CRYPTOBLOC TECHNOLOGIES CORP.

(formerly Global Remote Technologies Ltd.)

Consolidated Financial Statements

January 31, 2019

(Expressed in Canadian dollars)

CRYPTOBLOC TECHNOLOGIES CORP.
(formerly Global Remote Technologies Ltd.)

Consolidated Financial Statements

January 31, 2019

(Expressed in Canadian dollars)

NVS CHARTERED ACCOUNTANTS
PROFESSIONAL CORPORATION

100 Allstate Parkway, Suite 303
Markham, ON L3R 6H3
Tel: 905.415.2511
Fax: 905.415.2011
www.nvsca.ca

INDEPENDENT AUDITOR'S REPORT

To the shareholders of **Cryptobloc Technologies Corp. (formerly Global Remote Technologies Ltd.)**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **Cryptobloc Technologies Corp.** (formerly Global Remote Technologies Ltd.) (the "Company"), which comprise of the statements of financial position as at **January 31, 2019** and **January 31, 2018**, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at **January 31, 2019** and **January 31, 2018**, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

Without qualifying our audit opinion, we draw attention to Note 1 in the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Corporation’s ability to continue as a going concern.

Other Information

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation’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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation’s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

NVS CHARTERED ACCOUNTANTS
PROFESSIONAL CORPORATION

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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

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

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

NVS Chartered Accountants Professional Corporation

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

Markham, Ontario
July 29, 2019

CRYPTOBLOC TECHNOLOGIES CORP.
(formerly Global Remote Technologies Ltd.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	January 31, 2019 $	January 31, 2018 $
Assets		
Current assets		
Cash	21,569	344,567
Accounts receivable	8,312	81,146
Other receivable (Note 11)	–	54,000
Short-term investment	1	1
Total current assets	29,882	479,714
Non-current assets		
Equipment (Note 6)	1,148	5,800
Goodwill (Note 3)	–	3,688,957
Total non-current assets	1,148	3,694,757
Total assets	31,030	4,174,471
Liabilities and shareholders' equity (deficit)		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	531,656	378,314
Due to related parties (Note 5)	14,119	38,829
Notes payable (Note 7)	42,231	40,566
Total liabilities	588,006	457,709
Shareholders' equity (deficit)		
Share capital (Note 8)	13,758,978	9,464,948
Equity reserves	1,754,030	1,664,665
Accumulated other comprehensive loss	(2,945)	(1,486)
Deficit	(16,067,039)	(7,411,365)
Total shareholders' equity (deficit)	(556,976)	3,716,762
Total liabilities and shareholders' equity (deficit)	31,030	4,174,471

Nature of operations and going concern (Note 1)
Subsequent events (Note 15)

Approved and authorized for issuance by the Board of Directors on July 29, 2019:

/s/ "Ric Wilson " — Ric Wilson, Audit Committee Chair

/s/ "Tjalling DeJong " — Tjalling DeJong, Director

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

CRYPTOBLOC TECHNOLOGIES CORP.
(formerly Global Remote Technologies Ltd.)
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended January 31, 2019	Year ended January 31, 2018
Revenue	$ 77,286	$ 76,117
Expenses		
Advertising	476,385	61,519
Amortization	6,892	877
Consulting fees (Note 5)	3,799,373	46,500
Foreign exchange gain	(11,050)	(66,732)
Interest expense (Note 7)	1,665	11,902
Management fees	5,250	–
Office and general	62,176	49,459
Professional fees (Note 5)	290,385	135,494
Salaries and wages (Note 5)	220,500	317,378
Share-based compensation (Note 10)	140,994	1,829,364
Total expenses	4,992,570	2,385,761
Loss before other items	(4,915,284)	(2,309,644)
Acquisition-related costs (Note 3)	–	(183,000)
Loss on legal settlement	–	(35,000)
Loss on settlement of debt	–	(989,961)
Other income	2,567	–
Write-off of receivables (Note 11)	(54,000)	–
Write-off of goodwill (Note 3)	(3,688,957)	–
Net loss for the year	(8,655,674)	(3,517,605)
Other comprehensive loss	(1,459)	(1,486)
Net loss and comprehensive loss for the year	$ (8,657,133)	$ (3,519,091)
Basic and diluted loss per share	$ (1.07)	$ (0.77)
Weighted average number of shares outstanding	8,080,490	4,576,293

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

CRYPTOBLOC TECHNOLOGIES CORP.
(formerly Global Remote Technologies Ltd.)
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Expressed in Canadian dollars)

	Share capital					
	Number of shares	Amount $	Equity reserves $	Accumulated other comprehensive loss $	Deficit $	Total shareholders' equity (deficit) $
Balance, January 31, 2017	4,207,134	2,477,942	39,386	–	(3,893,760)	(1,376,432)
Shares issued pursuant to exercise of stock options	159,000	504,111	(214,911)	–	–	289,200
Shares issued for debt	1,099,956	2,639,895	–	–	–	2,639,895
Shares issued pursuant to Share Exchange Agreement (Note 3)	600,000	3,660,000	–	–	–	3,660,000
Shares for acquisition-related costs (Note 3)	30,000	183,000	–	–	–	183,000
Discount recognized upon issuance of notes payable (Note 7)	–	–	10,826	–	–	10,826
Share-based compensation	–	–	1,829,364	–	–	1,829,364
Net loss for the year	–	–	–	(1,486)	(3,517,605)	(3,519,091)
Balance, January 31, 2018	6,096,090	9,464,948	1,664,665	(1,486)	(7,411,365)	3,716,762
Shares issued pursuant to exercise of stock options (Note 8)	26,000	114,029	(51,629)	–	–	62,400
Shares issued pursuant to private placement (Note 8)	3,000,000	4,180,001	–	–	–	4,180,001
Share-based compensation (Note 10)	–	–	140,994	–	–	140,994
Net loss for the year	–	–	–	(1,459)	(8,655,674)	(8,657,133)
Balance, January 31, 2019	9,122,090	13,758,978	1,754,030	(2,945)	(16,067,039)	(556,976)

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

CRYPTOBLOC TECHNOLOGIES CORP.
(formerly Global Remote Technologies Ltd.)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended January 31, 2019 $	Year ended January 31, 2018 $
Operating activities		
Net loss from continuing operations	(8,655,674)	(3,517,605)
Items not involving cash:		
Amortization	6,892	877
Non-cash interest expense	1,665	11,902
Share-based compensation	140,994	1,829,364
Loss on settlement of debt	–	989,961
Shares issued for acquisition-related costs	–	183,000
Write-off of goodwill	3,688,957	–
Write-off of receivables	54,000	–
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	153,342	90,328
Accounts receivable	72,834	87,505
Due to related parties	(24,710)	297,837
Deposit	–	(54,000)
Net cash used in operating activities	(4,561,700)	(80,831)
Investing activities		
Net cash acquired upon acquisition of 1Linx Ltd.	–	28,728
Purchase of equipment	(2,240)	(6,378)
Proceeds from note receivable	–	26,072
Net cash provided by (used in) investing activities	(2,240)	48,422
Financing activities		
Proceeds from issuance of shares	4,180,001	–
Proceeds from issuance of exercise of options	62,400	289,200
Proceeds from notes payable	–	88,473
Net cash provided by financing activities	4,242,401	377,673
Effect of foreign currency translation	(1,459)	(1,486)
Increase (decrease) in cash	(322,998)	343,778
Cash, beginning	344,567	789
Cash, ending	21,569	344,567
Non-cash investing and financing activities:		
Fair value of shares issued to settle debt	–	2,639,895
Fair value of shares issued for acquisition of 1Linx	–	3,660,000
Fair value of shares issued for finder’s fee	–	183,000
Supplemental disclosures:		
Interest paid	–	–
Income taxes paid	–	–

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

1. Nature of Operations and Going Concern

Cryptobloc Technologies Corp. (formerly Global Remote Technologies Ltd.) (the "Company") was incorporated under the laws of British Columbia on January 16, 2015. The Company's principal business focuses on providing services for application programming interface ("API") in regards to operator look-up, customer look-up, IP information and customer friendly user experience, and developing and implementing blockchain, distributed ledger, closed loop and cryptocurrency services for Government and commercial partners. The Company's shares are listed on the Canadian Securities Exchange (the "Exchange") under the symbol "CRYP". The Company's registered office is Pacific Centre, 400 – 725 Granville Street, Vancouver, British Columbia, V7Y 1G5.

The Company has consolidated its issued and outstanding common shares on the basis of one post-consolidation share for each 10 pre-consolidation common shares on January 11, 2019. No fractional shares will be issued. All fractional shares resulting from the consolidation will be rounded up or down to the nearest whole number. All share figures and references have been retroactively adjusted to reflect the share consolidation.

These consolidated financial statements have been prepared on the 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. Furthermore, the Company does not have sufficient cash to sustain operations for the next twelve months without additional financing. The continued operations of the Company are dependent on its ability to generate future cash flows and/or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due; however, they may not be at terms that are favourable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

For the year ended January 31, 2019, the Company did not file its audited year-end financial statements within the prescribed period. The Company has applied to and received from the British Columbia Securities Commission a Management Cease Trade Order allowing the Company's Securities to continue to trade while the Company completes its Financial Statement filings (Note 15). This Management Cease Trade Order is in effect until July 29, 2019.

2. Significant Accounting Policies

a) Statement of Compliance and Principles of Consolidation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations of the IFRS Interpretations Committee as issued by the International Accounting Standards Board ("IASB") on a going concern basis.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, GRT and 1Linx Ltd. All intercompany transactions have been eliminated on consolidation.

b) Basis of Presentation and Functional Currency

The consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars. The functional currency of the parent company and GRT is the Canadian dollar. The functional currency of 1Linx Ltd. is the United States dollar.

c) Use of Estimates, Assumptions and Judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the useful life and amortization of equipment and intangible assets, measurement of share-based payments, and deferred income tax asset valuation allowances.

2. Significant Accounting Policies (continued)

c) Use of Estimates, Assumptions and Judgements (continued)

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. Judgments made by management in the application of IFRS that have a significant effect on the financial statements include the factors supporting the capitalization and recoverability of property and equipment and intangible assets, and inputs into the calculation of the fair value of notes payable and share-based payments.

d) Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for annual periods beginning on or after January 1, 2019, or later periods.

The following new standards, and amendments to standards and interpretations, that have not been early adopted in these consolidated financial statements will not have a material effect on the Company's future results and financial position:

(i) IFRS 16, *Leases* (New; to replace IAS 17, IFRIC 4, SIC-15 and SIC)

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

e) Change in Accounting Policies - Financial Instruments

The Company has adopted new accounting standard IFRS 9 - *Financial Instruments*, effective for annual periods beginning on or after February 1, 2018. The adoption of IFRS 9 did not result in any changes to the classification, measurement or carrying amounts of the Company's existing financial instruments on transition date. The new standard brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 - *Financial instruments: recognition and measurement*. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The Company continues to classify and measure its financial instruments at fair value through profit or loss with changes in fair value recognized in profit or loss as they arise ("FVTPL"), unless restrictive criteria regarding the objective and contractual cash flows of the instrument are met for classifying and measuring at either amortized cost or fair value through other comprehensive income. Cash, short-term investments, and accounts receivable continue to be recorded at FVTPL. Accounts payable, amounts due to related parties, and notes payable are classified and measured as financial liabilities, initially at FVTPL, and subsequently at amortized cost using the effective interest rate method.

f) Change in Accounting Policies - Revenue Recognition

The Company has adopted new accounting standard IFRS 15 - *Revenue from Contracts with Customers*, effective for annual periods beginning on or after February 1, 2018 using the retrospective method of adoption. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The Company has reviewed its sources of revenue from proving API services using the guidance found in IFRS 15 and determined that there are no material changes to the timing and measurement of the Company's revenue from these sources as compared to the previous standards.

The Company currently only generates revenue by providing application programming interface ("API") services, Which are fully provided immediately after the submission of the online payments by customers and there are no subsequent services obligations. Revenue is measured net of returns, trade discounts and volume rebates

g) Equipment

Equipment is recorded at cost. Amortization is computed at the following rates:

Furniture and equipment 20% declining balance.

2. Significant Accounting Policies (continued)

h) Business Combinations and Goodwill

An acquisition of a business, (an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors), is a business combination. Determining whether the acquisition meets the definition of a business combination requires judgement to be applied on a case by case basis. Acquisitions are assessed under the relevant criteria to establish whether the transaction represents a business combination or an asset purchase. Depending on the specific facts, acquisitions of exploration and evaluation licences for which a development decision has not yet been made, have largely been concluded to represent asset purchases.

Business combinations, except for transactions between entities under common control, are accounted for using the acquisition method of accounting. The acquired identifiable tangible and intangible assets, liabilities and contingent liabilities are measured at their fair values at the date of the acquisition. Acquisition costs incurred are expensed in the consolidated statement of comprehensive loss. Goodwill (if any) is initially measured at the excess of the aggregate of the consideration transferred and the amount recognised for any non-controlling interest over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. The non-controlling interest is measured at fair value or at the proportion of the acquired entity's identifiable net assets as elected for each business combination. Goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

i) Foreign Currency Translation

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Foreign exchange gains and losses are included in the statement of operations. At the end of each reporting period, assets and liabilities of the Company's subsidiaries which have different functional currencies are translated at the rate of exchange at the statement of financial position date. 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 reflected in other comprehensive loss for the period.

j) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. Significant Accounting Policies (continued)

k) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

l) Comprehensive Loss

Comprehensive 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 operations.

m) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled, share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

3. Acquisition of 1Linx Ltd.

On December 12, 2017, the Company entered into a Share Purchase Agreement (the "Agreement") to acquire 1Linx Ltd. ("1Linx"), a private company incorporated in Ontario, Canada (the "Transaction"). 1Linx has a proprietary blockchain authentication platform and provides services for application programming interface (API) in regards to operator look-up, customer look-up, IP information and customer friendly user experience. Under the terms of the Agreement, the Company acquired all of the issued and outstanding common shares of 1Linx, such that 1Linx became a wholly-owned subsidiary of the Company, in exchange for the issuance by the Company of 600,000 common shares with a fair value of $3,660,000. In connection with the transaction, the Company issued 30,000 common shares with a fair value of $183,000 as a finder's fee, which has been expensed in the consolidated statement of comprehensive loss. The transaction closed on January 5, 2018.

In accordance with IFRS 3, *Business Combinations*, the purchase agreement was deemed a business combination for accounting purposes. Assets acquired and liabilities assumed are reported at their fair values as at the closing date.

During the year ended January 31, 2019, Management determined the carrying value of Goodwill with respect to this acquisition was impaired and has written this amount to nil.

(Expressed in Canadian dollars)

3. Acquisition of 1Linx Ltd. (continued)

The assets acquired and liabilities assumed are as follows:

	$
Cash	28,728
Accounts receivable	168,651
Goodwill	3,688,957
Accounts payable and accrued expenses	(68,922)
Due to related parties of 1Linx Ltd.	(153,082)
Income tax liability	(4,332)
Total purchase price	3,660,000

4. Deposits and Prepaid Expenses

During the year ended January 31, 2019, Management has expensed all remaining prepaid rent as it is no longer in possession of the property and expensed remaining prepaid legal and accounting fees as a result of increased use of these professionals during the year.

5. Related Party Transactions

a) During the year ended January 31, 2019, the Company incurred consulting fees of $42,000 (2018 - $31,500) to the former President of the Company. As at January 31, 2019, the Company owed $1,775 (2018 - $38,829) to the former President of the Company, which is unsecured, non-interest bearing, and due on demand.

b) During the year ended January 31, 2019, the Company incurred consulting fees of $90,500 (2018 - $15,000) to the former Chief Executive Officer ("CEO") of the Company.

c) During the year ended January 31, 2019, the Company incurred salaries and wages of $183,750 (2018 - $nil) to the CEO and Director of the Company. As at January 31, 2018, $183,750 (2017 - $nil) of this amount is included in Accounts payable and accrued liabilities. As at January 31, 2019, the Company owed $3,583 (2018 - $nil) to the CEO and Director of the Company, which is unsecured, non-interest bearing, and due on demand.

d) During the year ended January 31, 2019, the Company incurred salaries and wages of $36,750 (2018 - $nil) to the CFO and Director of the Company. As at January 31, 2018, $36,750 (2017 - $nil) of this amount is included in Accounts payable and accrued liabilities. As at January 31, 2019, the Company owed $8,761 (2018 - $nil) to the CFO and Director of the Company, which is unsecured, non-interest bearing, and due on demand.

e) During the year ended January 31, 2019, the Company incurred salaries and wages of $nil (2018 - $155,239) to the former President and Director of the Company.

f) During the year ended January 31, 2019, the Company incurred salaries and wages of $nil (2018 - $162,139) to the former CEO and Director of the Company.

g) During the year ended January 31, 2019, the Company incurred professional fees of $3,150 (2018 - $1,200) to the former CFO of the Company. As at January 31, 2019, $nil (2018 - $4,710) remained outstanding and was included in accounts payable and accrued liabilities. The balance is unsecured, non-interest bearing, and due on demand.

h) During the year ended January 31, 2019, the Company incurred occupancy costs of $10,500 (2018 - $nil) to a company owned by the CEO. As at January 31, 2019, $10,500 (2018 - $nil) remained outstanding and was included in the accounts payable and accrued liabilities.

(Expressed in Canadian dollars)

5. Related Party Transactions (continued)

The Company has identified the directors and senior officers as key management personnel. The following table lists the compensation costs paid directly or to companies controlled by key management personnel for the years ended January 31, 2019, and 2018:

	2019 $	2018 $
Consulting fees paid to former President	42,000	31,500
Consulting fees paid to former CEO	90,500	15,000
Salaries accrued to CEO and Director	183,750	–
Salaries accrued to CFO and Director	36,750	–
Salaries paid or accrued to former President and Director	–	155,239
Salaries paid or accrued to former CEO and Director	–	162,139
Professional fees paid to former CFO	3,150	1,200
	351,150	365,078

6. Equipment

Equipment are comprised of the following:

	Prospector Demo Kits $	Terra Ferma Equipment $	Furniture and Equipment $	Total $
Cost:				
Balance, January 31, 2017	168,000	181,501	4,059	353,560
Additions	–	–	6,378	6,378
Balance, January 31, 2018	168,000	181,501	10,437	359,938
Additions	–	–	2,240	2,240
Balance, January 31, 2019	168,000	181,501	12,677	362,178
Amortization:				
Balance, January 31, 2017	168,000	181,501	3,760	353,261
Additions	–	–	877	877
Balance, January 31, 2018	168,000	181,501	4,637	354,138
Additions	–	–	6,892	6,892
Balance, January 31, 2019	168,000	181,501	11,529	361,030
Net Book Value:				
Balance, January 31, 2018	–	–	5,800	5,800
Balance, January 31, 2019	–	–	1,148	1,148

7. Notes Payable

a) On March 18, 2016, the Company entered into two promissory notes for a total principal amount of $89,985. The notes are non-interest bearing, unsecured and due onon demand after March 18, 2017. At March 18, 2016, the promissory notes had a fair value of $77,248, resulting in the recognition of a discount of $11,737 upon issuance, which will be amortized over the term of the loan. During the year ended January 31, 2018, the Company recognized accretion of the discount of $1,479, which has been recorded as interest expense. On November 2, 2017, the Company settled $59,985 of the promissory notes for shares. At January 31, 2019, the carrying value of the promissory notes was $30,000 (2018 - $30,000).

7. Notes Payable (continued)

b) On August 21, 2017, the Company entered into a promissory note for a principal amount of $5,985. The note bears an interest rate of 8%, and is unsecured and due on or before August 21, 2018. At August 21, 2017, the promissory note had a fair value of $5,593, resulting in the recognition of a discount of $392 upon issuance, which will be amortized over the term of the loan. During the year ended January 31, 2019, the Company recognized accretion of the discount of $217, which has been recorded as interest expense. As at January 31, 2019, the Company accrued $693 in interest. At January 31, 2019, the carrying value of the promissory note was $6,678 (2018 - $5,768).

c) On August 29, 2017, the Company entered into a promissory note for a principal amount of $4,985. The note bears an interest rate of 8%, and is unsecured and due on or before August 29, 2018. At August 29, 2017, the promissory note had a fair value of $4,659, resulting in the recognition of a discount of $326 upon issuance, which will be amortized over the term of the loan. During the year ended January 31, 2019, the Company recognized accretion of the discount of $187, which has been recorded as interest expense. As at January 31, 2019, the Company accrued $568 in interest. At January 31, 2019, the carrying value of the promissory note was $5,553 (2018 - $4,798).

d) On April 17, 2017, the Company entered into a promissory note for a principal amount of $26,594. The note is non-interest bearing, unsecured and due on or before October 14, 2017. At April 17, 2017, the promissory note had a fair value of $23,125, resulting in the recognition of a discount of $3,469 upon issuance, which will be amortized over the term of the loan. During the year ended January 31, 2018, the Company recognized accretion of the discount of $3,469, which has been recorded as interest expense. On November 2, 2017, the Company settled $26,594 of the promissory note for shares (Note 9). At January 31, 2018, the carrying value of the promissory note was $nil.

e) On June 8, 2017, the Company entered into a promissory note for a principal amount of $14,985. The note is non-interest bearing, unsecured and due on or before June 8, 2018. At June 8, 2017, the promissory note had a fair value of $13,030, resulting in the recognition of a discount of $1,955 upon issuance, which will be amortized over the term of the loan. During the year ended January 31, 2018, the Company recognized accretion of the discount of $1,955, which has been recorded as interest expense. On November 2, 2017, the Company settled $14,985 of the promissory note for shares (Note 9). At January 31, 2018, the carrying value of the promissory note was $nil.

f) On June 22, 2017, the Company entered into a promissory note for a principal amount of $5,985. The note is non-interest bearing, unsecured and due on or before June 22, 2018. At June 22, 2017, the promissory note had a fair value of $5,204, resulting in the recognition of a discount of $781 upon issuance, which will be amortized over the term of the loan. During the year ended January 31, 2018, the Company recognized accretion of the discount of $781, which has been recorded as interest expense. On November 2, 2017, the Company settled $5,985 of the promissory note for shares (Note 9). At January 31, 2018, the carrying value of the promissory note was $nil.

g) On June 28, 2017, the Company entered into a promissory note for a principal amount of $9,985. The note is non-interest bearing, unsecured and due on or before June 28, 2018. At June 28, 2017, the promissory note had a fair value of $8,683, resulting in the recognition of a discount of $1,302 upon issuance, which will be amortized over the term of the loan. During the year ended January 31, 2018, the Company recognized accretion of the discount of $1,302, which has been recorded as interest expense. On November 2, 2017, the Company settled $9,985 of the promissory note for shares (Note 9). At January 31, 2018, the carrying value of the promissory note was $nil.

h) On July 14, 2017, the Company entered into a promissory note for a principal amount of $5,985. The note is non-interest bearing, unsecured and due on or before June 28, 2018. At July 14, 2017, the promissory note had a fair value of $5,204, resulting in the recognition of a discount of $781 upon issuance, which will be amortized over the term of the loan. During the year ended January 31, 2018, the Company recognized accretion of the discount of $781, which has been recorded as interest expense. On November 2, 2017, the Company settled $5,985 of the promissory note for shares (Note 9). At January 31, 2018, the carrying value of the promissory note was $nil.

(Expressed in Canadian dollars)

7. Notes Payable (continued)

i) On July 17, 2017, the Company entered into a promissory note for a principal amount of $13,970. The note is non-interest bearing, unsecured and due on or before July 17, 2018. At July 17, 2017, the promissory note had a fair value of $12,148, resulting in the recognition of a discount of $1,822 upon issuance, which will be amortized over the term of the loan. During the year ended January 31, 2018, the Company recognized accretion of the discount of $1,822, which has been recorded as interest expense. On November 2, 2017, the Company settled $13,970 of the promissory note for shares (Note 9). At January 31, 2018, the carrying value of the promissory note was $nil.

	A $	B $	C $	Total $
Balance, January 31, 2017	88,506	–	–	88,506
Additions	–	5,985	4,985	10,970
Discount	–	(392)	(326)	(718)
Repayment	(59,985)	–	–	(59,985)
Accretion of discount	1,479	175	139	1,793
Balance, January 31, 2018	30,000	5,768	4,798	40,566
Accretion of discount	–	217	187	404
Accrued interest	–	693	568	1,261
Balance, January 31, 2019	30,000	6,678	5,553	42,231

8. Share Capital

Authorized: Unlimited common shares without par value

Share consolidation:

The Company has consolidated its issued and outstanding common shares on the basis of one post-consolidation share for each 10 pre-consolidation common shares on January 11, 2019. No fractional shares will be issued. All fractional shares resulting from the consolidation will be rounded up or down to the nearest whole number. All share figures and references have been retroactively adjusted to reflect the share consolidation. Outstanding stock options have also been adjusted by the consolidation ration and their respect exercise prices adjusted accordingly.

Share issuances:

a) On April 25, 2018, the Company issued 26,000 common shares upon the exercise of stock options at $2.40 per share for proceeds of $62,400. Upon exercise, the fair value of the stock options of $51,629 was reclassified from equity reserves to share capital.

b) On June 6, 2018, the Company completed a private placement of 3,000,000 units at $1.50 per unit for gross proceeds of $4,500,000. Each unit consists of one common share and one common share purchase warrant with each warrant entitling the holder to purchase one common share at a price of $2.50 for a period of two years. A value of $nil was attributed to the warrants using the residual value method. The Company paid a total of $319,999 share issue costs, resulting to net proceeds of $4,180,001.

	Number of shares	Value $
Balance, January 31, 2017	4,207,134	2,477,942
Shares issued pursuant to exercise of stock options	159,000	504,111
Shares issued for debt	1,099,956	2,639,895
Shares issued pursuant to Share Exchange Agreement	600,000	3,660,000
Shares for acquisition-related costs	30,000	183,000
Balance, January 31, 2018	6,096,090	9,464,948
Shares issued pursuant to private placement	3,000,000	4,180,001
Shares issued pursuant to exercise of stock options	26,000	114,029
Balance, January 31, 2019	9,122,090	13,758,978

(Expressed in Canadian dollars)

9. Share Purchase Warrants

The following table summarizes information about the warrants at January 31, 2019 and 2018, and the changes for the years then ended:

	January 31, 2019		January 31, 2018	
	Number of Warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Warrants outstanding – beginning of year	–	–	125,660	2.40
Issued	3,000,000	2.50	–	–
Expired	–	–	(125,660)	2.40
Warrants outstanding – end of year	3,000,000	2.50	–	–

On June 6, 2018, the Company issued 3,000,000 share purchase warrants with each warrant entitling the holder to purchase one common share at a price of $2.50 for a period of two years.

10. Stock Options

The Company has a stock option plan that provides for the issuance of options to its directors, officers and employees. The maximum number of outstanding options must be no more than 10% of the issued and outstanding shares of the Company at any point in time. The term of the options must be no longer than 10 years and the directors determine the vesting period.

On May 19, 2018, the Company granted 75,000 stock options to certain officers, directors and consultants, which are exercisable at $1.90 per share for a period of five years.

The following table summarizes information about the options at January 31, 2019 and 2018, and the changes for the years then ended:

	January 31, 2019		January 31, 2018	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Options outstanding – beginning of year	510,000	2.80	20,000	2.50
Granted	75,000	1.90	984,000	2.20
Exercised	(26,000)	2.40	(159,000)	1.80
Expired	–	–	(20,000)	2.50
Cancelled	(559,000)	2.70	(315,000)	1.30
Options outstanding – end of year	–	–	510,000	2.80
Options exercisable – end of year	–	–	510,000	2.80

The fair value of the options granted during the year ended January 31, 2019 was $140,994. The fair value of the options at the date of grant was estimated using the Black-Scholes Option Pricing Model, assuming a risk-free interest rate of 2.23%, an expected life of options of five years, an expected volatility of 227%, and no expected dividends.

The Company's stock options are exercisable only for common shares.

(Expressed in Canadian dollars)

11. Commitments and Contingencies

a) Effective December 12, 2017, the Company entered into two Independent Contractor Agreements whereby the Company agreed to pay each contractor a fee of $5,000 per month, provided that such fee shall decrease to $2,500 for any month in which the revenues of the Company attributable to 1Linx Ltd.'s operations fall below $100,000, and the contractor shall be entitled to an additional hourly fee of $200 per hour for any work in excess of 40 hours per month. The term of the agreements will continue indefinitely until terminated. The contractors have waived all fees up to January 31, 2019.

b) On December 15, 2017, the Company paid a deposit, in trust, of $54,000 pursuant to a potential lease agreement for a facility. The real estate agency that held the funds in trust on behalf of the Company released the funds to the landlord of the related property based on false representations. As a result, the Company is currently considering its legal options to recover the funds. There is a possibility that the Company will not recover the funds. Due to the uncertainty of collection, the Company has chosen to write this amount off.

c) On January 31, 2018, the Company was named as a defendant in a Supreme Court of British Columbia action commenced by DMG Blockchain Solutions Inc., which alleged that the Company had infringed a DMG copyright when it used materials in a slide deck presentation designed by DMG in its own presentation to potential investors. On March 29, 2018, a default judgment was entered in the action, with damages and costs to be assessed. Since such date, DMG and the Company have been working toward a settlement respecting the action and the Company announced May 25, 2018, that the terms of a settlement have been agreed upon. The terms of the settlement are confidential and provide that the Company will make a $35,000 cash payment to DMG. On May 25, 2018, the Company agreed to a settlement of $35,000 pursuant to a legal action commenced by DMG Blockchain Solutions Inc. As at January 31, 2019, the settlement amount was not yet paid.

d) As a result of a Temporary Order issued on November 26, 2018 issued by the B.C. Securities Commission against certain consultants, the Company is reviewing a private placement that closed in June 2018. The Order cites improper use of the "consultant's exemption" contained in section 2.24 of National Instrument 45-106 and the payment of consulting fees to the persons named in the Order. The June 2018 private placement involved multiple consultants named in the Order. Following completion of the private placement, the Company paid consulting fees to these consultants. There is a risk that the Commission in its review, may view the private placement to the consultants and the use of proceeds, as an improper use of s.2.24 and an illegal distribution of shares. If such is adjudicated to be the case, the Company may be required to take remedial action. Such action, if required, cannot at this time be determined.

12. Financial Instruments

a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as at January 31, 2019, as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, January 31, 2019 $
Cash	21,569	–	–	21,569

The fair values of other financial instruments, which include accounts receivable, short-term investment, accounts payable, notes payable, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

12. Financial Instruments (continued)

b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and accounts receivable. The Company limits exposure to credit loss by placing its cash with high credit quality financial institutions. The Company performs ongoing credit evaluations, does not require collateral and establishes an allowance for doubtful accounts based on the age of the receivable and the specific identification of receivables the Company considers at risk. The carrying amount of financial assets represents the maximum credit exposure.

c) Foreign Exchange Rate Risk

Foreign exchange rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has exposure to currency risk from assets and liabilities denominated in US dollars. The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk. However, management believes that the risk from fluctuations in foreign exchange rates is not significant.

d) 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 currently settles its financial obligations with cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. Liquidity risk is assessed as high.

e) Classification of Financial Instruments

Financial assets and liabilities included in the consolidated statement of financial position are as follows:

	January 31, 2019 $	January 31, 2018 $
Financial assets classified as fair value through profit or loss:		
Cash	21,569	344,567
Loans and receivables:		
Accounts receivable	8,312	81,146
Non-derivative financial liabilities:		
Trade payables	531,656	378,314
Due to related parties	14,119	38,829
Notes payable	42,231	40,566
	588,006	457,709

13. Concentrations

The Company's revenues were concentrated among two customers for the year ended January 31, 2019:

Customer	Revenue for the year ended January 31, 2019	Revenue for the year ended January 31, 2018
1	62%	98%
2	38%	less than 10%

The Company's receivables were concentrated among one customer as at January 31, 2019 and two customers as at January 31, 2018:

Customer	Receivables as at January 31, 2019	Receivables as at January 31, 2018
1	–	90%
2	100%	10%

(Expressed in Canadian dollars)

14. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2019 $	2018 $
Statutory income tax rate	26%	26%
Income tax recovery at statutory rate	(2,337,032)	(914,577)
Permanent differences and other	1,155,870	481,292
Temporary differences	(9,140)	219,745
Change in tax rates	-	(6,896)
Change in valuation allowance	1,190,602	220,436
Deferred income taxes		–

The significant components of deferred income tax assets and liabilities are as follows:

	2019 $	2018 $
Non-capital losses	2,073,723	829,096
Property and equipment	46,344	31,249
Intangible assets	249,750	249,750
Share issuance costs	(68,515)	605
Valuation allowance	(2,301,302)	(1,110,700)
Deferred income taxes recovered	,-	–

As of January 31, 2019, the Company has non-capital tax losses of approximately of $7,680,456 (2018 - $3,070,000) that may be offset against future Canadian and United States taxable income. This loss expires commencing 2035.

15. Subsequent Events

On April 26, 2019, the Company arranged a non-brokered private placement for total gross proceeds of up to $750,000. The private placement will consist of up to 15,000,000 units at a price of $0.05 per unit. Each unit will comprise one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire one common share for a period of three years at a price of $0.15. The proceeds of the private placement will be used for general working capital purposes.

On June 3, 2019, the Company successfully been granted a temporary management cease trade order (MCTO) in connection with the anticipated late filing of the Company's audited annual financial statements and management's discussion and analysis for the financial year ended January 31, 2019.

On July 11, 2019, two individuals filed a Notice of Civil Claim in the Supreme Court of British Columbia seeking certification for a class action against the Company and numerous other parties. Management is not able to quantify the impact of this action.