



# Blockchain Venture Capital

**Financial Statements**  
**December 31, 2023 and 2022**  
**(Presented in Canadian Dollars)**

# **BLOCKCHAIN VENTURE CAPITAL INC.**

December 31, 2023 and 2022

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## INDEPENDENT AUDITOR'S REPORT

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To the shareholders of **Blockchain Venture Capital Inc.**

Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of **Blockchain Venture Capital Inc.** (the "Company"), which comprise of the statements of financial position as at **December 31, 2023** and **December 31, 2022**, and the statement of comprehensive loss, statement of changes in equity and statement of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at **December 31, 2023** and **December 31, 2022**, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

### Material Uncertainty Related to Going Concern

Without qualifying our audit opinion, we draw attention to Note 2 in the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

## **INDEPENDENT AUDITOR'S REPORT**

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### **Other Information**

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error,

## INDEPENDENT AUDITOR'S REPORT

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as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sadik Najarali.

*NVS Professional Corporation*

NVS Professional Corporation  
Chartered Professional Accountants  
Authorized to practise public accounting by  
Chartered Professional Accountants of Ontario

Markham, Ontario  
April 30, 2024

# BLOCKCHAIN VENTURE CAPITAL INC.

Statement of Financial Position  
As at December 31, 2023 and 2022  
(Presented in Canadian Dollars)

|                                          | Notes | 2023               | 2022               |
|------------------------------------------|-------|--------------------|--------------------|
| <b>ASSETS</b>                            |       |                    |                    |
| <b>Current Assets</b>                    |       |                    |                    |
| Cash                                     |       | \$ 7,018           | \$ 48,512          |
| Prepays and deposits                     |       | 21,772             | 100,128            |
| <b>Total Current Assets</b>              |       | <b>28,790</b>      | <b>148,640</b>     |
| <b>Non-Current Assets</b>                |       |                    |                    |
| Computer equipment                       |       | 2,966              | 1,476              |
| <b>Total Assets</b>                      |       | <b>\$ 31,756</b>   | <b>\$ 150,116</b>  |
| <b>LIABILITIES AND EQUITY</b>            |       |                    |                    |
| <b>Current Liabilities</b>               |       |                    |                    |
| Accounts payable and accrued liabilities |       | \$ 607,821         | \$ 845,497         |
| Advances from shareholder                | 5     | 1,239,498          | 164,595            |
| Government loan payable                  | 6     | -                  | 40,000             |
| Term loan payable                        | 7     | 750,000            | 691,589            |
| <b>Total Current Liabilities</b>         |       | <b>2,597,319</b>   | <b>1,741,681</b>   |
| <b>Non-Current Liabilities</b>           |       |                    |                    |
| Government loan payable                  | 6     | 60,000             | -                  |
| <b>Total Liabilities</b>                 |       | <b>2,657,319</b>   | <b>1,741,681</b>   |
| <b>Equity</b>                            |       |                    |                    |
| Share capital                            | 8     | 12,443,529         | 9,696,689          |
| Shares to be issued                      | 8     | 350,000            | -                  |
| Reserves                                 | 8     | 853,475            | 556,339            |
| Deficit                                  |       | (16,272,567)       | (11,844,593)       |
| <b>Total Equity</b>                      |       | <b>(2,625,563)</b> | <b>(1,591,565)</b> |
| <b>Total Liabilities and Equity</b>      |       | <b>\$ 31,756</b>   | <b>\$ 150,116</b>  |

Approved on Behalf of the Board

Signed - Xin Zhou  
Director

Signed - Steve Olsthoorn  
Director

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

# BLOCKCHAIN VENTURE CAPITAL INC.

Statement of Comprehensive Loss  
Years Ended December 31, 2023 and 2022  
(Presented in Canadian Dollars)

|                                           | Notes | 2023                  | 2022                  |
|-------------------------------------------|-------|-----------------------|-----------------------|
| <b>Expenses</b>                           |       |                       |                       |
| Office and general                        |       | \$ 2,373,023          | \$ 1,611,675          |
| Professional fees                         |       | 564,414               | 1,292,560             |
| Blockchain costs                          |       | 499,090               | 712,614               |
| Salaries and wages                        |       | 456,058               | 432,014               |
| Trustee fees                              |       | 281,370               | 281,370               |
| Interest expense                          |       | 100,632               | 11,895                |
| Accretion expense                         | 6, 7  | 58,411                | 66,343                |
| Share-based payments                      | 8 (e) | 54,976                | 37,875                |
| Blockchain service fees                   |       | 20,000                | 30,000                |
| Loss on government loan payable           | 6     | 20,000                | -                     |
| Listing expense                           | 4     | -                     | 2,622,179             |
| <b>Total Expenses</b>                     |       | <b>4,427,974</b>      | <b>7,098,525</b>      |
| <b>Net Loss and Comprehensive Loss</b>    |       | <b>\$ (4,427,974)</b> | <b>\$ (7,098,525)</b> |
| <b>Weighted Average Number of Shares</b>  |       |                       |                       |
| <b>Outstanding</b>                        | 8 (h) | 27,695,408            | 24,343,518            |
| <b>Loss Per Share - Basic and Diluted</b> | 8 (h) | <b>\$ (0.16)</b>      | <b>\$ (0.29)</b>      |

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

## BLOCKCHAIN VENTURE CAPITAL INC.

### Statement of Changes in Equity

Years Ended December 31, 2023 and 2022

(Presented in Canadian Dollars)

|                                        | Notes | Number of<br>Common<br>Shares | Share<br>Capital | Shares to<br>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                     | 8     | 2,295,093                     | 3,584,163        | (271,303)              | 152,858    | -               | 3,465,718      |
| Share issuance costs                   | 8     | -                             | (197,510)        | -                      | -          | -               | (197,510)      |
| Acquisition of Flexwork                | 4     | 1,284,960                     | 2,569,920        | -                      | 54,607     | -               | 2,624,527      |
| Options exercised                      | 8     | 26,906                        | 48,638           | -                      | (12,785)   | -               | 35,853         |
| Share-based payments                   |       | -                             | -                | -                      | 37,875     | -               | 37,875         |
| Net loss                               |       | -                             | -                | -                      | -          | (7,098,525)     | (7,098,525)    |
| <b>Balance as at December 31, 2022</b> |       | 26,552,219                    | \$ 9,696,689     | \$ -                   | \$ 556,339 | \$ (11,844,593) | \$ (1,591,565) |
| Private placements                     | 8     | 2,994,000                     | 2,394,840        | -                      | 281,160    | -               | 2,676,000      |
| Share issuance costs                   | 8     | -                             | (10,000)         | -                      | -          | -               | (10,000)       |
| Shares-for-debt                        | 8     | 540,000                       | 270,000          | -                      | -          | -               | 270,000        |
| Options exercised                      | 8     | 100,000                       | 92,000           | -                      | (39,000)   | -               | 53,000         |
| Shares to be issued                    | 8     | -                             | -                | 350,000                | -          | -               | 350,000        |
| Share-based payments                   |       | -                             | -                | -                      | 54,976     | -               | 54,976         |
| Net loss                               |       | -                             | -                | -                      | -          | (4,427,974)     | (4,427,974)    |
| <b>Balance as at December 31, 2023</b> |       | 30,186,219                    | \$12,443,529     | \$ 350,000             | \$ 853,475 | \$ (16,272,567) | \$ (2,625,563) |

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



# BLOCKCHAIN VENTURE CAPITAL INC.

## Statement of Cash Flows

Years Ended December 31, 2023 and 2022

(Presented in Canadian Dollars)

|                                               | 2023               | 2022               |
|-----------------------------------------------|--------------------|--------------------|
| <b>Operating Activities</b>                   |                    |                    |
| Net loss                                      | \$ (4,427,974)     | \$ (7,098,525)     |
| <b>Items not requiring an outlay of cash:</b> |                    |                    |
| Listing expense                               | -                  | 2,622,179          |
| Accretion expense                             | 58,411             | 66,343             |
| Share-based payments                          | 54,976             | 37,875             |
| Depreciation expense                          | 869                | 1,649              |
| Interest accrued                              | 100,632            | 11,895             |
| Loss on government loan payable               | 20,000             | -                  |
| <b>Changes in non-cash working capital:</b>   |                    |                    |
| Prepays and deposits                          | 78,356             | (54,311)           |
| Accounts payable and accrued liabilities      | 32,324             | 775,184            |
| <b>Cash Used In Operating Activities</b>      | <b>(4,082,406)</b> | <b>(3,637,711)</b> |
| <b>Financing Activities</b>                   |                    |                    |
| Proceeds from issuance of common shares       | 2,676,000          | 3,465,718          |
| Advances from shareholder, net                | 974,271            | 152,700            |
| Share issuance costs                          | (10,000)           | (197,510)          |
| Options exercised                             | 53,000             | 35,853             |
| Shares to be issued                           | 350,000            | -                  |
| <b>Cash Provided By Financing Activities</b>  | <b>4,043,271</b>   | <b>3,456,761</b>   |
| <b>Investing Activities</b>                   |                    |                    |
| Acquisition of computer equipment             | (2,359)            | -                  |
| <b>Net Decrease in Cash</b>                   | <b>(41,494)</b>    | <b>(180,950)</b>   |
| <b>Cash, Beginning of Year</b>                | <b>48,512</b>      | <b>229,462</b>     |
| <b>Cash, End of Year</b>                      | <b>\$ 7,018</b>    | <b>\$ 48,512</b>   |

### Supplemental Cash Flow Information

|                   |      |      |
|-------------------|------|------|
| Interest paid     | \$ - | \$ - |
| Income taxes paid | \$ - | \$ - |

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

# **BLOCKCHAIN VENTURE CAPITAL INC.**

## **Notes to the Financial Statements**

**December 31, 2023 and 2022**

**(Presented in Canadian Dollars)**

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

Blockchain Venture Capital Inc. ("BVCI" or the "Company") is a proprietary blockchain platform and ledger technology company which owns a stablecoin CADT and related BvcPay applications. The Company was incorporated in Ontario on June 18, 2018 and performed a reverse takeover and amalgamation with Flexwork Properties Ltd. on August 3, 2022. BVCI is domiciled in the Province of Ontario and has its registered office at 100 King Street West, Suite 56093, Toronto, ON M5X 1C9. The Company is publicly-traded on the Canadian Securities Exchange ("CSE") under the ticker symbol "BVCI".

As at the date hereof, the Company is not currently offering its CADT stablecoin for sale or offering the use of applications such as BvcPay, as such services will require its registration as a securities dealer in accordance with applicable securities laws, and such registration has not yet been granted.

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.

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

#### **Statement of Compliance**

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). Significant accounting estimates, judgments, and assumptions used or exercised by management in the preparation of these financial statements are presented below.

The Board of Directors approved these financial statements for issue on April 30, 2024.

#### **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.

# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Financial Statements

December 31, 2023 and 2022

(Presented in Canadian Dollars)

### 2. BASIS OF PREPARATION (Continued)

#### Critical Accounting Judgments, Estimates, and Assumptions (Continued)

Significant areas of judgement and estimation uncertainty considered by management in preparing the financial statements are as follows:

##### *Going Concern*

Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. However, material uncertainty exists that casts significant doubt upon the Company's ability to continue as a going concern.

##### *Share-based Payments Expense*

The Company uses the Black-Scholes option pricing model to determine the fair value of options and warrants in order to calculate share-based payments expense. The Black-Scholes model involves six key inputs to determine fair value of an option or warrant: risk-free interest rate, exercise price, market price at the date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payments expense.

##### *Recognition of Deferred Tax Assets*

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. These estimates will affect the reported amounts of deferred tax assets and expenses.

### 3. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies used in the preparation of the financial statements are set out below. These policies have been consistently applied to the years presented.

#### Revenue Recognition

Other income is earned as a consulting fee from other blockchain companies for time spent aiding in implementation of a blockchain solution.

Revenue is recognized when (i) the Company and its customer have signed a contract identifying each party's rights and payment terms for the delivery of services; (ii) it is probable that the Company will collect its fees under the contract; and (iii) the Company has satisfied its performance obligations for the delivery of services.

#### Financial Instruments

##### *Recognition and Derecognition*

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of an instrument. Financial assets and liabilities are derecognized when the rights to receive cash flows from a financial asset have expired or substantially all risks and rewards of ownership have been transferred, or when obligations under financial liabilities have been discharged, cancelled, or expired.

Gains and losses on derecognition, determined as the difference between the settlement amount and the carrying value of a financial asset or liability, are recognized in the statement of comprehensive income (loss).

# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Financial Statements

December 31, 2023 and 2022

(Presented in Canadian Dollars)

### 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### Financial Instruments (Continued)

##### *Classification*

Financial assets and liabilities are classified in the following measurement categories: i) those to be measured subsequently at fair value (either through profit or loss or through other comprehensive income), and ii) those to be measured subsequently at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss. For financial assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income. Classification of financial assets or financial liabilities at fair value through either profit or loss or other comprehensive income, is an irrevocable designation at the time of recognition.

Financial assets are reclassified when, and only when, the Company's business model for managing those assets changes. Financial liabilities are not reclassified.

The Company has implemented the following classifications:

Cash is classified as subsequently measured at amortized cost.

Accounts payable and accrued liabilities, advances from shareholder, government loan payable, and term loan payable are classified as subsequently measured at amortized cost.

##### *Measurement*

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial instruments not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of that instrument. Transaction costs of financial instruments with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest are measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any change taken through profit or loss or other comprehensive income.

#### **Share Capital**

Share capital is classified as equity. Incremental costs directly attributable to the issue of shares and share options are recognized as a deduction from equity. When share capital is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity.

# **BLOCKCHAIN VENTURE CAPITAL INC.**

## **Notes to the Financial Statements**

**December 31, 2023 and 2022**

**(Presented in Canadian Dollars)**

### **3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)**

#### **Share-based Payments**

The Company has a stock option plan that is described in note 8 (e). Employees (including officers), directors, and consultants of the Company receive remuneration in the form of stock options granted under the plan for rendering services to the Company. Any consideration received by the Company on the exercise of stock options is credited to share capital. The cost of options is recognized, together with a corresponding increase in reserves, over the period in which the corresponding performance and/or service conditions are fulfilled, ending on the date on which the relevant optionee becomes fully entitled to the award (“vesting date”).

The cumulative expense recognized for option grants at each reporting date until the vesting date reflects the portion of the vesting period that passed and the Company’s best estimate of the number of options that will ultimately vest on the vesting date. The Company records compensation expense and credits contributed surplus for all stock options granted, which represents the movement in cumulative expense recognized as at the beginning and end of that period.

Stock options granted during the period are accounted for in accordance with the fair value method of accounting for share-based payments. The fair value for these options is estimated at the date of grant using the Black-Scholes option pricing model. The Company is also required to estimate the expected future forfeiture rate of options in its calculation of share-based payments expense.

Where the terms of a stock option award are modified, the minimum expense recognized is the amount as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the option, or is otherwise beneficial to the optionee as measured at the date of modification. Where an option is cancelled, any expense not yet recognized for the vested options on the date of cancellation is recognized immediately.

#### **Income Taxes**

The Company follows the asset and liability method of tax allocation in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for loss carry-forwards. The resulting changes in the net deferred tax asset or liability are included in income.

Deferred tax assets and liabilities are measured using enacted, or substantively enacted, tax rates expected to apply to taxable income (loss) in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates, is included in income in the period that includes the substantive enactment date. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **Foreign Currency Transactions and Balances**

Transactions in foreign currencies are initially recorded in the functional currency at the rate in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange in effect on the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate on the date of the initial transaction.

#### **Loss Per Share**

Basic earnings (loss) per share is calculated based on the weighted average number of common shares outstanding during the fiscal year. Diluted earnings (loss) per share is determined by adjusting the weighted average number of common shares outstanding for the effects of all potentially dilutive shares. Instruments which would be anti-dilutive are not included in the calculation of diluted earnings (loss) per share.

# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Financial Statements

December 31, 2023 and 2022

(Presented in Canadian Dollars)

### 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### Research and Development

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditures are capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, they are recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditures are measured at cost less accumulated amortization and any accumulated impairment losses.

#### Change in Accounting Policies

The following new and amended IFRS standards have been adopted as at January 1, 2023. The adoption of these standards did not have a retrospective impact on any financial statement balances as at that date.

#### *Amendments to International Accounting Standard 1, Presentation of Financial Statements ("IAS 1")*

In February 2021, the IASB issued amendments to IAS 1, and IFRS Practice Statement 2, Making Materiality Judgments ("IFRS Practice Statement 2"). The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The adoption of these amendments did not have a material impact on the Company's financial statements.

#### Recent Accounting Pronouncements

The Company has reviewed recent accounting pronouncements which are not yet effective and notes none that are expected to have a material impact on the Company's financial statements.

### 4. 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

# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Financial Statements

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(Presented in Canadian Dollars)

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

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<br/>recognized</b> |
|--------------------------------------------------------------|----------------------------------|
| <b>Purchase Price</b>                                        |                                  |
| Fair value of common shares                                  | \$ 2,569,920                     |
| Fair value of stock options                                  | 54,607                           |
| <b>Total purchase price</b>                                  | <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>Total identifiable net assets at fair value</b>           | <b>2,348</b>                     |
| <b>Excess of purchase price over identifiable net assets</b> | <b>\$ 2,622,179</b>              |

The excess of the purchase price over the identifiable net assets is presented in the statement of comprehensive loss as a listing expense.

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.

# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Financial Statements

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### 5. ADVANCES FROM SHAREHOLDER

The Company has received advances from its President for general working capital purposes. These advances are unsecured, interest-bearing at 15% per annum, and were initially due on June 29, 2023. The lender agreed to extend the due date of the advances by a further one year to June 30, 2024.

The following is a continuity of advances from shareholder:

|                             | 2023 |           | 2022 |          |
|-----------------------------|------|-----------|------|----------|
| Balance - beginning of year | \$   | 164,595   | \$   | -        |
| Advances received           |      | 1,390,058 |      | 200,000  |
| Advances repaid             |      | (415,787) |      | (47,300) |
| Interest accrued            |      | 100,632   |      | 11,895   |
| Balance - end of year       | \$   | 1,239,498 | \$   | 164,595  |

### 6. GOVERNMENT 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 January 18, 2024. The lender will forgive \$20,000 of the loan if \$40,000 is repaid before the due date. 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:

|                               | 2023      |                | 2022      |                |
|-------------------------------|-----------|----------------|-----------|----------------|
|                               | Principal | Carrying Value | Principal | Carrying Value |
| Balance - beginning of period | \$ 40,000 | \$ 40,000      | \$ 40,000 | \$ 36,530      |
| Liability recognized (i)      | 20,000    | 20,000         | -         | -              |
| Accretion expense             | -         | -              | -         | 3,470          |
| Balance - end of period       | \$ 60,000 | \$ 60,000      | \$ 40,000 | \$ 40,000      |

(i) The Company did not repay the CEBA loan by January 18, 2024, and has lost the forgivable portion of \$20,000. Accordingly, the carrying value of the CEBA loan has been increased to \$60,000.

### 7. TERM LOAN PAYABLE

Term loan payable is due to Jiangsu Hengwell Information Technology Co., Ltd., a blockchain development company located in Wuxi, China. The loan is unsecured, non-interest bearing and is due November 10, 2023. The loan was recorded at its present value utilizing a discount rate of 10% per annum. As at December 31, 2023, the loan remains outstanding and has not been renewed or repaid.

The following is a continuity of term loan payable:

|                               | 2023       |                | 2022       |                |
|-------------------------------|------------|----------------|------------|----------------|
|                               | Principal  | Carrying Value | Principal  | Carrying Value |
| Balance - beginning of period | \$ 750,000 | \$ 691,589     | \$ 750,000 | \$ 628,716     |
| Accretion expense             | -          | 58,411         | -          | 62,873         |
| Balance - end of period       | \$ 750,000 | \$ 750,000     | \$ 750,000 | \$ 691,589     |



# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Financial Statements

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### 8. EQUITY

#### (a) Authorized

Unlimited common shares, no par value

#### (b) Issued and Outstanding

During the year ended December 31, 2023, the Company transacted in its issued and outstanding common shares as follows:

- (i) Issued 492,000 common shares at \$1.25 per share in private placements for gross proceeds of \$615,000.
- (ii) Issued 1,080,000 units at \$1.25 per unit in private placements for gross proceeds of \$1,350,000. Each unit is comprised of one common share and one-half warrant. Each warrant is exercisable at a price of \$1.50 per warrant for two years from the date of issuance.
- (iii) Issued 100,000 common shares pursuant to the exercise of stock options at \$0.53 per share. The option value of \$39,000 was reallocated from reserves to share capital pursuant to this exercise.
- (iv) Issued 1,422,000 units at \$0.50 per unit in private placements for gross proceeds of \$711,000. Each unit is comprised of one common share and one-half warrant. Each warrant is exercisable at a price of \$0.75 per warrant for two years from the date of issuance.
- (v) Issued 540,000 common shares at \$0.50 per share in settlement of a debt of \$270,000.
- (vi) Paid referral fees of \$10,000 which are categorized as share issuance costs.

During the year ended December 31, 2022, the Company transacted in its issued and outstanding common shares as follows:

- (i) Issued 826,134 common shares at \$1.25 per share, 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 \$3,487,019. 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 warrant 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 4.
- (iv) Issued 26,906 common shares pursuant to the exercise of stock options at \$1.06 and \$1.50 per share. The option value of \$12,785 was reallocated from reserves to share capital pursuant to this exercise.
- (v) Paid referral fees of \$197,510 which are categorized as share issuance costs.

#### (c) Shares to be Issued

During the year ended December 31, 2023, the Company received \$350,000 in respect of common shares to be issued.

# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Financial Statements

December 31, 2023 and 2022

(Presented in Canadian Dollars)

### 8. EQUITY (Continued)

#### (d) Shares in Escrow

In connection with the Company's listing on the CSE in August 2022, all common shares held by directors were placed into escrow and are to be released over 36 months. Of those shares, 10% were released on August 12, 2022 when the Company's shares began trading on the CSE, and 15% are to be released every six months thereafter.

As at December 31, 2023, there are 9,055,909 common shares remaining in escrow pursuant to this agreement.

#### (e) 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. Expiry dates and vesting conditions are determined by the Board on the grant date. Options belonging to former directors or officers are cancelled after 60 days from the date the individual ceases to provide services to the Company.

The following table reflects the continuity of stock options:

|                                | 2023              |                                 | 2022              |                                 |
|--------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
|                                | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Outstanding, beginning of year | 695,880           | \$ 0.64                         | 620,000           | \$ 0.53                         |
| Granted (i), (ii), (iii)       | 300,000           | 1.50                            | 118,427           | 1.31                            |
| Exercised                      | (100,000)         | 0.53                            | (27,254)          | 1.06                            |
| Expired                        | (75,880)          | 1.35                            | (15,293)          | 1.06                            |
| Outstanding, end of year       | 820,000           | \$ 0.88                         | 695,880           | \$ 0.64                         |
| Exercisable, end of year       | 670,000           | \$ 0.75                         | 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.

(iii) On June 26, 2023, the Company granted 300,000 options to consultants for services rendered. The options are exercisable at \$1.50 per share and expire June 30, 2025. One quarter of the options vest on September 30, 2023, one quarter vest on December 31, 2023, one quarter vest on March 31, 2024, and the final quarter vest on June 30, 2024.

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.

# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Financial Statements

December 31, 2023 and 2022

(Presented in Canadian Dollars)

### 8. EQUITY (Continued)

#### (e) Stock Options (Continued)

The fair value of stock options granted during the year ended December 31, 2023 was calculated as \$0.17 per option, based on the Black-Scholes option pricing model. Share-based payments expense for options vested during the year ended December 31, 2023 was \$54,976 (2022 - \$37,875).

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

|                          | 2023    | 2022       |
|--------------------------|---------|------------|
| Share price              | \$ 0.65 | \$ 1.00    |
| Expected volatility      | 100 %   | 100 %      |
| Dividend yield           | 0 %     | 0 %        |
| Risk-free interest rate  | 4.47 %  | 3.72 %     |
| Expected life            | 2 years | 0.58 years |
| Expected forfeiture rate | 0 %     | 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 December 31, 2023:

| Number of<br>Options<br>Outstanding | Number of<br>Options<br>Exercisable | Exercise<br>Price | Expiry Date     | Weighted Average<br>Remaining<br>Contractual Life |
|-------------------------------------|-------------------------------------|-------------------|-----------------|---------------------------------------------------|
| 520,000                             | 520,000                             | \$0.53            | October 1, 2025 | 1.75 years                                        |
| 300,000                             | 150,000                             | \$1.50            | June 30, 2025   | 1.50 years                                        |
| 820,000                             | 670,000                             |                   |                 | 1.66 years                                        |

#### (f) Warrants

The following table reflects the continuity of warrants:

|                                | 2023                  |                                          | 2022                  |                                          |
|--------------------------------|-----------------------|------------------------------------------|-----------------------|------------------------------------------|
|                                | Number of<br>Warrants | Weighted<br>Average<br>Exercise<br>Price | Number of<br>Warrants | Weighted<br>Average<br>Exercise<br>Price |
| Outstanding, beginning of year | 242,858               | \$ 1.79                                  | 100,000               | \$ 1.50                                  |
| Issued (i), (ii), (iii)        | 1,251,000             | 1.07                                     | 142,858               | 2.00                                     |
| Exercised                      | -                     | -                                        | -                     | -                                        |
| Expired                        | -                     | -                                        | -                     | -                                        |
| Outstanding, end of year       | 1,493,858             | \$ 1.19                                  | 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 per warrant and have a term of two years.

# BLOCKCHAIN VENTURE CAPITAL INC.

Notes to the Financial Statements  
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## 8. EQUITY (Continued)

### (f) Warrants (Continued)

- (ii) On May 24, 2023, the Company issued 540,000 warrants in a unit private placement, which are exercisable at \$1.50 per warrant and have a term of two years.
- (iii) On December 5, 2023, the Company issued 711,000 warrants in a unit private placement, which are exercisable at \$0.75 per warrant and have a term of two years.

The fair value of warrants issued during the year ended December 31, 2023 was calculated as \$1.07 per warrant, based on the Black-Scholes option pricing model. The value assigned to warrants issued during the year ended December 31, 2023 was \$281,160 (2022 - \$152,858).

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

|                         | <b>2023</b> |
|-------------------------|-------------|
| Share price             | \$ 0.79     |
| Expected volatility     | 100 %       |
| Dividend yield          | 0 %         |
| Risk-free interest rate | 4.22 %      |
| 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 December 31, 2023:

| <b>Number of Warrants Outstanding</b> | <b>Exercise Price</b> | <b>Expiry Date</b> | <b>Weighted Average Remaining Contractual Life</b> |
|---------------------------------------|-----------------------|--------------------|----------------------------------------------------|
| 100,000                               | \$1.50                | November 16, 2026  | 2.88 years                                         |
| 57,143                                | \$2.00                | July 15, 2024      | 0.54 years                                         |
| 85,715                                | \$2.00                | July 27, 2024      | 0.57 years                                         |
| 540,000                               | \$1.50                | May 25, 2025       | 1.40 years                                         |
| 711,000                               | \$0.75                | December 5, 2025   | 1.93 years                                         |
| <b>1,493,858</b>                      |                       |                    | <b>1.67 years</b>                                  |

### (g) Reserves

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

# BLOCKCHAIN VENTURE CAPITAL INC.

Notes to the Financial Statements  
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## 8. EQUITY (Continued)

### (h) Loss Per Share

|                                               | 2023           | 2022           |
|-----------------------------------------------|----------------|----------------|
| <b>Numerator:</b>                             |                |                |
| Net loss                                      | \$ (4,427,974) | \$ (7,098,525) |
| <b>Denominator:</b>                           |                |                |
| Weighted average number of shares outstanding | 27,695,408     | 24,343,518     |
| <b>Loss Per Share:</b>                        |                |                |
| Basic and diluted                             | \$ (0.16)      | \$ (0.29)      |

### (i) Maximum Share Dilution

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

|                                         | 2023       | 2022       |
|-----------------------------------------|------------|------------|
| Common shares outstanding               | 30,186,219 | 26,552,219 |
| Stock options outstanding               | 670,000    | 662,547    |
| Warrants outstanding                    | 1,493,858  | 242,858    |
| Fully diluted common shares outstanding | 32,350,077 | 27,457,624 |

## 9. 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:

|                       | 2023       | 2022       |
|-----------------------|------------|------------|
| Salaries and benefits | \$ 144,000 | \$ 116,000 |
| Share-based payments  | -          | 3,901      |
|                       | \$ 144,000 | \$ 119,901 |

- (b) Advances from the President of the Company are described in note 5. Interest incurred on these advances totaled \$100,632 for the year ended December 31, 2023 (2022 - \$11,895).
- (c) During the year ended December 31, 2023, the Company incurred advertising expenses of \$10,000 (2022 - \$62,949) to The Justin Poy Agency, which is a company controlled by a director.
- (d) During the year ended December 31, 2023, the Company incurred anti-money laundering consulting fees of \$21,617 (2022 - \$12,529) to The AML Shop, which is a company controlled by a director.
- (e) During the year ended December 31, 2023, the Company incurred financial consulting fees of \$109,330 (2022 - \$50,000) to Oriental Source Inc., which is a company controlled by a former director.

# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Financial Statements

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### 10. INCOME TAXES

#### Income Tax Expense

Reconciliation of the combined statutory federal and provincial corporate tax rate to the income tax expense is as follows:

|                                                | 2023           | 2022           |
|------------------------------------------------|----------------|----------------|
| Loss before taxes                              | \$ (4,427,974) | \$ (7,098,525) |
| Corporate tax rate                             | 26.50 %        | 26.50 %        |
| Expected recovery at statutory rates           | (1,173,413)    | (1,881,109)    |
| Tax effect of non-deductible expenses          | 21,034         | 724,329        |
| Tax effect of items charged directly to equity | (2,650)        | (52,340)       |
| Deferred tax asset not recognized              | 1,155,029      | 1,209,120      |
| Income tax expense                             | \$ -           | \$ -           |

The components of income tax expense are as follows

|                       | 2023           | 2022           |
|-----------------------|----------------|----------------|
| Current income taxes  | \$ (1,155,029) | \$ (1,209,120) |
| Deferred income taxes | 1,155,029      | 1,209,120      |
| Income tax expense    | \$ -           | \$ -           |

#### Deferred Taxes

The components of deferred income taxes have been determined at the combined federal and provincial statutory rate of 26.5% and are as follows:

|                                                | 2023         | 2022         |
|------------------------------------------------|--------------|--------------|
| Non-capital losses available for carry-forward | \$ 3,351,681 | \$ 2,189,425 |
| Share issuance costs                           | 60,803       | 83,224       |
| Term loan payable                              | 198,750      | 183,271      |
| Equipment                                      | (677)        | (391)        |
| Amount not recognized                          | (3,610,557)  | (2,455,529)  |
| Deferred tax asset                             | \$ -         | \$ -         |

The Company has non-capital losses of approximately \$12,647,854, which are available to be carried forward and used against future taxable income. These losses expire as follows:

|      |               |
|------|---------------|
| 2039 | \$ 315,685    |
| 2040 | 1,289,626     |
| 2041 | 2,157,593     |
| 2042 | 4,499,077     |
| 2043 | 4,385,873     |
|      | \$ 12,647,854 |

# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Financial Statements

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### 11. MANAGEMENT OF CAPITAL

The Company includes the following in its managed capital:

|                     | 2023           | 2022           |
|---------------------|----------------|----------------|
| Share capital       | \$ 12,443,529  | \$ 9,696,689   |
| Shares to be issued | 350,000        | -              |
| Reserves            | 853,475        | 556,339        |
| Deficit             | (16,272,567)   | (11,844,593)   |
|                     | \$ (2,625,563) | \$ (1,591,565) |

The Company's objectives in managing capital are to:

- (a) Ensure the Company maintains the minimum level of capital required to effectively operate its business;
- (b) Ensure the Company's ability to provide capital growth to its shareholders; and
- (c) 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.

### 12. FINANCIAL RISK MANAGEMENT

#### Fair Values

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

#### 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 December 31, 2023, the Company has liabilities of \$2,597,319 due within twelve months and has cash of \$7,018 to meet its current obligations (December 31, 2022 - current liabilities of \$1,741,681 and cash of \$48,512). 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.

# BLOCKCHAIN VENTURE CAPITAL INC.

## Notes to the Financial Statements

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### 12. FINANCIAL RISK MANAGEMENT (Continued)

#### Liquidity Risk (Continued)

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

|                         | Payments due by period |                |                | Total               |
|-------------------------|------------------------|----------------|----------------|---------------------|
|                         | Less than<br>1 year    | 1 - 3<br>years | 4 - 5<br>years |                     |
| December 31, 2023       |                        |                |                |                     |
| Accounts payable        | \$ 607,821             | \$ -           | \$ -           | \$ 607,821          |
| Advances to shareholder | 1,239,498              | -              | -              | 1,239,498           |
| Government loan payable | 60,000                 | -              | -              | 60,000              |
| Term loan payable       | 750,000                | -              | -              | 750,000             |
|                         | <u>\$ 2,657,319</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 2,657,319</u> |
| December 31, 2022       |                        |                |                |                     |
| Accounts payable        | \$ 845,497             | \$ -           | \$ -           | \$ 845,497          |
| Advances to shareholder | 164,595                | -              | -              | 164,595             |
| Government loan payable | 40,000                 | -              | -              | 40,000              |
| Term loan payable       | 750,000                | -              | -              | 750,000             |
|                         | <u>\$ 1,800,092</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 1,800,092</u> |

#### Credit Risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfil its payment obligations. As at December 31, 2023, the Company's maximum exposure to credit risk is \$7,018 and is comprised of cash (December 31, 2022 - \$48,512). All of the Company's cash is held at a chartered bank in Canada. Management has judged credit risk to be low.