. Management believes that gross margin, defined as revenue less operating expenses, is a useful supplemental measure of operations. Management believes that working capital, defined as current assets less current liabilities, is an indicator of the Corporation's liquidity and its ability to meet its current obligations. Management believes that Adjusted EBITDA, which normalizes earnings to exclude certain amounts (stock-based compensation and listing expenses), is a useful measure for comparing results from one period to another. Readers are cautioned that these non-



BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

IFRS measures may not be comparable to similar measures used by other companies. Readers are also cautioned not to view these non-IFRS financial measures as an alternative to financial measures calculated in accordance with International Financial Reporting Standards (“IFRS”).

MARKET PROFILE AND INFORMATION

BLOCKStrain Technology Corp. headquartered in Vancouver, BC, Canada, is a full-service software company that has developed the first integrated blockchain platform that registers and tracks cannabis intellectual property (“IP”) from genome to sale. It is proprietary, immutable and cryptographically secure, thereby establishing in a single-source, accurate, validated and permanent accounts for cannabis strains from ownership to market.

With widening legalization of cannabis in Canada and around the world, new challenges and opportunities emerge in order to provide a safe and legal inventory for products that, until recently, were largely available only on the black market. As these products are grown, processed and brought to the shelves, Canada and the global jurisdictions will heavily regulate cannabis and apply new standards and requirements in terms of product testing, quality assurance, tracking and safety.

BLOCKStrain specifically addresses the cannabis industry’s unique challenges, including:

- **Mandatory Testing:** BLOCKStrain’s platform and lab-testing partners provide an efficient and streamlined process for mandatory testing, including cutting the administrative burdens associated with microbial, chemistry and pesticide testing in order to help, get products safely to market faster;
- **DNA Based Product Validation and Actionable Quality Assurance:** The underlying blockchain technology creates a genetic registry and corresponding genetic fingerprint for electronic product identification, validation, and quality assurance to enable any participant on the platform, including regulators, producers, participants on the entire supply chain (if desired or required) and consumers, to view and track the product from Genome to Sale™; and
- **Intellectual Property:** Third, the BLOCKStrain platform protects the intellectual property of growers and breeders. This is important for the industry’s growth as products evolve and develop. For example, if a craft grower creates a popular strain with unique characteristics, the platform will enable intellectual property protection through simple registration of the strain’s genome with BLOCKStrain and locking that data into an immutable decentralized ledger. The resulting permanent record will be readily accessible in the event of future disputes, bringing a level of trust to the industry and ensuring associated fees are paid to all applicable parties in the market.

BLOCKStrain’s leadership team combines decades of extensive experience across multiple industries, with specific expertise across corporate management, business development, advertising, information technology, including custom enterprise-based software, legal and finance. The team’s extensive combined experience, specific expertise in the blockchain sector and its development of the most comprehensive, secure and community-driven cannabis genetics archival platform positions BLOCKStrain for growing opportunities in the multibillion dollar cannabis market and at the forefront to provide the growing needs of the industry.



CORPORATE PROFILE

Organization

BLOCKStrain Technology Corp. (formerly “Scorpion Resources Inc.”) (the “Corporation” or “BLOCKStrain”) was incorporated under the British Columbia Business Corporations Act on October 19, 2011. The head office and the records and registered office is located at 1820 - 1055 West Hastings Street, Vancouver, B.C., V6E 2E9.

The Corporation acquired all of the issued and outstanding shares of BLOCKStrain Technology Group Inc. (“PrivCo”) (the “Transaction”) (Note 5), a private company incorporated on November 22, 2017, under the laws of British Columbia. The Transaction constituted a reverse takeover of the Corporation by the PrivCo. PrivCo has developed an integrated blockchain platform that registers and tracks intellectual property for the cannabis industry.

Pursuant to the terms of the Share Exchange Agreement, Scorpion issued one common share in the capital of Scorpion to former shareholders of the Corporation in exchange for each outstanding common share in the capital of the Corporation.

Further details of this transaction are described in note 5 of the unaudited condensed consolidated interim financial statements and related notes for the three and nine months ended January 31, 2019 and the Reverse Takeover section of this MD&A.

Operations

BLOCKStrain has developed the first integrated blockchain platform that registers and tracks intellectual property and mandatory testing for the cannabis industry, which is dedicated to making it safe and conformable for breeders and growers, large and small, to protect and release their genetics, strain varieties, and validated testing results into the public domain. BLOCKStrain verification technology tracks the product at every testing point, from Genome to Sale™, so customers can make much more informed decisions about the products they choose, and suppliers can implement actionable quality assurance. The BLOCKStrain registry and verification system gives producers, regulators, and customers everything they need to know, helping support safe and informed choices about all of the cannabis products placed into the supply chain.

BLOCKStrain combines traditional cannabis culture with modern blockchain-technology. By being open and available to everyone, the platform is expected to help shape the future adoption and authenticity of the cannabis industry. Through use of a secure API network, BLOCKStrain will make it easy for testing providers, grow facilities, app and software developers, research groups, and major supply chain platforms to build applications and solutions, thereby helping fuel technology and innovation for the cannabis industry as a whole.



BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

With compliance and regulation being a critical priority for industry participants, BLOCKStrain will be focused on ensuring that applicable regulatory standards are adhered to, while providing real-time visibility of industry operations directly to, and collaboration with, agencies assigned to enforce and regulate cannabis activity nationwide. BLOCKStrain intends to use powerful supply chain and IoT (“Internet of Things”) technology to allow for the tracking of cannabis movement from genetics to sale, while providing for the scalability of what is expected to become a globally traded product.



BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

FINANCIAL AND OPERATION HIGHLIGHTS

PrivCo was incorporated on November 22, 2017. As a result, the operations did not start until the third quarter of 2018. PrivCo did not have any activities prior to its date of incorporation and, therefore, does not have comparative figures for the three and nine months ended January 31, 2019.

For the three and nine months ended January 31,	Three Months		Nine Months	
	2019	2018	2019	2018
Revenue	-	-	-	-
Gross margin ⁽¹⁾	(58,655)	-	(61,342)	-
Gross margin – percentage ⁽¹⁾	0.0%	0.0%	0.0%	0.0%
Adjusted EBITDA ⁽¹⁾	(1,572,311)	(304,370)	(7,354,087)	(304,370)
EBITDA ⁽¹⁾	(1,601,002)	(304,370)	(12,899,763)	(304,370)
Net loss	(1,597,593)	(304,370)	(12,891,198)	(304,370)
Comprehensive loss	(1,597,593)	(304,370)	(12,891,198)	(304,370)

Revenue and Gross margin ⁽¹⁾

- The Corporation's proprietary software is being built to enable BLOCKStrain to serve as a full-service software provider with the first integrated blockchain platform that registers and tracks cannabis intellectual property ("IP") from genome to sale. The genomic based registry is proprietary, immutable, and cryptographically secure, thereby establishing, in a single-source, an accurate, validated, and permanent account for cannabis strains from ownership to market.
- As of the three and nine months ended January 31, 2019 the Corporation has not generated any revenue, but has started to incur expenses that will be charged against gross margin.

Earnings and net earnings ⁽¹⁾

The Corporation's loss was \$1,597,593 and \$12,891,198 for the three and nine months ended January 31, 2019. The nine months ended January 31, 2019 includes \$2,321,019 of listing charges related to the reverse takeover.

For the three and nine months ended January 31, 2019, adjusted EBITDA was \$1,572,311 and \$7,354,087 respectively, and operating expenses were \$1,588,721 and \$10,545,055 respectively.

REVERSE TAKEOVER

The Corporation acquired all of the issued and outstanding shares of BLOCKStrain Technology Group Inc. (the "Transaction"). The Transaction constituted a reverse take-over of the Corporation by the shareholders of PrivCo. At the time of the transaction the Corporation did not meet the definition of a business as defined under IFRS 3; therefore, the Transaction is accounted under IFRS 2, where the difference between the consideration given to acquire the Corporation and the net asset value of the Corporation is recorded as a listing expense. As PrivCo is deemed to be the acquirer for accounting purposes, these financial statements present the historical financial information of PrivCo up to the date of the Transaction.

On May 17, 2018, the Transaction closed and the Corporation acquired, on a one for one basis, all issued and outstanding shares of PrivCo in exchange for 38,350,000 of its shares. The acquisition consideration deemed to have been transferred by PrivCo, the legal subsidiary, was in the form of common shares of the Corporation at the date of the transaction and was considered to be listing expenses.

⁽¹⁾ See Non-GAAP measures and additional GAAP measures



BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

Fair value of shares issued (6,854,382 @ \$0.30)	\$	2,056,315
Fair value of net liabilities		
Prepaid deposits		32,750
Bank indebtedness		(21,270)
Accounts payable		(276,184)
		<hr/>
		(264,704)
Listing expense	\$	2,321,019

OUTLOOK AND GUIDANCE

This Outlook and Guidance contains forward-looking statements that the Corporation does not intend, and does not assume any obligation, to update, except as required by law. The forward-looking information and statements include:

- The current economic climate and its effect on the Corporation's client base business;
- The Corporation's ability to successfully acquire new customers;
- The Corporation's ability to successfully implement its technology; and
- Management's assumptions regarding the sustainability of recurring revenue streams and the Corporation's expected profitability.

With the launch of their platform, BLOCKStrain offers an easily integrated blockchain solution that tracks cannabis from Genome to Sale™ through the supply chain and provides actionable quality assurance and real-time testing data to the cannabis industry.

The Corporation's technology solution will play a key role in the cannabis industry, servicing both licensed producers and micro cultivators alike. This will be done through the continued development the Corporation's technology, as well as through strategic partnerships with key players in the marketplace and how they will work with BLOCKStrain moving forward.

BLOCKStrain has developed a comprehensive verification system for required tests including: microbial, chemistry and pesticide, and genetics tests for product verification, as well as a supply chain management platform that ensures transparency and quality assurance between all stakeholders. We want to empower producers, regulators and consumers with information regarding what truly is in the cannabis products in the market.

The Corporation has been able to mirror its technology on the front end from an automation point of view, embedding it within laboratories that are conducting microbial, chemistry, pesticide and genetic testing. As such, we have essentially digitized all aspects of the testing process, a crucial point for the integrity of the cannabis industry.

BLOCKStrain's goal is to build a framework for licensed producers ("LPs") as well as micro cultivators that are entering the newly legalized ecosystem, helping them to easily and inexpensively move their products through testing procedures. We then place that testing data on the blockchain for immutability and intellectual property protection, and feed that information through the ecosystem for full visibility into the supply chain. This information remains available to consumers and regulators, so that they can see whether the product is clean, safe, pesticide-free and truly is what it claims to be.



BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

RESULTS OF OPERATIONS

The software built by BLOCKStrain will enable our full-service software company to launch the first integrated blockchain platform that registers and tracks cannabis intellectual property (“IP”) from genome to sale. It is proprietary, immutable and cryptographically secure, thereby establishing, in a single-source, an accurate, validated, and permanent account for cannabis strains from ownership to market.

On October 24, 2018, BLOCKStrain announced the formal launch of its proprietary genome tracking software following the collection of WeedMD’s cannabis plant DNA. Testing began in November 2018.

With BLOCKStrain’s platform, WeedMD is now able to provide consumers with an assurance of quality and can guarantee the provenance of its cannabis products. BLOCKStrain also can create an immutable record for cannabis breeders to protect the strains they develop.

WeedMD initially registered 40 strains out of hundreds developed in-house for Master Strain Certification in order to protect their genetic intellectual property. Products shipped from WeedMD will be verified by a BLOCKStrain Certificate of Authenticity, guaranteeing that consumers are getting the strain they purchased.

As of the three and nine months ended January 31, 2019 the Corporation has not generated any revenue but has started to incur expenses that will be charged against future gross margin.

OPERATING EXPENSES

For the three and nine months ended January 31,	Three Months		Nine Months	
	2019	2018	2019	2018
Corporate development costs	\$ 396,995	\$ -	\$ 3,784,737	\$ -
Depreciation	1,918	-	3,119	-
General and administrative costs	216,907	5,142	788,988	5,142
Operating costs	58,655	-	61,342	-
Product development costs	603,703	299,188	1,579,708	299,188
Salaries, subcontractors, and benefits	281,852	-	1,102,504	-
Stock-based compensation	28,691	-	3,224,657	-
Total operating expenses	\$ 1,588,721	\$ 304,330	\$ 10,545,055	\$ 304,330

For the three and nine months ended January 31, 2019, total operating expenses were \$1,588,721 and \$10,545,055 respectively. For the three and nine months ended January 31, 2018, total operating expenses were \$304,330 and consisted of product development costs and travel costs that had begun in December 2017.

Operating costs which consist of materials and supplies for the Corporation’s operations were \$58,655 and \$61,342 for the three and nine months ended January 31, 2019, respectively.

Depreciation was \$1,918 and \$3,119 for the three and nine months ended January 31, 2019, respectively. This expense is related to the property and equipment purchased by the Corporation for lab testing purposes and is a non-cash expense.

Stock-based compensation expense was \$28,691 and \$3,224,657 for the three and nine months ended January 31, 2019, respectively. This expense is driven by the timing of the vesting of stock options and is a non-cash expense.

The remaining operating expenses for the three months ended January 31, 2019 were \$396,995 for corporate development costs, \$216,907 for general and administrative costs, \$603,703 for product development costs, and \$281,852 for salaries, subcontractors, and benefits. For the nine months ended January 31, 2019, the remaining operating expenses were



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\$3,784,737 for corporate development costs, \$788,988 for general and administrative costs, \$1,579,708 for product development costs, and \$1,102,504 for salaries, subcontractors, and benefits.

PRODUCT DEVELOPMENT

On January 19, 2018, the Corporation entered into a master services agreement and a statement of work to develop the initial phases of the product development strategy necessary to launch the BLOCKStrain platform. During the three and nine months ended January 31, 2019, the Corporation paid \$603,703 and \$1,579,708 respectively, to Heated Details to carry out this assignment.

FOREIGN EXCHANGE

For the three and nine months ended January 31,	Three Months		Nine Months	
	2019	2018	2019	2018
Foreign exchange loss	\$ (12,337)	\$ -	\$ (33,384)	\$ -

Foreign exchange gains and losses are the result of foreign currency fluctuations during the period and the timing of when items are settled. Foreign exchange gains and losses fluctuate quarterly in relation to changes in the US/Canadian and Euro/Canadian exchange rate.

NET EARNINGS, TOTAL COMPREHENSIVE INCOME (LOSS), AND CASH FLOWS

For the three and nine months ended January 31,	Three Months		Nine Months	
	2019	2018	2019	2018
Adjusted EBITDA ⁽¹⁾	\$ (1,572,311)	\$ (304,370)	\$ (7,354,087)	\$ (304,370)
EBITDA ⁽¹⁾	(1,601,002)	(304,370)	(12,899,763)	(304,370)
Comprehensive loss	(1,597,593)	(304,370)	(12,891,198)	(304,370)
Funds used in operations before working capital changes ⁽¹⁾	(1,569,504)	(304,370)	(7,349,964)	(304,370)
Funds used in operations	\$ (1,438,352)	\$ (75,040)	\$ (7,612,125)	\$ (75,040)

The Corporation's comprehensive loss was \$1,597,593 and \$12,891,198 for the three and nine months ended January 31, 2019. The nine months ended January 31, 2019 includes \$2,321,019 of listing charges related to the reverse takeover. Compared to the prior year, the variance is due to having a full three months and nine months of expenses in 2019 compared to having only startup product development costs in 2018.

For the three and nine months ended January 31, 2019, adjusted EBITDA was a negative \$1,572,311 and a negative \$7,354,087, respectively. Compared to the prior year, the variance is due to having a full three months and nine months of expenses in 2019 compared to having only startup product development costs and travel costs in 2018.

The Corporation's funds used in operations were \$1,438,352 and \$7,612,125 for the three and nine months ended January 31, 2019, and mainly covered marketing campaigns and product development. Compared to the prior year, the variance is due to having a full three months and nine months of expenses in 2019 compared to having only startup product development costs and travel costs in 2018.

FINANCIAL AND OPERATING HIGHLIGHTS - QUARTERLY ANALYSIS

BLOCKStrain was incorporated on November 22, 2017, and, as a result, operations did not start until the third quarter of 2018 for the Corporation. The Corporation did not have any activities prior to its date of incorporation and, therefore, does not have comparative figures prior to the third quarter of 2018.

⁽¹⁾ See Non-GAAP measures and additional GAAP measures



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	2019		2019		2019		2018	
	Q3		Q2		Q1		Q4	
Revenue	\$	-	\$	-	\$	-	\$	-
Gross margin ⁽¹⁾	\$	(58,655)	\$	(2,687)	\$	-	\$	-
Gross margin – percentage ⁽¹⁾		0.0%		0.0%		0.0%		0.0%
Adjusted EBITDA ⁽¹⁾	\$	(1,572,311)	\$	(1,598,525)	\$	(4,167,857)	\$	(223,429)
EBITDA ⁽¹⁾		(1,601,002)		(2,297,929)		(9,000,832)		(223,429)
Net loss		(1,597,593)		(2,295,244)		(8,998,361)		(223,429)
Comprehensive loss	\$	(1,597,593)	\$	(2,295,244)	\$	(8,998,361)	\$	(223,429)

	2018	
	Q3	
Revenue	\$	-
Gross margin ⁽¹⁾	\$	-
Gross margin – percentage ⁽¹⁾		0.0%
Adjusted EBITDA ⁽¹⁾	\$	(304,370)
EBITDA ⁽¹⁾		(304,370)
Net loss		(304,370)
Comprehensive loss	\$	(304,370)

LIQUIDITY AND CAPITAL RESOURCES

Working capital

“Working capital” is used by management and the investment community to analyze the operating liquidity available to the Corporation. Working capital is defined as current assets less current liabilities.

Working capital is derived from the condensed consolidated statements of financial position and is calculated as follows:

As at	January 31, 2019	April 30, 2018	Increase (decrease) in Working capital
Current Assets			
Cash and cash equivalents	\$ 2,526,316	\$ 25,109	\$ 2,501,207
Note receivable	110,740	103,178	7,562
Sales tax receivable	136,620	3,736	132,884
Prepaid and deposits	303,986	30,063	273,923
	<u>\$ 3,077,662</u>	<u>\$ 162,086</u>	<u>\$ 2,915,576</u>
Current Liabilities			
Accounts payable and accrued liabilities	\$ 502,715	\$ 114,634	\$ 388,081
Loan payable	4,165	-	4,165
	<u>\$ 506,880</u>	<u>\$ 114,634</u>	<u>\$ 392,246</u>
Working capital ⁽¹⁾	<u>\$ 2,570,782</u>	<u>\$ 47,452</u>	<u>\$ 2,523,330</u>

The key driver of the change in working capital was the increase in cash and cash equivalents of \$2,501,207 generated from the proceeds of a private placement, less operating expense payments. The increase in sales tax receivable of \$132,884 largely relates to a government sales tax refund receivable. The increase in prepaids and deposits relate to the \$100,010 deposit towards a subscription agreement with Integral Genomics Inc. (formerly “BC Better Genetics Corporation”), \$98,213 of a prepaid advertising expense, \$50,412 of prepaid rent, and \$24,972 of prepaid insurance expense. These are offset by the increase of \$388,081 in accounts payable and accrued liabilities.

⁽¹⁾ See Non-GAAP measures and additional GAAP measures



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Liquidity

At January 31, 2019, the Corporation had \$2,526,316 (April 30, 2018: \$25,109) of cash on hand. The Corporation does not have any long-term debt, and, therefore, any liquidity risk relates to its accounts payable and accrued liabilities, as it may encounter difficulty discharging its obligations.

While the Corporation has been able to demonstrate the ability to raise capital to fund its operations to date, it has not yet been able to generate the sales volumes required to create positive cash flows from operations. Whether and when the Corporation will generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to January 31, 2019 is uncertain.

The Corporation considers the items included in capital to include shareholders' equity. The Corporation manages its capital structure and makes adjustments to it in light of changes in economic and business conditions, the financing environment and the risk characteristics of its underlying assets. In order to maintain or adjust its capital structure, the Corporation may issue new shares, new debt, or scale back the size and nature of its operations. The Corporation is not subject to externally imposed capital requirements.

Management intends to regularly review its ongoing level of cash flow from operations, as well as its level of capital resources, and actively manage its affairs. This review will consider factors such as the current economic environment, changes in demand for the Corporation's services, capital spending requirements, foreign exchange rates, working capital needs, and profitability of the Corporation's operations, any of which could materially affect the Corporation's ability to meet its obligations.

Additional financing may be necessary in a variety of circumstances, including the requirement of working capital to ramp up operations required by strong growth, the occurrence of adverse circumstances, fluctuations in foreign currency translation, or the decision to expand geographically into new markets or by acquisition. It is anticipated that the required financing may be raised by bank debt, other forms of debt, or the issue of equity. It is possible that such financing will not be available, or not available on favorable terms.

SHAREHOLDERS' EQUITY

Authorized share capital

Unlimited number of common shares and preferred shares without par value.

Common shares issued

On May 17, 2018 the Transaction (Note 5) was completed and the Corporation acquired, on a one for one basis, all issued and outstanding shares of PrivCo in exchange for 38,350,000 common shares of the Corporation.

On May 17, 2018, concurrent with the Transaction, the Corporation issued 35,000,000 common shares for gross proceeds of \$10,500,000. The Corporation incurred \$342,999 in share issuance costs.

The contributed surplus reserve included in the Shareholders' Equity section of the Statement of Financial Position comprises all unexercised stock options.

⁽⁴⁾ See Non-GAAP measures and additional GAAP measures



BLOCKStrain Technology Corp. (formerly Scorpion Resources Inc.)

	Number of Common Shares	Share Capital
Balance at April 30, 2018	38,350,000	\$ 575,250
Shares issued for acquisition of the Corporation	6,854,382	2,056,315
Shares issued on private placement	35,000,000	10,500,000
Share issue costs	-	(342,999)
Balance at January 31, 2019	80,204,382	\$ 12,788,566

Options

The Corporation has adopted a stock option plan where it may issue a maximum of 16,000,000 options. Under the terms of the stock option plan, options may be granted only to: (i) employees, officers, directors, and consultants of the Corporation; and (ii) employees, officers, directors, and consultants of an affiliate of the Corporation.

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 of the issued and outstanding common shares.

As at January 31, 2019, the Corporation had the following options outstanding and exercisable:

Expiry Date	Exercise Price	Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Exercisable
May 18, 2023	\$ 0.30	4.30	12,600,000	12,525,000
September 28, 2023	\$ 0.30	4.66	700,000	233,334

The following is a summary of the Corporation's stock option activity:

	Number of options	Weighted Average Exercise Price
Outstanding at May 1, 2018	-	\$ -
Granted	13,450,000	0.30
Cancelled	(150,000)	0.30
Outstanding at January 31, 2019	13,300,000	\$ 0.30
Exercisable at January 31, 2019	12,758,334	\$ 0.30

On May 18, 2018, the Corporation issued 12,750,000 stock options to employees and directors of the Corporation. 12,600,000 of these options vest on September 19, 2018, with another 150,000 vesting over a twelve month from the date of the grant. The exercise price of these options is \$0.30, and they expire on May 18, 2023. On September 18, 2,750,000 options that were set to vest on September 19, 2018 were extended to vest on January 19, 2019.

On September 28, 2018, the Corporation issued 700,000 stock options to employees of the Corporation. 233,334 of these options vested upon grant, 233,333 will vest on September 28, 2019 and 233,333 will vest on September 28, 2020. The exercise price of these options is \$0.30, and they expire on September 28, 2023.

During the period ended January 31, 2019, 150,000 options were cancelled.



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During the three and nine months ended January 31, 2019, the Corporation recorded \$28,691 and \$3,224,657 respectively in stock-based compensation, based on the fair values of stock options granted which were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

For the nine months ended January 31,	2019
Risk free interest rate	2.24%-2.30%
Expected volatility	120.05%-123.65%
Expected life	5 years
Expected dividend yield	0%
Exercise price	\$ 0.30

COMMITMENTS AND CONTINGENCIES

Operating lease

The Corporation has an obligation under an operating lease for its corporate office space as follows. This lease expires in 2023.

Year	Operating Leases
2019	\$ 61,615
2020	68,846
2021	70,515
2022	72,184
2023	55,077
Total	\$ 328,237

RELATED PARTY TRANSACTIONS

Summary of key management personnel compensation:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation as a whole. The Corporation has determined that key management personnel consist of members of the Corporation's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the three and nine months ended January 31, 2019 is set out below:

For the three and nine months ended January 31,	Three Months		Nine Months	
	2019	2018	2019	2018
Corporate developments costs	\$ 36,000	\$ -	\$ 350,354	\$ -
Director fees	4,500	-	9,919	-
General and administrative costs	29,389	-	102,780	-
Product development costs	603,703	299,188	1,579,708	299,188
Salaries, subcontractors, and benefits	114,000	-	327,923	-
Stock-based compensation	12,913	-	1,110,346	-
	\$ 800,505	\$ 299,188	\$ 3,481,030	\$ 299,188

Corporate Development Costs

On June 1, 2018, the Corporation entered into a master services agreement with a company controlled by a director to provide marketing, web development, planning, patent work, administrative services, and facilitation and negotiation services. For the three and nine months ended January 31, 2019, the Corporation incurred fees of \$36,000 and \$350,354,



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respectively. As at January 31, 2019, the Corporation was indebted to this company in the amount of \$3,729 (April 30, 2018 - \$14,644) which was included in accounts payable and accrued liabilities.

Director Fees

For the three and nine months ended January 31, 2019, \$4,500 and \$9,919 was paid to a director of the Corporation, respectively.

General and Administrative Costs

For the three and nine months ended January 31, 2019, related parties represented \$29,389 and \$102,780 of general and administrative costs, respectively.

Product Development Costs

On January 19, 2018, the Corporation entered into a master services agreement and a statement of work to develop the initial phases of the product development strategy necessary to launch the BLOCKStrain platform. The Corporation shares a named officer with the service provider. For the three months and nine months ended January 31, 2019, the Corporation incurred fees of \$603,703 and \$1,579,708, respectively. As at January 31, 2019 and April 30, 2018, the Corporation was not indebted to the provider.

Salaries, Subcontractors, and Benefits

For the three and nine months ended January 31, 2019, a total of \$114,000 and \$327,923, was paid to the Chief Executive Officer, Chief Financial Officer, Chief Technology officer, and a company related to the Chief Financial Officer for their services, respectively. As at January 31, 2019, \$4,200 (April 30, 2018 - \$1,366) of expense reimbursements was due to these employees.

Stock-Based Compensation

For the three and nine months ended January 31, 2019, the Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, three directors, and two former directors, incurred stock-based compensation expense of \$12,913 and \$1,110,346, respectively.

Other

As at January 31, 2019, \$20,424 (April 30, 2018 - \$nil) of expense reimbursements was due to a former director of the Corporation and was included in accounts payable and accrued liabilities.

As at January 31, 2019, a note receivable (Note 7) of \$110,740 (April 30, 2018 - \$103,178) was due from a company controlled by directors of the Corporation.

Spark Digital Technologies

In conjunction with the BLOCKStrain Technology Group Inc. letter of intent ("LOI") executed on January 4, 2018, the Corporation advanced \$100,000 to Spark Digital Technologies ("Spark") for one year which bears interest at 10% per annum. At the option of the Corporation, the advance is convertible into equity securities of Spark or may be set off against the amount payable before the initial license fee as contemplated by the LOI. During the three and nine months ended January 31, 2019, the Corporation recorded \$2,520 and \$7,561 in interest income from this source, which was included in other income.

NON-GAAP MEASURES DEFINITIONS

This MD&A contains references to certain financial measures and associated per share data that do not have any standardized meaning as prescribed by IFRS and may not be comparable to similar measures presented by other companies. These financial measures are computed on a consistent basis for each reporting period and include EBITDA, Adjusted EBITDA, Adjusted net earnings, and working capital.

These non-GAAP measures are identified and defined as follows:

“**EBITDA**” is a measure of the Corporation’s operating profitability. EBITDA provides an indication of the results generated by the Corporation’s principal business activities prior to how these activities are financed, assets are depreciated and amortized or how the results are taxed in various jurisdictions.

EBITDA is derived from the condensed consolidated statements of operations and comprehensive income (loss) and is calculated as follows:

For the three and nine months ended January 31,	Three Months		Nine Months	
	2019	2018	2019	2018
Net loss	\$ (1,597,593)	\$ (304,370)	\$ (12,891,198)	\$ (304,370)
Depreciation	1,918	-	3,119	-
Interest income	(5,327)	-	(11,684)	-
EBITDA	\$ (1,601,002)	\$ (304,370)	\$ (12,899,763)	\$ (304,370)

“**Adjusted EBITDA**” is used by management and investors to analyze EBITDA (as defined above) prior to the effect of foreign exchange, other income and expenses, and share-based payment expense. Adjusted EBITDA is not intended to represent net earnings as calculated in accordance with IFRS. Adjusted EBITDA provides an indication of the results generated by the Corporation’s principal business activities prior to how these activities are financed, assets are depreciated, amortized and impaired, the impact of foreign exchange, how the results are taxed in various jurisdictions, effects of share-based payment expenses, and normalized other expenses not recurring in nature.

Adjusted EBITDA is calculated as follows:

For the three and nine months ended January 31,	Three Months		Nine Months	
	2019	2018	2019	2018
EBITDA	\$ (1,601,002)	\$ (304,370)	\$ (12,899,763)	\$ (304,370)
Plus:				
Stock-based compensation	28,691	-	3,224,657	-
Listing expense	-	-	2,321,019	-
Adjusted EBITDA	\$ (1,572,311)	\$ (304,370)	\$ (7,354,087)	\$ (304,370)

ADDITIONAL GAAP MEASURES DEFINITIONS

“**Funds provided by operations**” is used by management and investors to analyze the funds generated by the Corporation’s principal business activities prior to consideration of working capital, which is primarily made up of highly liquid balances. This balance is reported in the Condensed Consolidated Statements of Cash Flows and is included in the cash provided by operating activities section.

“**Gross margin**” is used by management and investors to analyze overall and segmented operating performance. Gross margin is not intended to represent an alternative to net earnings or other measures of financial performance calculated in accordance with IFRS. Operating income is calculated from the condensed consolidated statements of operations and comprehensive income (loss) and from the segmented information contained in the notes to the condensed consolidated financial statements. Gross margin is defined as revenue less cost of goods sold.

“**Gross margin percentage**” is used by management and investors to analyze overall and segmented operating performance. Gross margin percentage is calculated from the condensed consolidated statements of operations and comprehensive income (loss) and from the segmented information in the notes to the condensed consolidated financial statements. Gross margin percentage is defined as gross margin divided by revenue.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Corporation is exposed to risks that arise from its use of financial instruments. This note describes the Corporation’s objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these condensed consolidated interim financial statements.

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Corporation’s risk management objectives and policies and retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Corporation’s finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Corporation’s competitiveness and flexibility. Further details regarding these policies are set out below.

a) Credit Risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Corporation consist primarily of cash and cash equivalents and trade receivables.

The carrying amount of financial assets represents the maximum credit exposure. All cash is held at a Canadian Chartered Bank.

b) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation’s policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation’s reputation. If future cash flows are uncertain, the liquidity risk increases.

The Corporation monitors its risk of shortage of funds by monitoring the maturity dates of existing financial liabilities. The Corporation’s financial liabilities are comprised of accounts payable and accrued liabilities, and loan payable. The Corporation anticipates it will have adequate liquidity to fund its financial liabilities through its existing working capital and equity issues. Furthermore, a portion of liabilities are expected to be settled in common shares of the Corporation, thereby mitigating liquidity risk. However, there is no assurance that the Corporation will have sufficient cash flow to be able to discharge its future financial liabilities.

c) Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Corporation considers this risk to be immaterial. There is no interest payable on the loan payable and is, therefore, not subject to cash flow interest rate risk.

⁽¹⁾ See Non-GAAP measures and additional GAAP measures

d) Exchange Rate Risk

Exchange rate risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Corporation's operations and financial results. The Corporation incurs certain expenses in US dollars and is exposed to foreign exchange rate fluctuation. These expenses are subject to exchange rate risk.

CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

The Corporation makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

New Standards and Interpretations Adopted**New standard IFRS 15 *Revenue from Contracts with Customers***

The Corporation has adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15") effective April 30, 2018 on a retrospective basis and applied the transitional provisions, so that any adjustments would be recorded in opening retained earnings at April 30, 2018.

IFRS 15 supersedes IAS 18– Revenue, IAS 11 – Construction Contracts, and other revenue related interpretations. The standard outlines the principles that must be applied to measure and recognize revenue and the related cash flows. Revenue is recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The Corporation has concluded that the recognition and measurement of the sale of products in all contracts is consistent with the current revenue recognition practice and therefore does not expect any transitional adjustment.

New standard IFRS 9 *Financial Instruments*

The Corporation has adopted IFRS 9, Financial Instruments (IFRS 9) effective April 30, 2018 on a retrospective basis and applied the transitional provisions, so that any adjustments would be recorded in opening retained earnings at April 30, 2018. IFRS 9, addresses the classification, measurement and recognition of financial assets and financial liabilities. The adoption of IFRS 9 supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: (i) those measured at fair value through profit and loss, (ii) those measured at fair value through other comprehensive income and (iii) those measured at amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the IFRS 9 requirements are similar to those of IAS 39. The main distinction is that, in cases where the fair value option is chosen for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.



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IFRS 9 introduces a single expected credit loss model for calculating impairment for financial assets, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Corporation's condensed consolidated interim financial statements and did not result in a transitional adjustment.

The Corporation has no hedges on its condensed consolidated interim financial statements for the reporting period.

The Corporation has concluded that the adoption of IFRS 9 did not require any transitional adjustments to the classification or measurement of the Corporation's financial assets and financial liabilities.

BUSINESS RISKS

You should carefully consider the following risks and uncertainties in addition to other information in BLOCKStrain's filing statement dated May 10, 2018 with respect to the Transaction in evaluating the Corporation and its business. The market in which the Corporation competes is very competitive and changes rapidly. New risks may emerge from time to time and management may not be able to predict all of them or be able to predict how they may cause actual results to be different from those expected. References to "BLOCKStrain" below refer to the Corporation and its affiliates as at the date hereof.

Limited Operating History and History of Losses

BLOCKStrain has only recently commenced commercial operations and has cash, accounts receivable, a note receivable, sales tax receivable, prepaids and deposits, and property and equipment as assets. BLOCKStrain has no history of earnings and has not yet generated any revenue. As such, it is subject to many of the risks common to early-stage enterprises, including: under-capitalization; cash shortages; limitations with respect to personnel, financial, and other resources; and lack of revenue. Although BLOCKStrain anticipates generating revenue in the future, it is also incurring substantial expenses in the establishment of its business. The success of the Corporation will ultimately depend on its ability to generate cash from its business. There is no assurance that the future expansion of the business will be sufficient to raise the required funds to continue the development of its business. There is no assurance that the Corporation will be successful in achieving a return on shareholders' investment, and the likelihood of success must be considered in light of the early stage of its operations.

Service Interruptions

BLOCKStrain intends to serve customers from third-party data center hosting facilities located in British Columbia and Alberta. Any damage to, or failure of, BLOCKStrain's systems could result in interruptions to its service. As BLOCKStrain continues to add data centers and add capacity in existing data centers, it may move or transfer its data and its customers' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of its services. Further, any damage to, or failure of, BLOCKStrain's systems generally could result in interruptions in its service. Interruptions in BLOCKStrain's service may reduce revenue, cause it to issue credits or pay penalties, cause customers to terminate their subscriptions and materially adversely affect its renewal rates and ability to attract new customers.

It is also expected that BLOCKStrain's business might be harmed if its customers believe its service is unreliable. BLOCKStrain intends to replicate and back-up customer data as part of its disaster recovery plans. However, these plans may not be successful in all circumstances. The Corporation will not control the operation of any third party facilities it may use. All of the facilities it operates or utilizes would be vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism, a decision to close any facility without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in BLOCKStrain's service. Even with its disaster recovery arrangements, BLOCKStrain's service could be interrupted and its business and financial condition could be materially adversely affected.



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Need for Continued Development of Technology

The success of BLOCKStrain's platform will be dependent on the accuracy, proper use and continuing development of its technological systems, including its business systems and operational platforms. Its ability to effectively use the information generated by its information technology systems, as well as its success in implementing new systems and upgrades, may affect its ability to: conduct business with its clients, including delivering services and solutions; manage its inventory and accounts receivable; purchase, sell, ship and invoice its products and services efficiently and on a timely basis; and maintain its cost-efficient operating model while expanding its business in revenue and in scale.

Ability to Generate Profits

There can be no assurance that BLOCKStrain will generate net profits in future periods. Further, there can be no assurance that it will be cash flow positive in future periods. In the event that BLOCKStrain fails to achieve profitability, the value of its shares may decline. In addition, if BLOCKStrain is unable to achieve or maintain positive cash flows, it will be required to seek additional funding, which may not be available on favourable terms, or at all.

Regulatory Uncertainty

The legal global cannabis industry is still in its infancy and is dependent on the regulatory environment, including federal, state and local laws. BLOCKStrain's business and achievement of its business objectives will be dependent, in part, on compliance with regulatory requirements enacted by governmental authorities for the collection and tracking of data related to the cannabis sector. While BLOCKStrain expects that its business model will be perceived to be viable and compliant with applicable regulatory requirements, there is no guarantee that its platform will be adopted or utilized. To the extent that there are changes to existing regulations, the adoption and use of BLOCKStrain's platform may be adversely affected.

In addition to the above, in jurisdictions such as the United States, the conflict between federal and state legislation could have a material adverse impact on BLOCKStrain's business. BLOCKStrain's management has determined that, at this time, it will only operate in Canada and, in the future, will only enter regulated markets where there is an alignment between all levels of government and in which the TSX Venture Exchange (the "TSXV") has approved it conducting operations. However, there can be no assurance that the regulatory environment will remain favourable to the conduct of BLOCKStrain's business. Further, even within Canada, different provinces and local governmental authorities will have different regulatory requirements and it is possible that BLOCKStrain's platform may not be compatible with those requirements. This variability may be difficult and/or ineffective to manage from both a technological and cost standpoint. In the event that BLOCKStrain's business is determined to be non-compliant with certain applicable regulatory requirements, its business and financial condition could be materially adversely affected.

Blockchain Related Risks

The use of blockchain technology for enterprise applications is in its early stages. While numerous use cases have been developed to demonstrate the efficiency, security and viability of blockchain technology, it is still largely unproven. There are risks that the underlying blockchain protocols and methodologies will not be scalable or sustainable in industry-wide applications. As a new and largely unregulated industry, changes in or more aggressive enforcement of laws and regulations around blockchain could adversely impact companies involved in the industry. Failure or delays in obtaining necessary approvals, or changes in government regulations and policies and practices could have an adverse impact on BLOCKStrain's future cash flows, earnings, results of operations and financial condition. Further, governmental agencies could shut down or restrict the use of blockchain platforms or blockchain based technologies. This could lead to a loss or interruption in business for BLOCKStrain.

Intellectual Property Risk

BLOCKStrain's activities may infringe on patents, trademarks or other intellectual property rights owned by others. If BLOCKStrain is required to defend itself against intellectual property rights claims, it may spend significant time and effort and incur significant litigation costs, regardless of whether such claims have merit. If BLOCKStrain is found to have infringed on the patents, trademarks or other intellectual property rights of others, it may also be subject to substantial claims for damages or a requirement to cease the use of such disputed intellectual property, which could have an adverse effect on its operations. Such litigation or claims and the consequences that could follow could distract management of BLOCKStrain from the ordinary operation of its business and could increase costs of doing business, resulting in a negative impact on the business, financial condition, or results of operations of the Corporation.

Evolving Business Model

As digital assets and blockchain technologies become more widely available, management expects the services and products associated with them to evolve. As a result, to stay current with the industry, BLOCKStrain's business model may need to evolve as well. From time to time, BLOCKStrain may modify aspects of its business model relating to its product mix and service offerings. It cannot offer any assurance that these or any other modifications will be successful or will not result in harm to the business. BLOCKStrain may not be able to manage growth effectively, which could damage its reputation, limit its growth and negatively affect its operating results. Such circumstances would have a material adverse effect on the Corporation's ability to continue as a going concern, which would have a material adverse effect on its business, prospects and operations, and harm BLOCKStrain's investors.

Network Security Risks

BLOCKStrain expects to obtain, transmit and store confidential user information in connection with its services. These activities are subject to the laws and regulations of Canada and other jurisdictions. The requirements imposed by these laws and regulations, which often differ materially among the many jurisdictions where BLOCKStrain intends to offer services, are designed to protect the privacy of personal information and to prevent that information from being inappropriately disclosed. BLOCKStrain expects to rely on a variety of technologies to secure its systems. Despite the implementation of network security measures, its infrastructure will potentially be vulnerable to computer break-ins and similar disruptive problems. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments, including improper acts by third parties, may result in a compromise or breach of the security measures that the Corporation uses to protect its systems. BLOCKStrain could also suffer from an internal security breach.

Computer viruses, break-ins or other security problems could lead to misappropriation of proprietary information and interruptions, delays or cessation in service to BLOCKStrain users. If internal BLOCKStrain personnel or a third party were to misappropriate, misplace or lose corporate information, including financial and account information, customers' personal information, or source code, its business may be harmed. BLOCKStrain may be required to expend significant capital and other resources to protect against these security breaches or losses or to alleviate problems caused by these breaches or losses. If third parties gain improper access to BLOCKStrain's systems or databases or those of its partners or contractors, they may be able to steal, publish, delete or modify confidential customer information. A security breach could expose BLOCKStrain to monetary liability, and lead to inquiries, fines, or penalties.

TSXV Restrictions on Business

BLOCKStrain has undertaken to the TSXV that it will only conduct the cannabis related business currently being conducted and, unless prior written approval of the TSXV is obtained, will not engage in any cannabis related business outside of Canada. This could adversely affect BLOCKStrain's ability to expand its business into other areas and may prevent it from expanding into new areas of business when its competitors that are not listed on the TSXV may not have such restrictions. Such restrictions could materially and adversely affect BLOCKStrain's growth, business, financial condition and results of operations.



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Reliance on Key Personnel

BLOCKStrain's success depends in large measure on certain key personnel and the contributions of these individuals to its immediate operations are likely to be of central importance. The loss of the services of such key personnel could have a material adverse effect on the Corporation. In addition, the competition for qualified personnel in the blockchain industry is intense and there can be no assurance that BLOCKStrain will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity, and good faith of BLOCKStrain's management.

Management of Complex Software Implementation Projects

The successful deployment of BLOCKStrain's software will depend on managing complex implementation projects. A variety of factors may result in complex deployments being delayed, cancelled or failing, including: the inherent complexity of modern software; difficulty staffing the project with qualified personnel; difficulty managing a project in which the customer and multiple vendors must work together effectively; unrealistic deadlines; inability to realistically limit the scope of the project; problems with third party systems, software or services; inaccurate or faulty data; and insufficient time and investment spent in the planning and design phases of the project. As a result, BLOCKStrain may not be able to successfully manage deployments of its software which could harm its reputation, be costly to correct, delay revenues, and expose it to litigation.

Conflicts of Interest

Certain directors and officers of BLOCKStrain are also directors and officers of other companies. In addition, they may devote time to other outside business interests, so long as such activities do not materially or adversely conflict with their duties to the Corporation. The interests of these persons could conflict with those of BLOCKStrain. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of BLOCKStrain board of directors, a director who has such a conflict will abstain from voting for or against the approval of any such matter. In accordance with applicable laws, the directors of BLOCKStrain will be required to act honestly, in good faith, and in the best interests of BLOCKStrain.

Competition

BLOCKStrain expects to compete with other blockchain platforms focused on the cannabis sector. Market and financial conditions, and other conditions beyond BLOCKStrain's control, may make it more attractive to invest in other financial vehicles which could limit the market for BLOCKStrain's shares.

Other Information

Additional information about the Corporation is available under BLOCKStrain's profile on SEDAR at www.sedar.com.