



# Blockchain Venture Capital

**Interim Condensed Financial Statements**  
Unaudited - See Notice to Reader  
**September 30, 2022 and 2021**  
**(Presented in Canadian Dollars)**

# BLOCKCHAIN VENTURE CAPITAL INC.

September 30, 2022 and 2021

## Contents

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	Page
<b>Notice To Reader</b>	1
<b>Unaudited Interim Condensed Financial Statements</b>	
Unaudited Interim Condensed Statement of Financial Position	2
Unaudited Interim Condensed Statement of Comprehensive Loss	3
Unaudited Interim Condensed Statement of Changes in Equity	4
Unaudited Interim Condensed Statement of Cash Flows	5
Unaudited Notes to the Interim Condensed Financial Statements	6 - 15

## **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	September 30, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 498,573	\$ 229,462
Prepays and deposits		131,811	45,817
<b>Total Current Assets</b>		<b>630,384</b>	<b>275,279</b>
<b>Non-Current Assets</b>			
Computer equipment		1,808	3,125
<b>Total Assets</b>		<b>\$ 632,192</b>	<b>\$ 278,404</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 271,520	\$ 72,661
Advances from shareholder	4	155,647	-
<b>Total Current Liabilities</b>		<b>427,167</b>	<b>72,661</b>
<b>Non-Current Liabilities</b>			
Loan payable	5	39,134	36,530
Long-term debt	6	674,969	628,716
<b>Total Non-Current Liabilities</b>		<b>714,103</b>	<b>665,246</b>
<b>Total Liabilities</b>		<b>1,141,270</b>	<b>737,907</b>
<b>Equity</b>			
Share capital	7	8,638,188	3,691,478
Shares to be issued	7	343,000	271,303
Reserves	7	554,229	323,784
Deficit		(10,044,495)	(4,746,068)
<b>Total Equity</b>		<b>(509,078)</b>	<b>(459,503)</b>
<b>Total Liabilities and Equity</b>		<b>\$ 632,192</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

Nine Months Ended September 30, 2022 and 2021

(Presented in Canadian Dollars)

	Notes	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
<b>Revenue</b>		\$ -	\$ 18	\$ -	\$ 154
<b>Cost of Sales</b>		-	10	-	202
<b>Gross Profit</b>		-	8	-	(48)
<b>Expenses</b>					
Listing expense	3	2,622,179	-	2,622,179	-
Professional fees		453,642	180,905	870,792	584,272
Office and general		456,531	63,160	681,609	128,962
Blockchain costs		238,707	32,675	487,246	71,984
Salaries and wages		98,464	56,409	313,784	98,903
Trustee fees		70,342	70,343	211,028	164,133
Accretion expense	5, 6	16,455	19,761	48,857	58,667
Share-based payments	7 (d)	13,588	28,272	32,932	84,816
Blockchain service fees		-	-	30,000	-
Loss on debt settlement	6	-	45,642	-	45,642
<b>Total Expenses</b>		3,969,908	497,167	5,298,427	1,237,379
<b>Net Loss and Comprehensive Loss</b>		\$ (3,969,908)	\$ (497,159)	\$ (5,298,427)	\$ (1,237,427)
<b>Weighted Average Number of Shares Outstanding</b>	7 (g)	24,944,590	21,961,172	23,788,000	21,535,206
<b>Loss Per Share - Basic and Diluted</b>	7 (g)	\$ (0.16)	\$ (0.02)	\$ (0.22)	\$ (0.06)

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

Nine Months Ended September 30, 2022 and 2021

(Presented in Canadian Dollars)

	Notes	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)
Private placements	7	1,840,007	2,237,264	(264,403)	-	-	1,972,861
Share issuance costs	7	-	(170,382)	-	-	-	(170,382)
Shares to be issued	7	-	-	288,823	-	-	288,823
Share-based payments		-	-	-	84,816	-	84,816
Net loss		-	-	-	-	(1,237,427)	(1,237,427)
<b>Balance as at September 30, 2021</b>		22,579,593	\$ 3,221,796	\$ 288,823	\$ 203,112	\$ (3,719,454)	\$ (5,723)

	Notes	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)
Private placements	7	1,468,959	2,551,495	(271,303)	152,858	-	2,433,050
Share issuance costs	7	-	(195,510)	-	-	-	(195,510)
Acquisition of Flexwork	3	1,284,960	2,569,920	-	54,607	-	2,624,527
Options exercised	7	10,239	20,805	-	(9,952)	-	10,853
Shares to be issued	7	-	-	343,000	-	-	343,000
Share-based payments		-	-	-	32,932	-	32,932
Net loss		-	-	-	-	(5,298,427)	(5,848,468)
<b>Balance as at September 30, 2022</b>		25,709,418	\$ 8,636,188	\$ 343,000	\$ 554,229	\$ (10,044,495)	\$ (509,078)

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

Nine Months Ended September 30, 2022 and 2021

(Presented in Canadian Dollars)

	2022	2021
<b>Operating Activities</b>		
Net loss	\$ (5,298,427)	\$ (1,237,427)
<b>Items not requiring an outlay of cash:</b>		
Listing expense	2,622,179	-
Accretion expense	48,857	58,667
Share-based payments	32,932	84,816
Depreciation expense	1,317	762
Interest expense	5,947	-
Loss on debt settlement	-	45,642
<b>Changes in non-cash working capital:</b>		
Grant receivable	-	19,845
Loan receivable	-	(15,000)
Prepays and deposits	(85,994)	(22,275)
Accounts payable and accrued liabilities	201,207	25,739
<b>Cash Used In Operating Activities</b>	<b>(2,471,982)</b>	<b>(1,039,231)</b>
<b>Financing Activities</b>		
Proceeds from issuance of common shares	2,776,050	2,261,684
Advances from shareholder	149,700	(344,800)
Share issuance costs	(195,510)	(170,382)
Options exercised	10,853	-
Repayment of long-term debt	-	(250,000)
<b>Cash Provided By Financing Activities</b>	<b>2,741,093</b>	<b>1,496,502</b>
<b>Net Increase in Cash</b>	<b>269,111</b>	<b>457,271</b>
<b>Cash, Beginning of Period</b>	<b>229,462</b>	<b>62,774</b>
<b>Cash, End of Period</b>	<b>\$ 498,573</b>	<b>\$ 520,045</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

**September 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 September 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 November 28, 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 three months ended September 30, 2022 should be read together with the annual financial statements as at and for the year ended December 31, 2021. 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

Unaudited - See Notice to Reader

September 30, 2022 and 2021

(Presented in Canadian Dollars)

### 3. ACQUISITION OF FLEXWORK PROPERTIES LTD.

On March 15, 2021, the Company entered into an amalgamation agreement with Flexwork Properties Ltd. ("Flexwork"), a company incorporated in Ontario and listed on the Canadian Securities Exchange under the symbol "RNG". The amalgamation was structured as a reverse takeover ("RTO") which will continue and carry on the business of BVCI.

On August 3, 2022, the amalgamation was completed on the basis of one common share of the resulting issuer for each issued and outstanding common share of BVCI and Flexwork. Prior to completing the amalgamation, on July 28, 2022, Flexwork consolidated its common shares on the basis of 21.25353 common shares for one new common share. All outstanding options of Flexwork were reissued by the amalgamated corporation based on the above 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. The Company commenced trading on the Canadian Securities Exchange under the ticker symbol "BVCI" on August 12, 2022.

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 transaction has been accounted for in accordance with IFRS 2, *Share-based payments*. The transaction is considered to be a reverse takeover of Flexwork by BVCI. A reverse takeover transaction involving a non-public operating entity and a non-operating public company is in substance a shared-based payment transaction rather than a business combination. The transaction is equivalent to the issuance of common shares by the non-public operating entity, BVCI, for the net assets and the listing status of the non-operating public company, Flexwork. The fair value of the common shares issued was determined based on the fair value of the common shares issued by Flexwork. For financial reporting purposes, the Company is considered a continuation of BVCI. The transaction was negotiated and completed at arm's length. The combined results of operations are included from August 3, 2022.

At acquisition date on August 3, 2022, the transaction was recorded as follows:

	<b>Fair value recognized</b>
<b>Purchase Price</b>	
Fair value of common shares	\$ 2,569,920
Fair value of stock options	54,607
	<b>2,624,527</b>
<b>Net Assets Acquired</b>	
Cash	80
HST receivable	4,394
Prepays and deposits	374
Accounts payable and accrued liabilities	(2,500)
	<b>2,348</b>
<b>Listing Expense</b>	<b>\$ 2,622,179</b>

# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Interim Condensed Financial Statements

Unaudited - See Notice to Reader

September 30, 2022 and 2021

(Presented in Canadian Dollars)

### 3. ACQUISITION OF FLEXWORK PROPERTIES LTD. (Continued)

The fair value of Flexwork shares was determined as follows:

Number of pre-consolidation Flexwork shares	27,309,915
Consolidation of Flexwork shares	21.25353
Number of post-consolidation Flexwork shares	1,284,960
Share value as determined	\$ 2.00
Value of BVCI shares that would have been issued to obtain the same ownership percentage	\$ 2,569,920

The outstanding Flexwork options were assigned a grant date value of \$54,607 as estimated using the Black-Scholes option pricing model with the following assumptions: exercise price of \$1.06, share price of \$2.00, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 3.65%, and an expected maturity of 0.96 years.

The excess of fair value of net assets assumed over purchase price is considered an expense of acquiring a public listing and as a result, the listing fee expense is \$2,622,179.

### 4. ADVANCES FROM SHAREHOLDER

As at September 30, 2022, advances of \$155,647 are due to the President of the Company (December 31, 2021 - \$Nil). These advances are unsecured, interest-bearing at 15% per annum, and are due June 29, 2022. The advances were made for general working capital purposes.

### 5. 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 two 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:

	September 30, 2022	
	Principal	Carrying Value
Balance - beginning of period	\$ 40,000	\$ 36,530
Accretion expense	-	2,604
Balance - end of period	\$ 40,000	\$ 39,134

# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Interim Condensed Financial Statements

Unaudited - See Notice to Reader

September 30, 2022 and 2021

(Presented in Canadian Dollars)

### 6. 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:

	September 30, 2022	
	Principal	Carrying Value
Balance - beginning of period	\$ 750,000	\$ 628,716
Accretion expense	-	46,253
Balance - end of period	\$ 750,000	\$ 674,969

### 7. EQUITY

#### (a) Authorized

Unlimited common shares, no par value

#### (b) Issued and Outstanding

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

- (i) Issued 395,701 common shares at \$1.50 per share and 930,400 common shares at \$2.00 per share in private placements for gross proceeds of \$2,454,352. Included in these share issuances were proceeds of \$271,303 that had been collected prior to December 31, 2021.
- (ii) Issued 142,858 units at \$1.75 per unit in private placements for gross proceeds of \$250,001. Each unit is comprised of one common share and one warrant. Each warrant is exercisable at a price of \$2.00 per share for 2 years from the date of issuance.
- (iii) Issued 1,284,960 common shares pursuant to the amalgamation with Flexwork, as described in note 3.
- (iv) Issued 10,239 common shares pursuant to the exercise of stock options at \$1.06 per share. The option value of \$9,952 was reallocated from reserves to share capital pursuant to this exercise.
- (v) Paid referral fees of \$91,010 which are categorized as share issuance costs.

During the nine months ended September 30, 2021, the Company transacted in its issued and outstanding common 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 share issuances were proceeds of \$264,403 that had been collected prior to December 31, 2020.
- (ii) Issued 1,301,092 common shares in private placements at a price of \$1.50 per share for gross proceeds of \$1,951,639.
- (iii) Paid referral fees of \$170,382 which are categorized as share issuance costs.

# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Interim Condensed Financial Statements

Unaudited - See Notice to Reader

September 30, 2022 and 2021

(Presented in Canadian Dollars)

### 7. EQUITY (Continued)

#### (c) Shares to be Issued

During the nine months ended September 30, 2022, the Company received \$345,000 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.

The following table reflects the continuity of stock options:

	September 30, 2022	
	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	620,000	\$ 0.53
Granted (i), (ii)	118,427	1.31
Exercised	(10,587)	1.06
Expired	(15,293)	1.06
Outstanding, end of period	712,547	\$ 0.64
Exercisable, end of period	662,547	\$ 0.58

(i) In connection with the amalgamation with Flexwork on August 3, 2022, the Company granted 51,760 options to the former officers and directors of Flexwork, which are exercisable at \$1.06 per share, and which all vested immediately. Of the above options, 25,880 options had an expiry date of September 1, 2022, and 25,880 options have an expiry date of July 18, 2023.

(ii) On September 12, 2022, the Company granted 66,667 options to a consultant for services rendered. The options are exercisable at \$1.50 per share and expire April 12, 2023. One quarter of the options vested immediately, one quarter vest on December 12, 2022, one quarter vest on March 12, 2023, and the final quarter vest on April 12, 2023.

Options granted are accounted for by the fair value method of accounting, whereby share-based payments are recorded over the vesting period and reserves are credited for options granted.

The fair value of stock options granted during the year ended September 30, 2022 was calculated as \$0.17 per option, based on the Black-Scholes option pricing model. Share-based payments expense for options vested during the nine months ended September 30, 2022 was \$32,932 (2021 - \$28,272).

# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Interim Condensed Financial Statements

Unaudited - See Notice to Reader

September 30, 2022 and 2021

(Presented in Canadian Dollars)

### 7. EQUITY (Continued)

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

The fair value of the options granted was estimated at the grant date using the following weighted average assumptions:

	2022
Share price	\$ 1.00
Expected volatility	100%
Dividend yield	0%
Risk-free interest rate	3.72%
Expected life	0.58 years
Expected forfeiture rate	0%

The expected volatility is based on management's estimate of the volatility in the Company's share price over the life of the options, based on a comparison with other similar entities. The Company has not paid any cash dividends historically and does not have any plans to pay cash dividends in the foreseeable future. The risk-free interest rate is based on the yield of Canadian benchmark bonds with an equivalent term to maturity. The expected life of the options is based on management's estimate of the time that the options will be outstanding.

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

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
620,000	620,000	\$0.53	October 1, 2025	3.01 years
25,880	25,880	\$1.06	July 18, 2023	0.80 years
66,667	16,667	\$1.50	April 12, 2023	0.53 years
712,547	662,547			2.69 years

#### (e) Warrants

The following table reflects the continuity of warrants:

	September 30, 2022	
	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	100,000	\$ 1.50
Issued (i)	142,858	2.00
Exercised	-	-
Expired	-	-
Outstanding, end of period	242,858	\$ 1.79

- (i) On July 15 and 27, 2022, the Company issued 142,858 warrants in unit private placements, which are exercisable at \$2.00 and have a term of 2 years.

# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Interim Condensed Financial Statements

Unaudited - See Notice to Reader

September 30, 2022 and 2021

(Presented in Canadian Dollars)

### 7. EQUITY (Continued)

#### (e) Warrants (Continued)

The fair value of warrants issued during the nine months ended September 30, 2022 was calculated as \$1.07 per warrant, based on the Black-Scholes option pricing model. The value assigned to warrants issued during the nine months ended September 30, 2022 was \$111,000 (2021 - \$Nil).

The fair value of the warrants issued was estimated at the issue date using the following weighted average assumptions:

	2022
Share price	\$ 2.00
Expected volatility	100%
Dividend yield	0%
Risk-free interest rate	3.09%
Expected life	2 years

The expected volatility is based on management's estimate of the volatility in the Company's share price over the life of the warrants, based on a comparison with other similar entities. The Company has not paid any cash dividends historically and does not have any plans to pay cash dividends in the foreseeable future. The risk-free interest rate is based on the yield of Canadian benchmark bonds with an equivalent term to maturity. The expected life of the warrants is based on management's estimate of the time that the warrants will be outstanding.

The Company had the following warrants outstanding as at September 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
57,143	\$2.00	July 15, 2024	2.04 years
85,715	\$2.00	July 27, 2024	2.08 years
242,858			3.02 years

#### (f) Reserves

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

#### (g) Loss Per Share

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
<b>Numerator:</b>				
Net loss	\$ (3,969,908)	\$ (497,175)	\$ (5,298,427)	\$ (1,237,427)
<b>Denominator:</b>				
Weighted average number of shares outstanding	24,944,590	21,961,172	23,788,000	21,535,206
<b>Loss Per Share:</b>				
Basic and diluted	\$ (0.16)	\$ (0.02)	\$ (0.22)	\$ (0.06)

# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Interim Condensed Financial Statements

Unaudited - See Notice to Reader

September 30, 2022 and 2021

(Presented in Canadian Dollars)

### 7. EQUITY (Continued)

#### (h) Maximum Share Dilution

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

	2022	2021
Common shares outstanding	25,709,418	22,579,593
Stock options outstanding	662,547	206,665
Warrants outstanding	242,858	-
Fully diluted common shares outstanding	26,614,823	22,786,258

### 8. 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	\$ 80,000	\$ 41,000
Share-based payments	3,901	11,404
	\$ 83,901	\$ 52,404

- (b) Advances from the President of the Company are described in note 4. Interest incurred on these advances totaled \$5,947 for the nine months ended September 30, 2022 (2021 - \$Nil).

### 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 a minimum annual service fee of \$24,000.

# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Interim Condensed Financial Statements

Unaudited - See Notice to Reader

September 30, 2022 and 2021

(Presented in Canadian Dollars)

### 10. MANAGEMENT OF CAPITAL

The Company includes the following in its managed capital:

	September 30, 2022	December 31, 2021
Share capital	\$ 8,638,188	\$ 3,691,478
Shares to be issued	343,000	271,303
Reserves	554,229	323,784
Deficit	(10,044,495)	(4,746,068)
	<u>\$ (509,078)</u>	<u>\$ (459,503)</u>

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

September 30, 2022 and 2021

(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 September 30, 2022, the Company has liabilities of \$427,167 due within twelve months and has cash of \$498,573 to meet its current obligations (December 31, 2021 - current liabilities of \$72,661 and cash of \$229,462). The company is a pre-revenue business and is dependent on raising money through equity financing to continue as a going concern. 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	
September 30, 2022				
Accounts payable	\$ 271,520	\$ -	\$ -	\$ 271,520
Advances to shareholder	155,647	-	-	155,647
Loan payable	-	40,000	-	40,000
Long-term debt	-	750,000	-	750,000
	\$ 427,167	\$ 790,000	\$ -	\$ 1,217,167
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 September 30, 2022, the Company's maximum exposure to credit risk is \$498,573 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.

### 12. SUBSEQUENT EVENTS

#### Private Placements

On November 3, 2022, the Company issued 256,000 common shares at \$1.25 per share in private placements for gross proceeds of \$320,000.

On November 8, 2022, the Company issued 16,667 common shares pursuant to the exercise of options at \$1.50 per share, for proceeds of \$25,001.