FOGCHAIN CORP.

Condensed Interim Consolidated Financial Statements
Six Months Ended June 30, 2019 and 2018
(Expressed In US Dollars)

(Unaudited – Prepared By Management)

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NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

August 23, 2019

FOGCHAIN CORP.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in US Dollars)

	Notes		June 30, 2019		December 31, 2018
			(Unaudited)		(Audited)
ASSETS					
Cash and cash equivalents	5	**$**	**851,947**	$	1,801,412
Receivables	6		**114,537**		65,129
Prepaids and deposits			**20,567**		18,230
			987,051		1,884,771
Intangible assets	7		**1,685,692**		2,159,375
Goodwill	7		**253,961**		253,961
Equipment	8		**39,590**		18,979
			1,979,243		2,432,315
		$	**2,966,294**	$	4,317,086
LIABILITIES					
Trades payable and accrued liabilities	9	**$**	**103,439**	$	191,200
			103,439		191,200
SHAREHOLDERS' EQUITY					
Share capital	10		**10,437,855**		10,437,855
Reserves	10		**348,719**		264,690
Accumulated other comprehensive income			**(3,482)**		(4,526)
Deficit			**(7,920,237)**		(6,572,133)
			2,862,855		4,125,886
		$	**2,966,294**	$	4,317,086

Nature and Continuance of Operations (Note 1)
Commitment (Note 12)
Subsequent event (Note 16)

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

FOGCHAIN CORP.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in US Dollars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2019	2018	**2019**	2018
Sales	13	**$ 199,735**	$ -	**$ 424,965**	$ -
Cost of Services		**99,963**	-	**224,250**	-
GROSS PROFIT		**99,772**	-	**200,715**	-
Operating expenses					
Amortization	7,8	**241,168**	-	**480,989**	-
Consulting fees		**10,160**	150,399	**25,560**	164,399
Marketing		**87,713**	19,116	**146,756**	18,116
Office and administration		**44,094**	43,897	**81,376**	49,350
Professional fees		**42,444**	5,984	**50,037**	159,998
Regulatory and transfer agent fees		**11,149**	10,980	**15,972**	20,300
Rent and utilities	11	**12,202**	9,000	**24,354**	18,000
Salaries and benefits		**298,465**	91,868	**578,390**	138,696
Share based compensation	10	**29,520**	13,624	**84,029**	13,624
Software costs		**4,255**	45,812	**8,525**	106,081
Travel		**18,110**	4,326	**53,138**	13,749
		799,280	395,006	**1,549,126**	702,313
NET LOSS BEFORE OTHER ITEMS		**(699,508)**	(395,006)	**(1,348,411)**	(702,313)
Other items					
Interest income		**283**	5,033	**307**	5,033
Listing expense	4	**-**	(2,686,401)	**-**	(2,686,401)
		283	(2,681,368)	**307**	(2,681,368)
NET LOSS FOR THE PERIOD		**(699,225)**	(3,076,374)	**(1,348,104)**	(3,383,681)
Other comprehensive loss that may be reclassified to profit and loss					
Unrealized foreign exchange gain		**(1,297)**	326	**1,044**	326
COMPREHENSIVE LOSS FOR THE PERIOD		**$ (700,522)**	$ (3,076,048)	**$ (1,347,060)**	$ (3,383,355)
Loss per common share					
-basic and diluted		**$ (0.01)**	$ (0.06)	**$ (0.02)**	$ (0.08)
Weighted average number of common shares outstanding					
-basic and diluted		**72,586,949**	51,482,391	**72,485,307**	44,232,505

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

FOGCHAIN CORP.

Condensed Interim Consolidated Statement of Shareholders' Equity (Deficiency)
(Expressed in US Dollars)

		Share Capital								
	Note	Number of Common Shares	Amount	Number of Class A Convertible Restricted Common Shares	Amount	Reserves	Subscription receipts	AOCI	Deficit	Total Shareholders' equity
Balance at December 31, 2017		**54,000,000**	**$ 9,025**	**-**	**$ -**	**$ -**	**$ (110)**	**$ -**	**$ (76,787)**	**$ (67,872)**
Shares issued for cash	11	9,983,884	4,108,120	-	-	-	110	-	-	4,108,230
Shares reallocated as Class A convertible voting	11	(18,630,000)	(3,105)	18,630,000	3,105	-	-	-	-	-
Share issuance costs	11	-	(427,302)	-	-	-	-	-	-	(427,302)
Fair value of warrants	11	-	(175,019)	-	-	175,019	-	-	-	-
Recapitalization transaction:										
Equity of FogChain	4,11	3,318,051	837,238	-	-	-	-	-	-	837,238
Share consolidation	4,11	(1,319,288)	-	-	-	-	-	-	-	-
Shares issued for finder's fee	4,11	3,750,000	1,570,793	-	-	-	-	-	-	1,570,793
Shares issued on debt settlement	11,12	240,451	100,720	-	-	-	-	-	-	100,720
Shares issued on convertible notes	10,11	9,000,000	400,000	-	-	-	-	-	-	400,000
Shares issued on asset acquisition	7,11	10,000,000	3,463,200	-	-	-	-	-	-	3,463,200
Net loss for the period		-	-	-	-	-	-	-	(3,383,680)	(3,383,680)
Other comprehensive income		-	-	-	-	-	-	326	-	326
Balance at June 30, 2018		**70,343,098**	**9,883,670**	**18,630,000**	**3,105**	**175,019**	**-**	**326**	**(3,460,467)**	**6,601,653**
Shares issued on asset acquisition	7,11	5,100,000	539,821	-	-	-	-	-	-	539,821
Share based payments	11	180,000	11,259	-	-	-	-	-	-	11,259
Share based compensation	11	-	-	-	-	89,671	-	-	-	89,671
Net loss for the year		-	-	-	-	-	-	-	(3,111,666)	(3,111,666)
Other comprehensive income		-	-	-	-	-	-	(4,852)	-	(4,852)
Balance at December 31, 2018		**75,623,098**	**10,434,750**	**18,630,000**	**3,105**	**264,690**	**-**	**(4,526)**	**(6,572,133)**	**4,125,886**
Shares returned to treasury		(874)	-	-	-	-	-	-	-	-
Conversion of shares		1,863,000	311	(1,863,000)	(311)	-	-	-	-	-
Share based compensation		-	-	-	-	84,029	-	-	-	84,029
Net loss for the period		-	-	-	-	-	-	-	(1,348,104)	(1,348,104)
Other comprehensive income		-	-	-	-	-	-	1,044	-	1,044
Balance at June 30, 2019		**77,485,224**	**$ 10,435,061**	**16,767,000**	**$ 2,794**	**$ 348,719**	**$ -**	**$ (3,482)**	**$ (7,920,237)**	**$ 2,862,855**

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

FOGCHAIN CORP.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in US Dollars)

	Six months ended June 30,	
	2019	2018
Cash provided by (used in):		
Operating:		
Net loss for the period	**$ (1,348,104)**	$ (3,383,681)
Items not involving cash:		
Amortization	**480,989**	-
Share-based compensation	**84,029**	-
Share-based payments	**-**	13,624
Listing expense	**-**	2,518,643
	(783,086)	(851,414)
Changes in non-cash operating working capital items:		
Receivables	**(49,290)**	(140,536)
Prepaids and deposits	**(2,337)**	(10,000)
Accounts payable and accrued liabilities	**(86,340)**	336,885
Due to related party	**-**	(7,560)
	(921,053)	(672,625)
Investing		
Acquisition of equipment	**(27,918)**	(314,800)
	(27,918)	(314,800)
Financing		
Net cash acquired on reverse takeover	**-**	886
Proceeds from issuance of shares, net	**-**	4,080,819
Conversion of convertible notes	**-**	(400,000)
Subscription receipts	**-**	110
	-	3,681,815
Effect of foreign exchange on cash flows	**(494)**	326
Change in cash during the period	**(949,465)**	2,694,716
Cash, beginning of the period	**1,801,412**	353,462
Cash, end of the period	**$ 851,947**	**$ 3,048,178**

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

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

FogChain Corp. (formerly Mukuba Resources Limited) ("FogChain" or the "Company") was incorporated on February 7, 1984 under the *Business Corporations Act (Ontario).*

The Company's head office, principal address and records office is Suite 2050-1055 West Georgia Street, PO Box 11121, Royal Centre, Vancouver, BC V6E 3P3. The registered office is Suite 4400-181 Bay street, Toronto, Ontario M5J 2T3.

On May 24, 2018, the Company completed a reverse takeover transaction (the "RTO"), which was effected pursuant to a merger agreement between Mukuba Resources Limited ("Mukaba") and FogChain Inc. ("Fog Inc."), a private company existing under the laws of Delaware with its head office in San Carlos, California. See Note 4.

As part of the transaction, the Company changed its name to FogChain Corp. effective May 23, 2018, voluntarily delisted its common shares from the TSX Venture Exchange effective May 28, 2018, and commenced trading its shares on the Canadian Securities Exchange ("CSE") on May 29, 2018, under the symbol FOG. On September 4, 2018, the Company's common shares were listed on the OTCQB trading under the symbol FOGCF.

FogChain is a fully integrated, end-to-end software development life cycle (SDLC) and quality assurance solutions provider. FogChain's suite of services and technology provides application development at scale with greater speed, efficiency and at a lower cost. FogChain's Build-Once-Deploy-Everywhere software architecture provides developers with a suite of tools to build, test, and monitor exciting new applications in a unified environment.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to fully develop its software development Blockchain platform. At June 30, 2019, the Company has an accumulated deficit of $7,920,237 (December 31, 2018 - $6,572,133) including a loss for the period ended June 30, 2019 of $1,348,104 (June 30, 2018 - $3,383,681). These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities which might be necessary should the Company be unable to continue in existence.

The condensed interim consolidated financial statements were authorized for issue on August 23, 2019 by the directors of the Company.

2. BASIS OF PRESENTATION

Statement of compliance and conversion to International Financial Reporting Standards ("IFRS")

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these interim financial statements comply with International Accounting Standards ("IAS") 34 "Interim Financial Reporting".

2. BASIS OF PRESENTATION (cont'd)

Basis of presentation and consolidation

The condensed interim consolidated financial statements of the Company have been prepared on an accrual basis except for cash flow information, and are based on historical costs, modified where applicable. The condensed interim consolidated financial statements are presented in US Dollars unless otherwise noted.

These condensed interim consolidated financial statements include accounts of the Company and its wholly owned subsidiary, Fog Inc.

The condensed interim consolidated financial statements include the accounts of Mukuba from May 24, 2018, the date of the RTO. The financial statements prior to this date include only the accounts of Fog Inc. Inter-company transactions and balances are eliminated upon consolidation.

Subsidiaries are corporations in which the Company is able to control the financial operating, investing and financing activities and policies, which is the authority usually connected with holding majority voting rights. The condensed interim consolidated financial statements include the accounts of the Company and its controlled entity from the date on which control was acquired. Fog Inc. uses the same reporting period and the same accounting policies as the Company.

All significant inter-company balances and transactions have been eliminated on consolidation.

Significant accounting judgements, estimates and assumptions

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Share-based payments
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 and the fair value of agent warrants. The Black-Scholes Option Pricing Model involves six key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at 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 and valuation of deferred tax assets
The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future or whether taxable temporary differences will reverse such that deferred tax assets can be utilized. Recognition therefore involves a degree of estimation and judgement regarding the future financial performance or the timing of the reversed deferred tax liabilities where deferred tax assets have been recognized.

2. BASIS OF PRESENTATION (cont'd)

Significant accounting judgements, estimates and assumptions *(cont'd)*

Research and development costs
Evaluating whether or not costs incurred by the Company in developing its technology meet the criteria for capitalizing as intangible assets. Management determined that some products are able to complete intangible assets and are able, with sufficient certainty, to demonstrate that assets will generate future economic benefits. Development costs of these products are capitalized at cost value. Research and development costs of other products are recognized as period expense.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable, net of estimated discounts. The Company considers the terms of the sales contracts as well as industry practices, taking into consideration the type of customer, the estimated time required on each project and the specific circumstances of each arrangement. The Company recognizes revenues when services are completed and billed.

Comprehensive income (loss)
Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of loss. For the period ended June 30, 2019, other comprehensive income is related to the effects of currency translation adjustments.

Reverse takeover

Refer to Note 4 for disclosure on the reverse takeover Transaction, which included estimates on the fair value of consideration paid, along with an assessment of fair value of net assets acquired.

Business combination
Considerable judgment is required to determine whether a set of assets acquired and liabilities assumed constitute a business and may require the Company to make certain judgments, taking into account all facts and circumstances. A business consists of inputs, including non-current assets and processes, including operational processes, than when applied to those inputs have the ability to create outputs and provide a return to the Company and its shareholders.

In business combinations, it generally requires time to obtain the information necessary to identify and measure the following as of the acquisition date:

a) The identifiable assets acquired and liabilities assumed;
b) The consideration transferred in exchange for an interest in the acquiree;
c) The resulting goodwill.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports in its condensed interim consolidated financial statements provisional amounts for the items for which the accounting is incomplete.

During the measurement period, the Company will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Company will also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date.

2. BASIS OF PRESENTATION (cont'd)

Significant accounting judgements, estimates and assumptions *(cont'd)*

Estimates of useful lives of property and equipment and intangible assets
Management's judgment involves consideration of intended use, industry trends and other factors in determining the expected useful lives of depreciable assets and to determine depreciation methods.

Cash generating units and impairment of non-financial assets
Judgment is required to assess the Company's determination of cash generating units ("CGU") for the purpose of impairment testing. The process to calculate the recoverable amount of a cash generating unit requires use of valuation methods such as the discounted cash flow method which uses assumptions of key variables including future cash flows, discount rate and terminal growth rates.

3. SIGNIFICANT ACCOUNTING POLICIES

Adoption of new accounting standards

The Company has adopted the following new standard, with a date of initial application of January 1, 2019 and have been applied in preparing these condensed interim consolidated financial statements:

IFRS 16, Leases ("IFRS 16") IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. This standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

The Company's management has assessed the impact of IFRS 16 on its leases which are short-term and fall under the exemptions of IFRS 16. The adoption of this amendment did not have a significant impact on the financial statements.

4. REVERSE TAKEOVER OF FOGCHAIN INC.

On May 24, 2018, the Company completed an RTO transaction with Fog Inc. (Note 1), whereby the Company acquired 100% of the issued and outstanding common shares of Fog Inc.

Prior to the completion of the RTO, FogChain completed a consolidation of its shares on a basis of 1.66 to 1. Pursuant to the RTO, the Company issued an aggregate of 45,353,884 common shares and 18,630,000 Class A convertible restricted voting shares (the "restricted shares") of the Company in exchange for all of the issued and outstanding shares of Fog Inc. Upon closing of the transaction, the shareholders of Fog Inc. owned 96% of the common shares of the Company and, as a result, the transaction is considered a reverse acquisition of the Company by Fog Inc.

For accounting purposes, the acquisition was considered to be a reverse acquisition under IFRS 3 *Business Combinations* ("IFRS 3") as the shareholders of Fog Inc. obtained control of the Company. However, as the Company does not meet the definition of a business as defined by IFRS 3, it has been accounted for as a share-based payment transaction in accordance with IFRS 2. The accounting for this transaction resulted in the following:

(Expressed in US Dollars)

4. REVERSE TAKEOVER OF FOGCHAIN INC. (cont'd)

(i) The consolidated financial statements of the combined entity are issued under the legal parent, FogChain, but are considered a continuation of the financial statements of the legal subsidiary, Fog Inc.

(ii) As Fog Inc. is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

(iii) Since the shares allocated to the former shareholders of FogChain on closing the RTO is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or service received in return for the allocation of the shares, the value in excess of the net identifiable assets or obligations of FogChain acquired on closing was expensed in the consolidated statement of loss and comprehensive loss as a listing expense.

The fair value of the 3,318,051 common shares for all of FogChain was determined to be $837,238 or $0.42 per common share.

(iv) The fair value of all the consideration given and charged to listing expense was comprised of:

Fair value of the common shares at RTO Date	$	837,238
Identifiable assets acquired – At May 24, 2018		
Cash	$	886
Receivables		1,327
Trade payables		(112,826)
		(110,613)
Unidentified assets acquired		
Listing expense		947,850
Total net identifiable assets and transaction costs	$	837,238

(v) The Company paid a finder's fee of 3,750,000 shares at the completion of the RTO. Accordingly, the Company recorded the fair value of $1,570,793 as a listing expense (Note 10). The Company incurred additional listing expenses of $167,758.

5. CASH AND CASH EQUIVALENTS

		June 30, 2019		December 31, 2018
Cash at bank	$	736,535	$	1,638,177
Short-term investments		115,412		163,235
	$	851,947	$	1,801,412

(Expressed in US Dollars)

6. RECEIVABLES

	June 30, 2019	December 31, 2018
Trade receivables	$ 110,059	$ 62,346
Goods and services tax recoverable	4,478	2,783
	$ 114,537	$ 65,129

7. INTANGIBLE ASSETS

	Software[a]	Customer List[b]	Goodwill[b]	Total
Acquisition costs:				
Balance, December 31, 2016 and 2017	$ -	$ -	$ -	$ -
Additions	3,219,890	661,611	253,961	4,135,462
Impairment	(516,507)	-	-	(516,507)
Balance, December 31, 2018 and June 30, 2019	**$ 2,703,383**	**$ 661,611**	**$ 253,961**	**$ 3,618,955**
Accumulated amortization:				
Balance, December 31, 2016 and 2017	$ -	$ -	$ -	$ -
Amortization for the year	1,073,297	132,322	-	1,205,619
Balance, December 31, 2018	**1,073,297**	**132,322**	**-**	**1,205,619**
Amortization for the period	407,522	66,161	-	473,683
Balance, June 30, 2019	**$ 1,480,819**	**$ 198,483**	**$ -**	**$ 1,679,302**
Total, December 31, 2018	**$ 1,630,086**	**$ 529,289**	**$ 253,961**	**$ 2,413,336**
Total, June 30, 2019	**$ 1,222,564**	**$ 463,128**	**$ 253,961**	**$ 1,939,653**

a) On June 1, 2018, the Company entered into a computer software assignment and asset purchase agreement ("RadJav Purchase Agreement") to acquire the RadJav rapid application development platform ("RadJav") and other related assets from Higher Edge Software, LLC. The Company issued payment under the following terms of the acquisition:

   (i) 10,000,000 common shares of the Company with a fair value of $2,969,890 (Note 10) (issued); and
   (ii) Aggregate cash payment of $250,000 payable by installment of $50,000 each month commencing on date of signing (paid).

   The Company acquired the intangible asset to develop advancements in the platform to be compatible with various operating systems.

   The Company tests assets for impairment when events or circumstances may indicate the carrying value is no longer recoverable. The asset is impaired when the recoverable amount is less than the net book value. The recoverable amount is the higher of (i) an asset's fair value less costs to sell and (ii) its value-in-use. In performing the annual impairment test the Company identified evidence of impairment in certain assets and an analysis was done on the recoverable amount.

   During the annual review, the Company determined that the recoverable amount of software was less than their carrying value. Accordingly, at December 31, 2018, the Company recorded an impairment of $516,507 on the asset.

(Expressed in US Dollars)

7. INTANGIBLE ASSETS (cont'd)

b) On August 29, 2018, the Company entered into a purchase agreement to acquire the rights, title and interest of certain assets of Quilmont LLC ("Quilmont"), a software development technology and solutions provider, for a consideration of 4,100,000 common shares of the Company at a fair value of $935,306 (Note 10). The Company received net assets of $19,734

For accounting purposes, the assets acquired was considered to be a business acquisition under IFRS 3 *Business Combinations* ("IFRS 3"). As such, the difference between the fair value of consideration paid and the fair value of the Company's identifiable assets and liabilities has been recognized as goodwill.

The acquisition costs was allocated as follows:

Cash and cash equivalents	$	17,214
Accounts receivables		2,520
Intangible - customer list		661,611
Goodwill		253,961
Total	$	935,306

The annual impairment test of goodwill and was performed on December 31, 2018 and did not result in any impairment loss.

The recoverable amount is the higher of (i) an asset's or CGU's fair value less costs to sell and (ii) its value-in-use. In performing the annual impairment test for the Company's single CGU, the Company measured the value-in-use of the CGU using certain key management assumptions. Cash flow projections, which were made over a five-year period, were based primarily on the financial budget reviewed by the Board of Directors plus a terminal value using a terminal growth rate. The Company discounted these estimates of future cash flows to their present value using an after-tax discount rate of 10% which reflects the Company's weighted average cost of capital. The fair value less costs to sell, primarily based on the Company's market capitalization as at December 31, 2018, also exceeded the net carrying amount of the CGU.

8. EQUIPMENT

		Computer Equipment
Cost:		
At December 31, 2017	$	-
Additions		20,757
At December 31, 2018		20,757
Additions		27,918
At June 30, 2019	$	48,675
Accumulated amortization:		
At December 31, 2017	$	-
Amortization		1,778
At December 31, 2018		1,778
Amortization		7,307
At June 30, 2019	$	9,085
Net book value:		
At December 31, 2018	$	18,979
At June 30, 2019	$	39,590

(Expressed in US Dollars)

9. TRADE PAYABLES AND ACCRUED LIABILITIES

	June 30, 2019	December 31, 2018
Trade payables (Note 11)	$ 48,439	$ 159,658
Accrued liabilities	55,000	31,542
	$ 103,439	$ 191,200

10. SHARE CAPITAL

a) Authorized share capital

Unlimited common shares without par value

Unlimited Class A convertible restricted voting common shares without par value ("Restricted Shares").

The Restricted Shares entitles the holder to receive notice to attend and vote at meetings, however, it prohibits the shareholder from voting for the election or removal of directors of the Company. Each Restricted Share shall be convertible into 1 common share, without payment of additional consideration, at the option of the holder thereof as follows:

(i) at any time that is not a Restricted Period[1] or with the consent of the board of directors;
(ii) if the Company determines that it has ceased to be a foreign issuer for the purposes of United States securities laws, and has notified the holders of the Restricted Shares of such determination;
(iii) if there is an offer to purchase the common shares, and the Issuer has notified the holders of the Restricted Shares of such offer and commencing on the date the offer is made until completion or termination of such offer.

[1] - "Restricted Period" means any time at which the board of directors reasonably believes that the Company is a domestic issuer under applicable United States securities laws or would become a domestic issuer as a result of the issuance of Common Shares upon the conversion of Restricted Voting Common Shares.

b) Issued

During the period ended June 30, 2019, the Company:

(i) cancelled and returned 874 common shares to treasury forfeited by a shareholder. No consideration was exchanged for this forfeiture.

(ii) issued a total of 1,863,000 common shares on the conversion of 1,863,000 Restricted Shares. The Company reallocated a value of $311 on the conversion of these shares.

During the year ended December 31, 2018, the Company completed the following transactions:

(iii) The Company completed a private placement of 9,983,884 subscription receipts at a price of CAD$0.54 per subscription receipt for total proceeds of $4,108,120. The Company paid $427,302 in share issuance costs for agent's commission, legal and transfer agent costs. The Company also issued 686,255 agent's warrants. Each agent's warrant is exercisable at a price of CAD$0.54 per common share until May 24, 2020. Accordingly, the Company recorded a fair value of $175,019 in reserve.

10. SHARE CAPITAL (cont'd)

b) Issued (cont'd)

(iv) On May 24, 2018, in accordance with the RTO (Note 4), FogChain completed a consolidation of its common shares on a basis of 1.66 to 1 and issued 45,353,884 common shares and 18,630,000 restricted shares to acquire all the issued and outstanding shares of Fog Inc.

Concurrent with the completion of the RTO (Note 4), the Company issued 3,750,000 common shares to the finders of the Company's acquisition of Fog Inc. The fair value of these common shares of $1,570,793 was recorded as a listing expenses during the year ended December 31, 2018.

(v) Issued an aggregate of 240,451 common shares, at a fair value of $100,720 for a debt settlement. Of this amount, 207,927 common shares, at a fair value of $87,096, were issued for settlement of outstanding payables of $87,096 (Note 11) and 32,524 common shares, at a fair value of $13,624, as consideration to a waiver of a voting support agreement.

(vi) Issued 9,000,000 common shares on conversion of convertible debentures of $400,000. The convertible debentures were non-interest bearing with a maturity term of 12 months and were automatically converted into common shares on completion of the RTO on May 24, 2018.

(vii) Issued 10,000,000 common shares, at a fair value of $2,969,890, pursuant to the RadJav Purchase Agreement (Note 7).

(viii) Issued 4,100,000 common shares, at a fair value of $935,306, to Quilmont (Note 7).

(ix) Issued 1,000,000 common shares, at a fair value of $97,825, to AppMark Inc. ("AppMark") pursuant to a purchase agreement dated November 27, 2018 with AppMark to acquire an application monitoring and benchmark platform, "AppMon", and other related assets. The Company also paid a cash payment of $40,000 as consideration for the purchase.

(x) Issued 180,000 common shares at a fair value of $11,259 to a company providing consulting services to the Company.

c) Escrow shares

18,630,000 Restricted Shares and 3,240,000 common shares issued to the principals of the Company under the RTO are subject to escrow conditions required by applicable securities laws and the CSE requirements over a period of 36 months. As at June 30, 2019, 11,178,000 Restricted Shares and 1,944,000 common shares are held within escrow.

d) Reserve

The reserve records the fair value recognized on stock options granted and on the share purchase warrants issued in connection to the private placement until such time that the stock options or share purchase warrants are exercised, at which time the corresponding amount will be transferred to share capital.

(Expressed in US Dollars)

10. SHARE CAPITAL (cont'd)

e) Stock options and warrants

The Company maintains a 10% rolling share option plan (the "Plan") that enables management to grant options to directors, officers, employees and other service providers. The Company follows the CSE policies where the number of common shares which may be issued pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding shares of the Company from time to time at the date of granting of options and have a maximum of 10 years. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price and the vesting conditions of the options as determined by the Board of Directors.

During the period ended June 30, 2019, the Company recorded $84,029 (2018 - $13,624) in share based compensation on the vested portion of the stock options granted on October 1, 2018. There were no additional option grants during the period ended June 30, 2019.

During the year ended December 31, 2018, the Company granted an aggregate of 1,920,000 stock options to directors, officers, employees and consultants of the Company at an exercise price of $0.28 per share expiring on October 1, 2022. The stock options granted are subject to vesting terms over a 2 year period.

Stock options and share purchase warrant transactions are summarized as follows:

	Stock Options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2017	-	CAD$ -	-	CAD$ -
Granted	1,920,000	CAD$ 0.28	686,255	CAD$ 0.54
Forfeited	(11,250)	CAD$ 0.28	-	CAD$ -
Outstanding, December 31, 2018	1,908,750	CAD$ 0.28	686,255	CAD$ 0.54
Forfeited	(1,250)	CAD$ 0.28	-	CAD$ -
Outstanding, June 30, 2019	1,907,500	CAD$ 0.28	686,255	CAD$ 0.54
Number currently exercisable	572,250	CAD$ 0.28	686,255	CAD$ 0.54

As at June 30, 2019, the following stock options and share purchase warrants were outstanding:

	Expiry Date	Number of Shares	Weighted Average Exercise Price	Weighted Average Period
Stock options	October 1, 2022	1,907,500	CAD$ 0.28	3.26 years
Warrants	May 24, 2020	686,255	CAD$ 0.54	0.90 years

(Expressed in US Dollars)

11. RELATED PARTY BALANCES AND TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers.

During the six months ended June 30, 2019 and 2018, the remuneration of the key management personnel were as follows:

		June 30, 2019		June 30, 2018
Chief Executive Officer	$	58,500	$	58,500
VP Product Marketing & Corporate Secretary		50,000		33,333
Chief Strategy Officer		65,000		-
Total	$	173,500	$	91,833

<u>Other related party transactions and balances</u>

(i) The Company leases office space on a month to month basis from Newton Energy, Inc., a company with a common director and shareholder, James Cerna, for a monthly rent of $1,500 plus $210 in telecommunication services, reduced from $3,000 plus $420 in telecommunication services, effective January 1, 2019.

During the period ended June 30, 2019, the Company paid a total of $10,260 (2018 - $20,520) in rent and telecommunications charges.

(ii) As at June 30, 2019, $Nil (December 31, 2018 - $200) was owed to Anthony Cerna, officer of the Company for reimbursement of expenses. This amount was included in the trade payables and accrued liabilities.

(iii) As at June 30, 2019, $Nil (December 31, 2018 – $930) was owed to Patrick Quilter, director and officer of the Company for reimbursement of expenses. This amount was included in the trade payables and accrued liabilities.

(iv) During the year ended December 31, 2018, in connection to the purchase agreement dated August 29, 2018 (Note 7 and 10), 4,100,000 common shares were issued to Quilmont, a company wholly owned by Patrick Quilter, a director and officer of the Company.

(v) The former Chief Executive Officer and former Chief Financial Officer of FogChain is a senior employee of Marrelli Support Services (“Marrelli”). During the year ended December 31, 2018, the Company issued 84,868 common shares to settle outstanding debt of $45,829 due to Marrelli (Note 10).

(vi) During the year ended December 31, 2018, the Company’s former legal counsel, Peterson McVicar LLP, was issued 123,059 common shares to settle outstanding debt of $91,452 (Note 10).

12. COMMITMENT

On June 1, 2018, the Company entered into an agreement with a private company to provide administrative services to the Company for a period of three years in exchange for a monthly fee of CAD$10,000 plus applicable taxes. At the end of the service term, the terms of the agreement are automatically renewed on an annual basis until either party provides notice of termination.

On February 1, 2019, Fog Inc. entered into a commercial lease agreement for office space in South Carolina for a twelve month period in exchange for a fixed monthly fee of $800. There are no specified terms of renewal on the lease.

13. SEGMENTED INFORMATION

The Company operates in two industry segments, being project development services and support and maintenance services.

June 30,		2019		2018
Sales for the period				
Project development	$	3,000	$	-
Support and maintenance		421,965		-
	$	424,965	$	-

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company can be exposed, in varying degrees, to a variety of financial related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts which is held with reputable US and Canadian banks. Therefore, credit risk is assessed as low.

The Company's secondary exposure to credit risk is on its receivables. The Company has credit risk as it relates to the collection of its receivables. Current receivables are due from four customers consisting of 96% and refundable Canadian government sales taxes consisting of the remaining 4% of total receivables.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash and cash equivalent balances to ensure that it is able to meet its short term and long term obligations as and when they fall due.

As at June 30, 2019, the Company had working capital of $883,612 (December 31, 2018 – $1,693,571).

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account earns interest income at variable rates and is subject to the movement in interest rates. Management considers the interest rate to be minimal.

(b) Foreign currency risk
The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, and accounts payable and accrued liabilities that are denominated in Canadian Dollars. Management does not hedge its exposure to foreign exchange risk and does not believe the Company's net exposure to foreign currency risk is significant.

As at June 30, 2019, the Company had net financial liabilities of CAD$45,905. A 10% change in the US dollar versus the Canadian dollar would give rise to a gain/loss of approximately $3,508.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

(c) Price risk
The Company is not exposed to price risk.

15. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns and benefits to shareholders. The capital structure of the Company consists of equity comprised of issued share capital and any debt that it may issue.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. There was no change to the capital management from the prior year.

16. SUBSEQUENT EVENT

On July 25, 2019, the Company entered into a non-binding letter of intent with Loop Media Inc. ("Loop Media"), an innovative premium streaming media company building products and solutions for both businesses and consumers, whereby the parties will complete a business combination that will constitute a reverse takeover of the Company by Loop Media (the "Transaction"). The Transaction will be considered a fundamental change within the meaning of the policy 8 of the CSE policies. The resulting issuer (the **"**Resulting Issuer**"**) upon completion of the Transaction will change its name to Loop Media Ltd or some other name as acceptable to the parties and will operate the current business of Loop Media.

Transaction
Pursuant to the Transaction, all of the issued and outstanding common stock in the capital of Loop Media (the **"**Loop Shares") will be exchanged for common shares in the capital of the Company which will result in Loop Media becoming a wholly owned subsidiary of the Company or otherwise combining its corporate existence with a wholly owned subsidiary of the Company.

Under the terms of the LOI, upon completion of the Transaction, the shareholders of the Company will retain approximately 20% of the issued and outstanding share capital of the Resulting Issuer on a fully diluted basis, inclusive of any securities which may be issued pursuant to any financing which Loop Media may pursue concurrent with the Transaction.

The final structure of the Transaction will be determined by the parties following the receipt of tax, corporate and securities law advice. The Transaction is an arm's length transaction and pursuant to the terms of the LOI it is anticipated that the definitive agreement (the "Definitive Agreement") in respect of the Transaction will be signed on or before August 31, 2019.

Completion of the Transaction is subject to a number of conditions, including but not limited to the following key conditions:

- execution of the Definitive Agreement;
- completion of mutually satisfactory due diligence; and
- receipt of all required regulatory, corporate and third party approvals, including the approval of the CSE and the shareholders of the Company and Loop Media (if required) and the fulfillment of all applicable regulatory requirements and conditions necessary to complete the Transaction.

16. SUBSEQUENT EVENT (cont'd)

New Board and Management
Effective on the closing of the Transaction it is anticipated that the current members of the board of directors of the Company (the "Board") and the current management of the Company will resign. With respect of the Board, the current members will be replaced by nominees to the Board appointed by Loop Media (the "Nominees") and the existing management team of Loop Media will replace the current management of the Company.

Shareholder Approval
Prior to the completion of the Transaction, the Company will call an annual and special meeting of its shareholders for the purpose of approving, among other matters (i) the election of the Nominees to the Board; and (ii) the change of name of the Company.