



# Blockchain Venture Capital

**Interim Condensed Financial Statements**

Unaudited - See Notice to Reader

**June 30, 2022 and 2021**

**(Presented in Canadian Dollars)**

# BLOCKCHAIN VENTURE CAPITAL INC.

June 30, 2022 and 2021

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## NOTICE TO READER

Under National Instrument 51-102, *Continuous Disclosure Obligations*, if an auditor has not performed a review of a reporting issuer's interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor.

The accompanying unaudited interim condensed financial statements of Blockchain Venture Capital Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

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

# BLOCKCHAIN VENTURE CAPITAL INC.

## Interim Condensed Statement of Financial Position

Unaudited - See Notice to Reader

As at

(Presented in Canadian Dollars)

	Notes	June 30, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 120,868	\$ 229,462
Prepays and deposits		28,026	45,817
<b>Total Current Assets</b>		<b>148,894</b>	<b>275,279</b>
<b>Non-Current Assets</b>			
Computer equipment		2,246	3,125
<b>Total Assets</b>		<b>\$ 151,140</b>	<b>\$ 278,404</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 231,231	\$ 72,661
Advances from director	3	100,000	-
<b>Total Current Liabilities</b>		<b>331,231</b>	<b>72,661</b>
<b>Non-Current Liabilities</b>			
Loan payable	4	38,266	36,530
Long-term debt	5	659,382	628,716
<b>Total Non-Current Liabilities</b>		<b>697,648</b>	<b>665,246</b>
<b>Total Liabilities</b>		<b>1,028,879</b>	<b>737,907</b>
<b>Equity</b>			
Share capital	6	4,100,770	3,691,478
Shares to be issued	6	752,950	271,303
Reserves	6	343,128	323,784
Deficit		(6,074,587)	(4,746,068)
<b>Total Equity</b>		<b>(877,739)</b>	<b>(459,503)</b>
<b>Total Liabilities and Equity</b>		<b>\$ 151,140</b>	<b>\$ 278,404</b>

Approved on Behalf of the Board

Signed - Xin Zhou  
Director

Signed - Steve Olsthoorn  
Director

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

# BLOCKCHAIN VENTURE CAPITAL INC.

## Interim Condensed Statement of Comprehensive Loss

Unaudited - See Notice to Reader

Three and Six Months Ended June 30, 2022 and 2021

(Presented in Canadian Dollars)

	Notes	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
<b>Revenue</b>		\$ -	\$ 22	\$ -	\$ 136
<b>Cost of Sales</b>		-	26	-	192
<b>Gross Profit</b>		-	(4)	-	(56)
<b>Expenses</b>					
Professional fees		198,568	140,825	417,150	403,367
Blockchain costs		129,553	16,622	248,539	39,309
Office and general		83,721	41,665	225,078	65,802
Salaries and wages	8	122,844	33,041	215,320	42,494
Trustee fees		70,343	70,342	140,686	93,790
Accretion expense	4,5	16,286	19,556	32,402	38,906
Blockchain service fees		-	-	30,000	-
Share-based payments	6	9,672	28,272	19,344	56,544
<b>Total Expenses</b>		630,987	350,323	1,328,519	740,212
<b>Net Loss and Comprehensive Loss</b>		(630,987)	\$ (350,323)	(1,328,519)	\$ (740,268)
<b>Weighted Average Number of Shares Outstanding</b>	6 (f)	23,250,647	21,412,210	23,200,120	21,168,184
<b>Loss Per Share - Basic and Diluted</b>	6 (f)	\$ (0.03)	\$ (0.02)	\$ (0.06)	\$ (0.04)

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

## BLOCKCHAIN VENTURE CAPITAL INC.

### Interim Condensed Statement of Changes in Equity

Unaudited - See Notice to Reader

Six Months Ended June 30, 2022 and 2020

(Presented in Canadian Dollars)

	Number of Common Shares	Share Capital	Shares to be Issued	Reserves	Deficit	Total Equity
<b>Balance as at December 31, 2020</b>	20,739,586	\$ 1,154,914	\$ 264,403	\$ 118,296	\$(2,482,027)	\$ (944,414)
Issuance of common shares	1,071,077	1,083,869	(264,403)	-	-	819,466
Share issuance costs	-	(24,780)	-	-	-	(24,780)
Share-based payments	-	-	-	56,544	-	56,544
Net loss	-	-	-	-	(740,268)	(740,268)
<b>Balance as at June 30, 2021</b>	21,810,663	\$ 2,214,003	\$ -	\$ 174,840	\$(3,222,295)	\$ (833,452)

	Number of Common Shares	Share Capital	Shares to be Issued	Reserves	Deficit	Total Equity
<b>Balance as at December 31, 2021</b>	22,945,260	\$ 3,691,478	\$ 271,303	\$ 323,784	\$(4,746,068)	\$ (459,503)
Issuance of common shares	314,618	500,302	(271,303)	-	-	228,999
Share issuance costs	-	(91,010)	-	-	-	(91,010)
Shares to be issued	-	-	752,950	-	-	752,950
Share-based payments	-	-	-	19,344	-	19,344
Net loss	-	-	-	-	(1,328,519)	(1,328,519)
<b>Balance as at June 30, 2022</b>	23,259,878	\$ 4,100,770	\$ 752,950	\$ 343,128	\$(6,074,587)	\$ (877,739)

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

# BLOCKCHAIN VENTURE CAPITAL INC.

## Interim Condensed Statement of Cash Flows

Unaudited - See Notice to Reader

Six Months Ended June 30, 2022 and 2021

(Presented in Canadian Dollars)

	2022	2021
<b>Operating Activities</b>		
Net loss	\$ (1,328,519)	\$ (740,268)
<b>Item not requiring an outlay of cash:</b>		
Accretion expense	32,402	38,906
Depreciation expense	879	508
Share-based payments	19,344	56,544
<b>Changes in non-cash working capital:</b>		
Grant receivable	-	19,845
Loan receivable	-	(15,000)
Prepaid expense	17,791	-
Accounts payable and accrued liabilities	158,570	48,182
<b>Cash Used In Operating Activities</b>	<b>(1,099,533)</b>	<b>(591,283)</b>
<b>Financing Activities</b>		
Proceeds from issuance of common shares	981,949	819,466
Advances received from (repaid to) shareholder	100,000	(246,000)
Share issuance costs	(91,010)	(24,780)
<b>Cash Provided By Financing Activities</b>	<b>990,939</b>	<b>548,686</b>
<b>Net Decrease in Cash</b>	<b>(108,594)</b>	<b>(42,597)</b>
<b>Cash, Beginning of Period</b>	<b>229,462</b>	<b>62,774</b>
<b>Cash, End of Period</b>	<b>\$ 120,868</b>	<b>\$ 20,177</b>
<b>Supplemental Cash Flow Information</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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

# **BLOCKCHAIN VENTURE CAPITAL INC.**

## **Notes to the Interim Condensed Financial Statements**

Unaudited - See Notice to Reader

**June 30, 2022 and 2021**

**(Presented in Canadian Dollars)**

### **1. NATURE OF THE BUSINESS AND GOING CONCERN**

Blockchain Venture Capital Inc. (the "Company") was incorporated on June 18, 2018 under the laws of the Province of Ontario. As at June 30, 2022, the Company has not commenced commercial operations and has no assets other than a minimum amount of cash.

The Company is domiciled in the Province of Ontario and has its registered office at 130 King Street West, Suite 1800, Toronto, ON M5X 1E3.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has no source of operating revenues and its ability to operate as a going concern in the near-term will depend on its ability to successfully raise additional financing and to commence profitable operations in the future. These financial statements do not purport to give effect to adjustments, if any, that may be necessary should the Company be unable to continue and therefore, be required to realize its assets and discharge its liabilities in a manner other than in the ordinary course of business. These circumstances create material uncertainties that cast significant doubt on the Company's ability to continue as a going concern.

The Board of Directors approved these interim financial statements for issue on August 29, 2022.

### **2. BASIS OF PREPARATION**

#### **Statement of Compliance**

These interim condensed financial statements are unaudited and have been prepared on a condensed basis in accordance with International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB") using accounting policies consistent with IFRS.

These interim condensed financial statements for the six months ended June 30, 2022 should be read together with the annual financial statements as at and for the year ended December 31, 2020. With the exception of the accounting policies disclosed in note 3, the same accounting policies and methods of computation were followed in the preparation of these interim financial statements, as described in note 3 of the annual audited financial statements.

#### **Basis of Measurement**

These financial statements have been prepared on the historical cost basis except for certain financial instruments, which are stated at fair value.

#### **Functional and Presentation Currency**

The Company's functional and presentation currency is the Canadian dollar.

#### **Critical Accounting Judgments, Estimates, and Assumptions**

Preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates, and assumptions could result in material adjustment to the carrying amount of the asset or liability affected in future periods.

The judgments, estimates, and assumptions involved in preparing these interim condensed financial statements are the same as those disclosed in the annual audited financial statements.



# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Interim Condensed Financial Statements

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### 3. ADVANCES FROM SHAREHOLDER

On June 29, 2022, the Company received an advance of \$100,000 from the President of the Company, which is interest-bearing at 15% per annum and is due June 29, 2022. The advance was made for general working capital purposes.

### 4. LOAN PAYABLE

The Company received a loan of \$60,000 from the Government of Canada under the Canadian Emergency Business Account ("CEBA") program in response to the COVID-19 pandemic. The loan is non-interest bearing and is due December 31, 2023. The lender will forgive \$20,000 of the loan if \$40,000 is repaid before December 31, 2023. If the loan is not repaid before that date, the loan will renew for a further three years to December 31, 2025 and will become interest bearing at 5% per annum during the extended term.

The following is a continuity of loan payable:

	2022	
	Principal	Carrying Value
Balance - beginning of period	\$ 40,000	\$ 36,530
Accretion expense	-	1,736
Balance - end of period	\$ 40,000	\$ 38,266

### 5. LONG-TERM DEBT

Long-term debt is due to Jiangsu Hengwell Information Technology Co., Ltd., a blockchain development company located in Wuxi, China. The debt is unsecured, non-interest bearing and is due November 10, 2023. The debt has been recorded at its present value utilizing a discount rate of 10% per annum.

The following is a continuity of long-term debt:

	2022	
	Principal	Carrying Value
Balance - beginning of period	\$ 750,000	\$ 628,716
Accretion expense	-	30,666
Balance - end of period	\$ 750,000	\$ 659,382

# **BLOCKCHAIN VENTURE CAPITAL INC.**

## **Notes to the Interim Condensed Financial Statements**

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**(Presented in Canadian Dollars)**

### **6. EQUITY**

#### **(a) Authorized**

Unlimited common shares, no par value

On January 10, 2020, the Company amended its articles of incorporation to redesignate the preference shares as common shares effective as at that date.

#### **(b) Issued and Outstanding**

During the six months ended June 30, 2021, the Company transacted in its issued and outstanding common and preference shares as follows:

- (i) Issued 538,915 common shares in private placements at a price of \$0.53 per share for gross proceeds of \$285,625. Included in these shares issuances were proceeds of \$264,403 that had been collected prior to December 31, 2020.
- (ii) Issued 532,162 common shares in private placements at a price of \$1.50 per share for gross proceeds of \$798,244.
- (iii) Paid referral fees of \$24,780 which are categorized as share issuance costs.

During the six months ended June 30, 2022, the Company transacted in its issued and outstanding common shares as follows:

- (i) Issued 257,868 common shares at \$1.50 per share and 56,750 common shares at \$2.00 per share in private placements for gross proceeds of \$500,302. Included in these share issuances were proceeds of \$271,303 that had been collected prior to December 31, 2021.
- (ii) Paid referral fees of \$91,010 which are categorized as share issuance costs.

#### **(c) Shares to be Issued**

During the six months ended June 30, 2022, the Company received \$752,950 in respect of common shares to be issued.

#### **(d) Stock Options**

Stock options are awarded to directors and officers under an incentive stock option plan adopted on August 31, 2020. The maximum number of options that may be granted under the plan is limited to 10% of the total number of issued and outstanding common shares. The exercise prices of options are determined by the Board to be an amount greater than or equal to the fair market value of the underlying common shares on the grant date. Vesting conditions are determined by the Board on the grant date.

# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Interim Condensed Financial Statements

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### 6. EQUITY (Continued)

#### (d) Stock Options (Continued)

The following table reflects the continuity of stock options:

	2022	
	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	620,000	\$ 0.53
Granted	-	-
Exercised	-	-
Expired	-	-
Outstanding, end of period	620,000	\$ 0.53
Exercisable, end of period	206,665	\$ 0.53

The Company had the following stock options outstanding as at June 30, 2022:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
620,000	206,665	\$0.53	October 1, 2025	3.26 years

#### (e) Warrants

The following table reflects the continuity of warrants:

	2022	
	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	100,000	\$ 1.50
Issued	-	-
Exercised	-	-
Expired	-	-
Outstanding, end of period	100,000	\$ 1.50

The Company had the following warrants outstanding as at June 30, 2022:

Number of Warrants Outstanding	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
100,000	\$1.50	November 16, 2026	4.38 years

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## Notes to the Interim Condensed Financial Statements

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(Presented in Canadian Dollars)

### 6. EQUITY (Continued)

#### (f) Reserves

Reserves are comprised of the initial fair value of stock options granted and warrants issued.

#### (g) Loss Per Share

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
<b>Numerator:</b>				
Net loss	(630,987) \$	(350,323)	(1,328,519) \$	(740,268)
<b>Denominator:</b>				
Weighted average number of shares outstanding – basic and diluted	23,250,647	21,412,210	23,200,120	21,168,184
<b>Loss Per Share:</b>				
Basic and diluted	\$ (0.03) \$	(0.02) \$	(0.06) \$	(0.04)

#### (h) Maximum Share Dilution

The following table presents the maximum number of common shares that would be outstanding if all dilutive instruments were exercised:

	June 30, 2022	June 30, 2021
Common shares outstanding	23,259,878	21,810,663
Stock options outstanding	206,665	206,665
Warrants outstanding	100,000	-
Fully diluted common shares outstanding	23,466,543	22,017,328

### 7. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations. The Company's related party transactions are as follows:

- (a) Key management personnel are those individuals having responsibility for planning, directing, and controlling the activities of the Company. BVCI considers its President to be the sole member of key management. The President is also a significant shareholder and is a director of the Company. Compensation paid to key management was expensed as follows in the statement of comprehensive loss:

	2022	2021
Salaries and benefits	\$ 48,000	\$ 26,000
Share-based payments	2,601	7,603
	\$ 50,601	\$ 33,603

- (b) Advances from the President of the Company are described in note 3.

# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Interim Condensed Financial Statements

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June 30, 2022 and 2021

(Presented in Canadian Dollars)

### 8. GOVERNMENT GRANTS

Included in salaries and wages expense for the six months ended June 30, 2022 are government grants of \$38,266 (the six months ended 2021 - \$30,838) which were received from the Government of Canada's National Research Council, under their Innovation Assistance Program. Of these amounts, \$Nil was due to the Company as at June 30, 2022.

### 9. COMMITMENTS

In connection with the sale of the underlying blockchain technology mentioned in note 6, Jiangsu Hengwell Information Technology Co. Ltd. will also provide software maintenance and support to the Company on a 24 hour, 7 days per week basis, for an annual service fee of \$24,000.

### 10. MANAGEMENT OF CAPITAL

The Company includes the following in its managed capital:

	June 30, 2022	December 31, 2021
Share capital	4,100,770	3,691,478
Shares to be issued	752,950	271,303
Reserves	343,128	323,784
Deficit	(6,074,587)	(4,746,068)
	<b>\$ (877,739)</b>	<b>(459,503)</b>

The Company's objectives in managing capital are to:

- Ensure the Company maintains the minimum level of capital required to effectively operate its business;
- Ensure the Company's ability to provide capital growth to its shareholders; and
- Maintain a flexible structure that optimizes the cost of capital at acceptable levels of risk.

To maintain its capital structure, the Company keeps all of its assets in very liquid form. The Company's primary sources of capital were proceeds from the issuance of shares. There were no changes in the Company's approach to capital management during the periods presented. The Company are not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company.

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.

### 11. FINANCIAL RISK MANAGEMENT

#### Fair Values

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, advances from shareholder, loan payable, and long-term debt. The fair values of these instruments, except for the loan payable and long-term debt, approximate their carrying values due to the short-term nature of these instruments. The loan payable and long-term debt are carried at their present value, which is the discounted value of the cash flows required to settle the obligations.

# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Interim Condensed Financial Statements

Unaudited - See Notice to Reader

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(Presented in Canadian Dollars)

### 11. FINANCIAL RISK MANAGEMENT (Continued)

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Officers of the Company are actively involved in the review and approval of planned expenditures. As at June 30, 2022, the Company has liabilities of \$331,231 due within twelve months and has cash of \$120,868 to meet its current obligations (December 31, 2021 - liabilities of \$72,661 and cash of \$229,462). As a result, management has judged liquidity risk to be high.

The following are the Company's financial obligations based on their due dates:

	Payments due by period			Total
	Less than 1 year	1 - 3 years	4 - 5 years	
June 30, 2022				
Accounts payable	\$ 231,231	\$ -	\$ -	\$ 231,231
Advances from shareholder	100,000			100,000
Loan payable	-	40,000	-	40,000
Long-term debt	-	750,000	-	750,000
	\$ 331,231	\$ 790,000	\$ -	\$ 1,121,231
December 31, 2021				
Accounts payable	\$ 72,661	\$ -	\$ -	\$ 72,661
Loan payable	-	40,000	-	40,000
Long-term debt	-	750,000	-	750,000
	\$ 72,661	\$ 790,000	\$ -	\$ 862,661

#### Credit Risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfil its payment obligations. As at June 30, 2022, the Company's maximum exposure to credit risk is \$120,868 and is comprised of cash (December 31, 2021 - \$229,462). All of the Company's cash is held at a chartered bank in Canada. Management has judged credit risk to be low.

# **BLOCKCHAIN VENTURE CAPITAL INC.**

## **Notes to the Interim Condensed Financial Statements**

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**(Presented in Canadian Dollars)**

### **12. SUBSEQUENT EVENTS**

#### **Reverse Take-Over**

On August 3, 2022, the Company completed its reverse takeover (“RTO”) of Flexwork Properties Ltd. (“Flexwork”) and will continue to carry on its business under the name Blockchain Venture Capital Inc.

The RTO was completed by way of an amalgamation of BVCI and Flexwork on the basis of one common share of the amalgamated corporation for each issued and outstanding common share of BVCI and Flexwork. Prior to completing the amalgamation, Flexwork consolidated its common shares on the basis of 21.25353 existing common shares for one new common share. All outstanding options of Flexwork were reissued by the amalgamated corporation based on this consolidation ratio.

At the time of the amalgamation, BVCI had 24,414,219 common shares outstanding and Flexwork had 1,284,960 common shares outstanding, for a total of 25,699,179 common shares issued by the amalgamated company.

Concurrent with the RTO, BVCI issued 675,050 common shares at \$2.00 per share and 85,715 units at \$1.75 per unit in private placements for gross proceeds of \$1,500,101. Each unit is comprised of one common share and one warrant. Warrants are exercisable into common shares at \$2.00 per share for a period of two years from the date of issuance.

The Company commenced trading on the Canadian Securities Exchange under the ticker symbol “BVCI” on August 12, 2022.

#### **Other Financings**

On July 6, 2022, the Company received a further loan of \$100,000 from its President and made a partial repayment of \$10,000 on July 11, 2022.

On July 15, 2022, the Company issued 137,833 common shares at \$1.50 per share and 198,600 common shares at \$2.00 per share in private placements for gross proceeds of \$603,750. The Company also issued 57,143 units at \$1.75 per unit for gross proceeds of \$100,000. Each unit is comprised of one common share and one warrant. Warrants are exercisable into common shares at \$2.00 per share for a period of two years from the date of issuance.