BLOCKCHAIN
INTELLIGENCE
GROUP

BIG BLOCKCHAIN INTELLIGENCE GROUP INC.

Consolidated Financial Statements
For the Years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Big Blockchain Intelligence Group Inc.

Opinion

We have audited the consolidated financial statements of Big Blockchain Intelligence Group Inc. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' 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 audits of the financial statements in Canada, and we have fulfilled our other 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which indicates that the Company incurred a net loss of $9,625,136 for the year ended December 31, 2018 and, as of that date, the Company had an accumulated deficit of $25,749,492. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated 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.

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. 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 consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 consolidated 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.

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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, 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 auditors' report to the related disclosures in the consolidated 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 auditors' 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated 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 auditors' report is Fernando Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
April 26, 2019

BIG BLOCKCHAIN INTELLIGENCE GROUP INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Expressed in Canadian dollars

As at	**December 31, 2018**	December 31, 2017
ASSETS		
Current		
Cash and cash equivalents	**$ 10,699,858**	$ 20,704,259
Restricted cash (Note 5)	**137,500**	-
Short term investments (Note 5)	**1,255,500**	-
Investments (Note 6)	**122,038**	505,858
Amounts receivable	**206,523**	78,046
Investment tax credits receivable	**175,325**	175,325
Prepaids	**197,319**	303,065
Total current assets	**12,794,063**	21,766,553
Intangible asset (Note 7)	**126,362**	-
Equipment (Note 8)	**614,252**	72,032
Total assets	**$ 13,534,677**	$ 21,838,585
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 10)	**$ 310,375**	$ 612,014
Total liabilities	**310,375**	612,014
Equity		
Share capital (Note 9)	**33,038,586**	31,762,595
Share subscriptions	**-**	51,050
Equity reserves (Note 9)	**5,941,219**	5,537,282
Cumulative translation adjustment	**(6,011)**	-
Deficit	**(25,749,492)**	(16,124,356)
Total equity	**13,224,302**	21,226,571
Total liabilities and equity	**$ 13,534,677**	$ 21,838,585

Nature and continuance of operations (Note 1)
Commitments (Note 13)
Subsequent event (Note 16)

On behalf of the Board:

"Lance Morginn" Director *"Shone Anstey"* Director

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

BIG BLOCKCHAIN INTELLIGENCE GROUP INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Expressed in Canadian dollars

	For the year ended December 31, 2018	December 31, 2017
Product Revenue	$ 8,325	$ -
Service Revenue	76,161	99,718
	84,486	99,718
Cost of sales	24,844	81,859
	59,642	17,859
General and Administrative Expenses		
Advertising and promotion	2,217,228	553,762
Amortization (Notes 7,8)	200,455	20,126
Bad debt	8,046	-
Consulting (Note 10)	289,559	48,617
Director's fees	9,186	-
Office	620,036	170,656
Professional fees	343,328	47,375
Regulatory and listing fees	29,278	18,702
Research and development (Note 10)	2,294,572	636,772
Share-based compensation	985,441	3,034,754
Shareholder communications	170,533	5,909
Travel	293,299	71,778
Wages and benefits (Note 10)	1,972,460	270,252
Loss from operating activities	(9,373,779)	(4,860,844)
Other Income (Expenses)		
Interest income	177,320	-
Foreign exchange loss	(45,074)	(25,486)
Gain on sale of investments	-	93,380
Unrealized gain (loss) on investments	(383,603)	470,075
Loss on settlement of debt	-	(96,653)
Listing expense (Note 4)	-	(10,346,733)
Net loss for the year	$ (9,625,136)	$ (14,766,261)
Other comprehensive loss		
Items that may be reclassified to profit or loss		
Currency translation adjustment	(6,011)	-
Other comprehensive loss for the year	(6,011)	-
Comprehensive loss for the year	$ (9,631,147)	$ (14,766,261)
Basic and diluted loss per common share	$ (0.09)	$ (0.58)
Weighted average number of common shares outstanding	104,821,772	25,439,792

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

BIG BLOCKCHAIN INTELLIGENCE GROUP INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Expressed in Canadian dollars

	Share Capital						
	Number of Shares	Amount	Share Subscriptions	Equity Reserves	Cumulative Translation Adjustment	Deficit	Total
Balance at December 31, 2016	19,431,146	$ 939,997	$ -	$ 932,566	$ -	$ (1,358,095)	$ 514,468
Common shares of BTGI exchanged for	(28,323,627)	-	-	-	-	-	-
Common shares of BIG Blockchain Intelligence Group Inc. (Note 4)	37,939,483	-	-	-	-	-	-
Shares and warrants deemed to be issued	35,819,394	12,536,788	-	1,031,300	-	-	13,568,088
Shares issued on private placement	26,696,168	19,740,575	-	-	-	-	19,740,575
Shares issued on exercise of options	183,487	40,615	-	(14,365)	-	-	26,250
Shares issued on exercise of warrants	9,461,884	1,760,132	-	(1,426,638)	-	-	333,494
Share subscriptions	-	-	51,050	-	-	-	51,050
Share issue costs	-	(3,255,512)	-	1,979,665	-	-	(1,275,847)
Share-based compensation	-	-	-	3,034,754	-	-	3,034,754
Loss and comprehensive loss	-	-	-	-	-	(14,766,261)	(14,766,261)
Balance at December 31, 2017	101,207,935	$ 31,762,595	$ 51,050	$ 5,537,282	$ -	$ (16,124,356)	$ 21,226,571
Shares issued on exercise of options	339,059	120,447	-	(55,400)	-	-	65,047
Shares issued on exercise of warrants	3,966,572	1,174,739	-	(526,104)	-	-	648,635
Share subscriptions	-	-	(51,050)	-	-	-	(51,050)
Share issue costs	-	(19,195)	-	-	-	-	(19,195)
Share-based compensation	-	-	-	985,441	-	-	985,441
Loss for the year	-	-	-	-	-	(9,625,136)	(9,625,136)
Other comprehensive loss	-	-	-	-	(6,011)	-	(6,011)
Balance at December 31, 2018	105,513,566	$ 33,038,586	$ -	$ 5,941,219	$ (6,011)	$ (25,749,492)	$ 13,244,302

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

BIG BLOCKCHAIN INTELLIGENCE GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Expressed in Canadian dollars

	For the year ended December 31, 2018	For the year ended December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	**$ (9,625,136)**	$ (14,766,261)
Items not involving cash		
Amortization	**200,455**	20,126
Share-based compensation	**985,441**	3,034,754
Foreign exchange gain (loss)	**217**	(132,146)
Gain on sale of investments	**-**	(93,380)
Unrealized loss (gain) on investments	**383,603**	(470,075)
Loss on settlement of debt	**-**	96,653
Listing expense	**-**	9,943,226
Changes in non-cash working capital items:		
Amounts receivable	**(128,477)**	(29,229)
Prepaids	**105,746**	222,959
Accounts payable and accrued liabilities	**(301,639)**	376,592
Due to/from related parties	**-**	14,063
Net cash used in operating activities	**(8,379,790)**	(1,782,718)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of equipment	**(739,065)**	(29,593)
Proceeds from sale of investments	**-**	370,023
Restricted cash	**(137,500)**	-
Short term investments	**(1,255,500)**	-
Intangible asset	**(129,972)**	-
Net cash provided by (used in) investing activities	**(2,262,037)**	340,430
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	**662,632**	20,100,319
Proceeds from share subscriptions received	**-**	51,050
Short-term loans from Acana	**-**	1,050,000
Share issue costs	**(19,195)**	(1,275,847)
Cash acquired on revere acquisition transaction	**-**	2,144,368
Net cash provided by financing activities	**643,437**	22,069,890
Change in cash for the year	**(9,998,390)**	20,627,602
Cash, beginning of year	**20,704,259**	76,657
Effect of foreign exchange on cash	**(6,011)**	-
Cash, end of year	**$ 10,699,858**	$ 20,704,259
Non-cash investing and financing transactions		
Fair value of finder's options	$ -	$ 1,979,665
Debt settlement by issuance of investments	-	28,043
Shares deemed to be issued on reverse acquisition	-	12,536,788
Warrants deemed to be issued on reverse acquisition	-	1,031,300
Cash paid for interest or taxes	$ -	$ -

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

1. NATURE AND CONTINUANCE OF OPERATIONS

BIG Blockchain Intelligence Group Inc. (the "Company"), formerly Acana Capital Corp. ("Acana"), was incorporated on October 17, 2014 under the *Business Corporations Act* (British Columbia). On November 30, 2017, the Company acquired Blockchain Technology Group Inc. ("BTGI") through a reverse acquisition transaction described in Note 4. The historical operations, assets and liabilities of BTGI are included as the comparative figures as at and for the year ended December 31, 2017, which is deemed to be the continuing entity for financial reporting purposes. BTGI was incorporated under the *Business Corporations Act* (British Columbia) on May 31, 2010.

Concurrent with the closing of the acquisition on November 30, 2017, Acana changed its name to BIG Blockchain Intelligence Group Inc. and effected a change in directors, management and business. The Company's shares are traded on the Canadian Securities Exchange ("CSE") under the symbol "BIGG".

The Company's principal business activity is the provision of its blockchain search products to large enterprises with significant data requirements in the financial and ecommerce sectors globally. Blockchain is fundamentally a digital ledger of transactions with unique characteristics designed to create records that are secure, reliable, transparent, and accessible. The Company's head office and principal place of business is Suite 114 – 990 Beach Avenue, Vancouver, BC, Canada.

These consolidated financial statements have been prepared on the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company incurred a net loss of $9,625,136 for the year ended December 31, 2018 and, as at December 31, 2018, the Company has an accumulated deficit of $25,749,492. Management cannot provide assurance that the Company will achieve profitable operations or become cash flow positive, or raise additional funds via equity issuances or debt instruments. Its ability to continue as a going concern depends upon whether it develops profitable operations and continues to raise adequate financing. These factors cast significant doubt on the Company's ability to continue as a going concern.

There can be no assurance that the Company will be able to raise the funds necessary to continue future operations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated statements of financial position. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved by the Board of Directors on April 26, 2019.

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain assets and liabilities which are measured at fair value as explained in Note 3 to these consolidated financial statements. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its Canadian subsidiaries. The functional currency of the Company's US subsidiary is the US dollar.

c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Blockchain Technology Group Inc., 2140 Software Solutions Inc., BitRank Verification Services Inc., Dark Fibre Systems Inc., QLUE Forensic Systems Inc., CFC Digital Inc., and BIG Blockchain Intelligence Group Inc. (Texas). The accounts of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases. All significant intercompany transactions and balances have been eliminated upon consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value net of transaction costs, if applicable. Measurement in subsequent periods depends on the classification of such financial assets and liabilities.

Financial assets

All financial assets are initially recorded at fair value and classified as measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL").

(i) Amortized cost

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortized cost using the effective interest rate method. The Company does not have any financial assets measured at amortized cost.

(ii) Financial assets at fair value through other comprehensive income ("FVTOCI")

Financial assets that are held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and sell financial assets, and the contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of equity securities, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate its equity securities that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to retained earnings. The Company does not have any financial assets classified as FVTOCI.

(iii) Financial assets at fair value through profit or loss ("FVTPL")

By default, all other financial assets are measured subsequently at FVTPL. The Company's cash, restricted cash and short-term investments are measured at FVTPL.

Financial liabilities

All financial liabilities are initially recorded at fair value and classified as measured at amortized cost or FVTPL.

(i) Amortized cost

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method except for financial liabilities at FVTPL, financial guarantee contracts, loan commitments as below-market interest rate, and liabilities related to contingent consideration of an acquirer in a business combination. The Company's accounts payable are measured at amortized cost.

(ii) Financial liabilities at fair value through profit or loss ("FVTPL")

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in the statements of operations and comprehensive income (loss). The Company does not have any financial liabilities classified as FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on:

- Financial assets measured at amortized cost;
- Debt investments measured at FVOCI; and
- Contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- The financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument while 12-month ECLs are the portion of ECL's that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment of financial assets (cont'd…)

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to the statement of operations and is recognized in OCI.

Write-off of financial assets

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Share-based payment transactions

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

Stock options granted to directors, officers and employees are measured at their fair values determined on their grant date, using the Black-Scholes option pricing model, and are recognized as an expense over the vesting periods of the options on a graded basis. Options granted to consultants or other non-insiders are measured at the fair value of the goods or services received from these parties, or at their Black-Scholes fair values if the fair value of goods or services received cannot be measured. A corresponding increase is recorded to equity reserves for share-based compensation recorded.

When stock options are exercised, the cash proceeds along with the amount previously recorded as equity reserves are recorded as share capital. When the right to receive options is forfeited before the options have vested, any expense previously recorded is reversed.

Share capital

Financial instruments issued by the Company are classified as share capital only to the extent that they do not meet the definition of a financial liability. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share purchase warrants

The fair value of compensatory warrants issued by the Company are determined on their issuance date, using the Black-Scholes option pricing model, and are recorded as a component of equity reserves. When the warrants are granted as compensation for the receipt of goods or services, they are recorded either as an expense or as a cost, capitalized to share capital or assets, on the same basis as equivalent cash payments.

When share purchase warrants are exercised, the cash proceeds and their fair value previously recorded in equity reserves are recorded as share capital.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in profit or loss in the period in which the change occurs.

Deferred tax assets or liabilities, arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to apply to the period when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in profit or loss in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods.

(Loss) earnings per share

Basic (loss) earnings per share is calculated by dividing net (loss) earnings by the weighted average number of common shares outstanding during the period which excludes shares held in escrow whose issuance is contingent on future events.

Diluted earnings per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period. For the years presented, this calculation proved to be anti-dilutive.

Significant accounting judgments and estimation uncertainties

The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the financial statement, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Significant accounting judgments and estimation uncertainties (cont'd…)

(i) Critical accounting estimates

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

a) Valuation of share-based payments and compensatory warrants

Share-based payments and compensatory warrants are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to profit or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

b) Reverse acquisition transaction

The Company estimates fair values of consideration paid or deemed to be issued when calculating the listing expense related to its reverse acquisition transaction described in Note 4. Changes in these estimates can significantly affect the calculations and amounts reported in these consolidated financial statements.

(ii) Critical accounting judgments

a) Going concern

The determination of the Company's ability to continue as a going concern requires the Company to make certain judgments about whether the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

b) Deferred income taxes

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant judgment of future taxable profit. Management is required to assess whether it is probable that the Company will benefit from its deferred tax assets. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

c) Determination of functional currency

The functional currency of the Company has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company's services, operating costs, financing and related transactions. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Equipment

Equipment is recorded at historical cost less related accumulated depreciation and impairment losses. Cost is determined as the expenditure directly attributable to the asset at acquisition, only when it is probable that future economic benefits will flow to the Company and the cost can be reliably measured. When an asset is disposed of, its carrying cost is derecognized. All repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

The Company provides for depreciation of equipment on a straight-line balance basis unless otherwise noted. Computer equipment is depreciated at an annual rate of 30%.

Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

When equipment is composed of major components with different useful lives, the components are accounted for as separate items of capital assets. Expenditures incurred to replace an asset component that is accounted for separately, including major inspections and overhaul expenditures, are capitalized.

The Company's equipment is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Cash equivalents

The Company considers all highly liquid instruments, with minimal interest rate risk and having an initial term to maturity of three months or less at the time of issuance to be cash equivalents.

Investments

The Company's investments are comprised of cryptocurrencies which consist of digital hybrid currencies that are limited in supply, created and traded through open-source software and used as both a means of exchange and a store of value. Cryptocurrencies meet the definition of intangible assets in IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. On the date acquired, cryptocurrencies are initially recorded at cost and the revaluation method is used to measure the cryptocurrencies subsequently. Under the revaluation method, increases in fair value are recorded in other comprehensive income, while decreases are recorded in profit or loss. There is no recycling of gains from other comprehensive income to profit or loss. However, to the extent that an increase in fair value reverses a previous decrease in fair value that has been recorded in profit or loss, that increase is recorded in profit or loss. The cryptocurrencies are recorded on the statement of financial position at their fair value at the time of acquisition, which is determined using a volume weighted average rate at the time of the transaction per CoinMarketCap, an online coin price aggregator. The cryptocurrencies are subsequently re-measured at the end of each financial reporting period using CoinMarketCap's volume weighted average rate as at the period end date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Foreign currency transactions

The financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent company, BIG Blockchain Intelligence Group Inc., is the Canadian dollar; and the functional currency of the Company's subsidiaries is the Canadian dollar with the exception of its US subsidiary for which the functional currency is the US dollar. The presentational currency of the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, "The Effects of Changes in Foreign Exchange Rates".

Transactions in currencies other than the entity's functional currency are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the financial reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

The financial statements of entities that have a functional currency different from that of the Company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate for the applicable period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as currency translation differences and taken into a separate component of equity.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses in accumulated other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses in accumulated other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Revenue recognition

The Company derives its revenues from two sources: (a) service fees from customers accessing its on-demand software platforms, under a pay-as-you-go model or a monthly subscription model; and (b) related consulting services.

The Company recognizes revenue when all of the following conditions are met:

- the parties to the contract have approved the contract;
- each party's rights in relation to the goods or services to be transferred can be identified;
- the payment terms and conditions for the goods or services to be transferred can be identified;
- the contract has commercial substance; and
- the collection of an amount of consideration to which the entity is entitled to in exchange for the goods and services is probable.

The Company's arrangements do not contain general rights of return. Product and service elements that have been prepaid but do not yet qualify for recognition as revenue under the Company's revenue recognition policy are reflected as deferred revenue on the Company's statements of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Intangible assets

Internally-generated intangible assets - Research and development expenditures

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses. The amortization method and amortization period of an intangible asset with a finite life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

At December 31, 2018, the Company has recorded intangible assets relating to certain expenditures on development which met the criteria for recognition.

Government assistance

Government assistance consists of scientific research and experimental development ("SRED") tax credits. SRED tax credits are accounted for as a reduction of the related expenditures and recorded when there is reasonable assurance that the Company has complied with the terms and conditions of the approved government program.

The refundable portion of tax credits is recorded in the period in which the related expenditures are incurred. The non-refundable portion of tax credits is recorded in the period in which the related expenditures are incurred or in a subsequent period to the extent that their future realization is determined to be probable, provided the Company has reasonable assurance the credits will be received and the Company will comply with the conditions associated with the award. SRED tax credits are subject to government review which could result in adjustments to profit or loss.

Provisions

Provisions are recorded when a present legal, statutory or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statements of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, if the effect is material, its carrying amount is the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting standards adopted effective January 1, 2018

IFRS 9 Financial Instruments

IFRS 9, "Financial Instruments:" is effective for annual periods beginning on or after January 1, 2018. The Company adopted IFRS 9 retrospectively, without restatement of prior year financial statements. IFRS 9 replaces the provisions of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") that relate to the recognition, classification, and measurements of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The approach in IFRS 9 is based on how the Company manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. The adoption of IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities, and there was also no impact to the carrying value of any of the Company's financial assets or liabilities on the date of transition.

IFRS 15 Revenue from Contracts with Customers

The Company adopted IFRS 15, "Revenue from Contracts and Customers" effective January 1, 2018. The adoption of this standard did not have any impact on the Company's consolidated financial statements as the Company does not have any significant amounts of revenue.

Accounting standards issued but not yet effective

Standards issued, but not effective, up to the date of issuance of the Company's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applies at a future date. The following new standards, amendments and interpretations have not been early adopted in these consolidated financial statements and are not expected to have a material effect on the Company's future results and financial position:

New accounting standards effective for annual periods on or after January 1, 2019:

IFRS 16 Leases

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The 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 lease as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23, Uncertainty over Income Tax Treatments, provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation requires: (a) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (b) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019.

The above standards have not been early adopted by the Company in these consolidated financial statements and they are not expected to have a material impact on the Company's future results and financial position.

Expressed in Canadian dollars

4. REVERSE ACQUISITION TRANSACTION

On November 30, 2017, the Company acquired 100% ownership of Blockchain Technology Group Inc. ("BTGI") by issuing 37,939,483 of its common shares to acquire all of the 28,323,627 issued and outstanding shares of BTGI (the "Transaction"). For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 *Business Combinations* ("IFRS 3") since the Company, prior to the acquisition, did not constitute a business. As a result, the acquisition is accounted for in accordance with IFRS 2 *Share-based Payment* whereby BTGI is deemed to have issued shares and share purchase warrants in exchange for the net assets of the Company together with its listing status at the fair value of the consideration deemed received by BTGI. The accounting for this transaction resulted in the following:

i) the consolidated financial statements of the combined entities are issued under the Company (legal parent), but are considered a continuation of the financial statements, assets and operations of the legal subsidiary, BTGI.

ii) since BTGI is deemed to be the continuing entity for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

Since the share and share-based consideration allocated to the former shareholders of the Company on closing the Transaction is considered within the scope of IFRS 2, and the Company was not able to identify specifically some or all of the goods or service received in return for the allocation of the shares and options, the value in excess of the net identifiable assets or obligations of the Company acquired on closing was expensed in the consolidated statement of comprehensive loss for the year ended December 31, 2017 as listing expense.

The listing expense of $10,346,733 is comprised of the fair value of the common shares and warrants of the Company retained by the former shareholders of the Company and other direct expenses of the Transaction less the fair value of the net assets acquired.

The listing expense is summarized as follows:

Common shares deemed to be issued (35,819,394 common shares at $0.35 per share)	$ 12,536,788
Warrants deemed to be issued (3,327,619 warrants exercisable at $0.21)	1,031,300
Legal and other transaction costs	403,506
	13,971,594
Identifiable assets acquired:	
Cash	2,144,368
Accounts receivable	20,634
Notes receivable	1,050,000
Prepaids	516,173
Accounts payable and accrued liabilities	(106,314)
	3,624,861
Listing expense	$ 10,346,733

The Company has estimated the fair value of the common shares deemed to be issued as $12,536,788, based on the fair value of the common shares at the time of the agreement being $0.35 per share. The fair value of the warrants, exercisable at $0.21 per share until March 11, 2020, amounted to $1,031,300. The fair value of the warrants was estimated using the Black-Scholes option pricing model, using the following assumptions: a share price of $0.35, an expected volatility of 190%, a risk-free interest rate of 1.43%, no expected dividend and expected remaining lives of 2.28 years for the warrants.

Expressed in Canadian dollars

5. RESTRICTED CASH AND SHORT TERM INVESTMENTS

At December 31, 2018, the Company held restricted cash of $137,500 (2017 - $Nil) in a Guaranteed Investment Certificate (GIC), at an interest rate of 0.85% with a maturity date of February 7, 2019, pursuant to a demand operating facility agreement with the Toronto-Dominion Bank, to support Visa credit lines of $125,000.

At December 31, 2018, the Company held short term investments of $1,255,500 (2017 - $Nil) in a GIC, at an interest rate of 2.20% with a maturity date of October 18, 2019.

6. INVESTMENTS

The Company holds cryptocurrencies as investments as follows:

	December 31, 2018		**December 31, 2017**	
	Number of coins held	Value	Number of coins held	Value
Bitcoin	22.57	$ 115,254	22.68	$ 394,308
Solarcoin	25,916.45	979	25,916.45	22,043
Bitcoin Cash	25.49	5,253	25.49	80,995
Bitcoin Gold	25.20	471	25.20	8,274
Lumen	524.93	81	524.93	238
		$ 122,038		$ 505,858

7. INTANGIBLE ASSET

Cost	
December 31, 2017 and 2016	$ -
Additions	129,972
December 31, 2018	129,972
Amortization	
December 31, 2017 and 2016	$ -
Additions	3,610
December 31, 2018	3,610
Net book value	
December 31, 2017 and 2016	**$ -**
December 31, 2018	**$ 126,362**

During the year ended December 31, 2018, the Company recognized $129,972 as an intangible asset upon the development of its learning management system (LMS) online content, which will be amortized on a straight-line basis over a period of three years representing the estimated useful life of the asset.

Expressed in Canadian dollars

8. EQUIPMENT

Cost		**Total**
Balance at December 31, 2016	**$**	**68,124**
Additions		29,592
Disposals		-
Balance at December 31, 2017	**$**	**97,716**
Additions		739,065
Disposals		-
Balance at December 31, 2018	**$**	**836,781**
Depreciation		
Balance at December 31, 2016	**$**	**5,558**
Depreciation for the year		20,126
Disposals		-
Balance at December 31, 2017	**$**	**25,684**
Depreciation for the year		196,845
Disposals		-
Balance at December 31, 2018	**$**	**222,529**
Carrying amounts		
At December 31, 2017	**$**	**72,032**
At December 31, 2018	**$**	**614,252**

9. SHARE CAPITAL

Authorized share capital

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

Share Issuances

2018

During the year ended December 31, 2018, the Company:

(i) issued 339,059 common shares for the exercise of stock options. The Company received proceeds of $65,047 and re-classified $55,400 from equity reserves to share capital upon exercise; and

(ii) issued 3,966,572 common, shares for the exercise of warrants. The Company received proceeds of $648,635 and re-classified $526,104 from equity reserves to share capital upon exercise.

2017

During the year ended December 31, 2017, the Company:

(i) completed a private placement of 50,000 common shares at a price of $0.30 per share for gross proceeds of $15,000 on April 12, 2017. The Company did not incur any share issuance costs in connection with the issuance;

(ii) completed a private placement of 575,668 common shares at a price of $0.30 per share for gross proceeds of $172,700 on June 16, 2017. The Company incurred share issuance costs of $2,933 in connection with the issuance;

(iii) acquired all of the 28,323,627 issued and outstanding common shares of Blockchain Technology Group Inc. in exchange for 37,939,483 common shares of the Company, as a result of the reverse acquisition transaction described in Note 4, on November 30, 2017. The Company estimated the fair value of the 35,819,394 common shares deemed to be issued as $12,536,788, based on the fair value of the common shares at the time of the agreement being $0.35 per share;

Expressed in Canadian dollars

9. SHARE CAPITAL (cont'd…)

Share Issuances (cont'd…)

(iv) completed a bought deal offering of common shares with a syndicate of underwriters and issued 26,070,500 common shares at a price of $0.75 per share for gross proceeds of $19,552,875 on December 21, 2017. In connection with the offering, the Company paid finder's fees of $1,112,490 in cash, issued 1,483,320 finder's compensation options with each compensation option exercisable at a price of $0.75 per share for a period of eighteen months and incurred additional share issuance costs of $150,551. The compensation options were valued at $1,979,655 using the Black-Scholes model, based on a risk-free rate of 1.66%, an expected life of 1.5 years, an estimated volatility of 172% and a dividend rate of nil;

(v) issued 183,487 common shares for the exercise of stock options. The Company received proceeds of $26,250 and re-classified $14,365 from equity reserves to share capital upon exercise; and

(vi) issued 9,461,884 common shares for the exercise of warrants. The Company received proceeds of $333,494 and re-classified $1,426,638 from equity reserves to share capital upon exercise.

Share purchase warrants

The Company may issue share purchase warrants to acquire its common shares either in combination with share offerings, or on a stand-alone basis to its consultants and advisors. The terms of warrants issued are determined by the Company's Board of Directors.

Share purchase warrant transactions are summarized for the years ended December 31, 2018 and 2017. At closing of the reverse acquisition transaction on November 30, 2017, each outstanding warrant of BTGI became exercisable into the number of common shares of the Company based on the exchange ratio of 1.3395 on the Transaction and the exercise price of each outstanding warrant was decreased by the same exchange ratio. The number of warrants outstanding and the exercise prices have been adjusted retrospectively to show the effect of this adjustment.

	For the Year Ended December 31, 2018		**For the Year Ended December 31, 2017**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Opening balance	6,709,555	$ 0.17	4,883,478	$ 0.14
Issued	-	-	-	-
Deemed to be issued	-	-	3,327,619	0.21
Exercised	(3,966,572)	0.16	(1,501,542)	0.15
Expired	(1,038,333)	0.15	-	-
Ending balance	1,704,650	$ 0.21	6,709,555	$ 0.17
Warrants exercisable	1,704,650	$ 0.21	6,709,555	$ 0.17

As at December 31, 2018 and 2017 the following share purchase warrants were outstanding:

	Expiry Date	**Exercise Price**	**December 31, 2018**	**December 31, 2017**	**Weighted Average Remaining Contractual Life**
Warrants	January 11, 2018	$ 0.15	-	133,950	-
Finder's warrants	January 11, 2018	0.11	-	9,376	-
Warrants	March 4, 2018	0.15	-	44,873	-
Warrants	June 13, 2018	0.15	-	2,772,533	-
Finder's warrants	June 13, 2018	0.15	-	35,720	-
Finder's warrants	November 22, 2018	0.07	-	475,008	-
Warrants	March 11, 2020	0.21	1,704,650	3,238,095	1.20 years

Expressed in Canadian dollars

9. SHARE CAPITAL (cont'd…)

Performance-based share purchase warrants

On May 31, 2016, the Company granted an aggregate 12,000,000 performance warrants to directors, officers and employees at an exercise price of $0.15 per share with an expiration date of December 31, 2022.

On July 25, 2017, the number of issued and outstanding performance warrants was increased from 12,000,000 to 13,000,000 and the terms were amended by reducing the exercise prices from $0.15 to a range of Nil to $0.01 per share for the first three tranches comprised of 8,000,000 performance warrants and from $0.15 to $0.07 per share for the final two tranches comprised of 5,000,000 performance warrants.

On November 16, 2017, the exercise prices for the first three tranches comprising an aggregate 8,000,000 performance warrants were amended from a range of Nil to $0.01 to Nil to $0.02 per share. Prior to completion of the Transaction a total of 5,500,000 performance warrants were exercised for proceeds of $110,000.

Upon closing of the Transaction described in Note 4, each outstanding performance warrant of BTGI became exercisable into the number of common shares of the Company based on the exchange ratio of 1.3395 and the exercise price of each outstanding performance warrant was decreased by the same exchange ratio. A total of 2,500,000 performance warrants were converted into 3,348,750 common shares of the Company for no further consideration.

The performance warrants are subject to vesting upon the achievement of certain milestones by certain dates, as set out below:

	Milestone	On or before	No. of Performance Warrants	Exercise price of vested Performance Warrants	No. of Performance Warrants vested	No. of Performance Warrants exercised
1	Upon completion of product - QLUE 1.0	December 31, 2016	3,348,750	$ 0.01	3,348,750	3,348,750
2	Upon filing of software patent	June 30, 2017	3,348,750	$ 0.01	3,348,750	3,348,750
3	Upon signing of first government contract	August 31, 2017	4,018,500	Nil	4,018,500	4,018,500
4	Upon completion of BitRank product	October 31, 2017	2,679,000	$ 0.05	2,679,000	-
5	Upon completion of global network	December 31, 2017	4,018,500	$ 0.05	4,018,500	-
			17,413,500		17,413,500	10,716,000

Stock options

The Company adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to ten years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

Stock option transactions are summarized for the years ended December 31, 2018 and 2017. At closing of the reverse acquisition transaction on November 30, 2017, each outstanding stock option of BTGI became exercisable into the number of common shares of the Company based on the exchange ratio of 1.3395 on the Transaction and the exercise price of each outstanding stock option was decreased by the same exchange ratio. The number of stock options outstanding and the exercise prices have been adjusted retrospectively to show the effect of this adjustment.

Expressed in Canadian dollars

9. SHARE CAPITAL (cont'd…)

Stock options (cont'd…)

	For the Year ended December 31, 2018		For the Year ended December 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	7,569,525	$ 0.49	1,138,575	$ 0.13
Granted	4,851,225	0.26	6,950,005	0.52
Exercised	(339,059)	0.19	(234,412)	0.12
Expired	(200,925)	0.25	(200,925)	0.15
Forfeited	(377,787)	0.19	(83,718)	0.15
Ending balance	11,502,979	$ 0.42	7,569,525	$ 0.49
Options exercisable	8,797,114	$ 0.49	5,421,743	$ 0.60

Weighted Average Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Weighted Average Remaining Contractual Life
$ 0.75	June 21, 2019	1,483,320	1,483,320	0.47 years
$ 0.15	August 2, 2019	133,950	133,950	0.59 years
$ 0.20	September 12, 2019	466,975	391,975	0.70 years
$ 0.11	March 14, 2021	419,000	419,000	2.20 years
$ 0.15	February 1, 2022	803,700	803,700	3.09 years
$ 0.15	March 15, 2022	267,900	234,413	3.21 years
$ 0.19	August 7, 2022	133,950	83,718	3.60 years
$ 0.26	October 2, 2022	158,276	108,276	3.76 years
$ 0.26	October 5, 2022	75,635	75,635	3.77 years
$ 0.19	October 11, 2022	649,720	426,470	3.78 years
$ 0.26	October 19, 2022	1,851,303	1,628,094	3.80 years
$ 2.20	December 6, 2022	675,000	675,000	3.94 years
$ 1.00	February 22, 2023	500,000	500,000	4.15 years
$ 0.20	September 12, 2023	3,019,250	1,628,563	4.70 years
$ 0.10	December 20, 2023	865,000	205,000	4.97 years
		11,502,979	8,797,114	

Share-based compensation

During the year ended December 31, 2018, the Company recorded share-based compensation totaling $985,441 (2017 - $1,731,342) in relation to the stock options, which was expensed as share-based compensation in operations.

The fair value of stock options was estimated on the measurement date using the Black-Scholes option-pricing model and amortized over the vesting period of the underlying options. The assumptions used to calculate the fair value were as follows:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Share price at measurement date	$0.09 to $0.78	$0.78
Risk-free interest rate	1.92 to 2.25%	1.40%
Exercise Price	$0.10 to $2.20	$0.52
Expected life of options	1 to 5 years	4.1 years
Expected volatility	195 – 230%	121%
Forfeiture rate	Nil	Nil
Dividend yield	Nil	Nil

Expressed in Canadian dollars

9. SHARE CAPITAL (cont'd…)

Escrowed Shares and Warrants

As of the date of the Transaction described in Note 4, 29,223,645 common shares and 6,787,023 share purchase warrants of the Company were subject to an escrow agreement dated November 30, 2017 pursuant to which 10% were released upon closing of the share exchange agreement, and an additional 15% will be released every six months thereafter for a period of 36 months. At December 31, 2018, 17,534,188 common shares and 4,072,214 share purchase warrants remained in escrow.

10. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities.

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

	For the Year ended December 31, 2018	2017
Consulting fees	$ 65,500	$ 27,000
Director's fees	9,000	-
Wages (included in Research and Development costs)	167,917	29,500
Wages	605,931	125,000
Share-based compensation	305,100	2,492,420
Total	$ 1,153,448	$ 2,673,920
Accounts payable due to related parties	$ 36,365	$ 52,073

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2018, the Company's financial instruments are comprised of cash, restricted cash, short term investments and accounts payable. The fair value of accounts payable approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at December 31, 2018, the fair value of cash, restricted cash and short term investments held by the Company was based on Level 1 of the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

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 has no significant concentration of credit risk arising from operations. The Company has cash balances but no interest-bearing debt. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash, investments and due from related parties. The Company's current policy is to invest excess cash in variable interest investment-grade demand deposit certificates issued by reputable financial institutions with which it keeps its bank accounts and management believes the risk to be remote. The Company's credit risk has not changed significantly from the prior year.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by ensuring that it has sufficient cash and other financial resources available to meet its short-term obligations. The Company forecasts cash flows for a period of twelve months to identify financial requirements. These requirements are met by accessing financing through private placements, the risks of which are discussed in Note 1 above.

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 equity prices.

i. Interest rate risk

Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company currently has no interest-bearing financial instruments other than cash, so its exposure to interest rate risk is insignificant.

ii. Foreign currency risk

Foreign currency risk arises from fluctuations in foreign currencies versus the Canadian dollar that could adversely affect reported balances and transactions denominated in those currencies. The Company currently has investment assets, some liabilities and revenue or expenses denominated in a foreign currency, so is exposed to foreign currency risk.

iii. Equity price risk

Equity price risk arises from market fluctuations in equity prices that could adversely affect the Company's operations. The Company's current exposure to equity price risk is limited to declines in the values and volumes including those of its own shares, which could impede its ability to raise additional funds when required.

12. CAPITAL MANAGEMENT

The Company includes all components of equity in the definition of capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its blockchain technology and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, the Company may consider issuing new shares, and/or issue debt, acquire or dispose of assets, or adjust the amount of cash and investments on hand. The Company is not currently subject to any externally imposed capital requirements.

The Company has been dependent upon external financings to fund activities. Until such time as it begins to generate revenue, in order to carry out planned expenditures and pay for administrative costs the Company will spend its existing working capital and may seek to raise additional funds as needed.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash on deposit in interest bearing Canadian chartered bank accounts. Cash consists of cash on hand. There have been no changes to the Company's approach to capital management during the year ended December 31, 2018.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

Expressed in Canadian dollars

13. COMMITMENTS

The Company has entered into an operating lease agreement for its corporate head office premises. The annual lease commitments under the lease are as follows:

2019	$ 22,000

14. SEGMENTED INFORMATION

The Company operates in the single business segment of blockchain technology development. The summarized financial information for revenue derived by geographic segment is as follows:

	For the Year ended December 31, 2018	2017
Total revenues:		
Canada	**$ 13,485**	$ 78,039
Japan	**-**	21,679
United States	**10,215**	-
Germany	**59,494**	-
Other	**1,292**	-

15. INCOME TAXES

The Company's provision for income taxes differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to income (loss) before income taxes as a result of the following:

	For the year ended December 31, 2018	2017
Loss for the year before income tax	**$ (9,625,136)**	$ (14,766,261)
Statutory rate	**27.00%**	26.00%
Expected income tax recovery	**$ (2,598,787)**	$ (3,839,228)
Permanent and other differences	**2,056,435**	1,024,536
Effect of change in tax rates	**-**	(112,213)
Change in unrecognized deductible temporary differences	**542,352**	2,926,905
Provision for income taxes	**$ -**	$ -

The tax effect of the following temporary differences and non-capital losses have not been recognized in the consolidated financial statements.

	2018	2017
Non-capital losses available for future periods	**$ 3,340,017**	$ 2,850,547
Share issue costs	**221,499**	291,278
Equipment	**64,237**	11,089
Intangible asset	**(34,118)**	-
Investments	**(19,546)**	(123,177)
	$ 3,572,089	$ 3,029,737

As at December 31, 2018, the Company has non-capital losses carried forward in Canada and the United States of approximately $12,068,000 and $303,000 respectively which may be applied to reduce taxable income in future years, and which if not utilized, will expire through to 2038. Future tax benefits which may arise as a result of future income tax assets have not been recognized in these consolidated financial statements as management believes that it is not probable that sufficient taxable income will be available to realize such assets.

16. SUBSEQUENT EVENT

Subsequent to December 31, 2018 the Company cancelled an aggregate of 1,175,000 incentive stock options issued to directors, officers, employees and consultants at prices ranging from $1.00 to $2.20 and 350,500 unvested incentive stock options priced from $0.10 to $0.20 were forfeited.