



CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

(formerly Westbay Ventures Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in US Dollars)



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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cryptanite Blockchain Technologies Corp. (formerly Westbay Ventures Inc.),

Opinion

We have audited the consolidated financial statements of Cryptanite Blockchain Technologies Corp. (formerly Westbay Ventures Inc.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of changes in equity, loss and comprehensive loss and cash flows for the year ended December 31, 2018 and for the period from August 29, 2017 (date of incorporation) to December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying 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 year ended December 31, 2018 and for the period from August 29, 2017 (date of incorporation) to December 31, 2017 in accordance with International Financial Reporting Standards.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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 to the financial statements, which indicates that the Company incurred a net loss of \$6,997,843 during the year ended December 31, 2018 and, as of that date, the Company had an accumulated deficit of \$7,231,203. 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. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do 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. If, based on the work we have performed, 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 financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Rakesh Patel.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 29, 2019

An independent firm associated with
Moore Stephens International Limited

MOORE STEPHENS

CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

(formerly Westbay Ventures Inc.)

Consolidated Statements of Financial Position

As at December 31, 2018 and 2017

(Expressed in US Dollars)

	Notes	December 31, 2018	December 31, 2017
ASSETS			
Cash		\$ 360,405	\$ 1,788,001
Receivables	5	16,865	295
Prepays and deposits	6	74,430	-
Digital currencies	8	95,781	-
Assets held-for-sale	9	305,209	-
		852,690	1,788,296
Property and equipment	9	44,611	6,854
Investments	7	75,000	-
		\$ 972,301	\$ 1,795,150
LIABILITIES			
Accounts payable and accrued liabilities	10	\$ 175,510	\$ 111,000
Due to related parties	12	7,618	-
Deferred revenue		100	-
		183,228	111,000
SHAREHOLDERS' EQUITY			
Share capital	11	7,262,188	3,175
Reserve	11	839,172	203,122
Subscription receipts	11	-	1,711,213
Accumulated other comprehensive loss		(81,084)	-
Deficit		(7,231,203)	(233,360)
		789,073	1,684,150
		\$ 972,301	\$ 1,795,150

Nature of Operations (Note 1)

Commitments (Note 13)

Subsequent Events (Note 19)

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

Approved on behalf of the Board of Directors:

"John Eagleton"

Director

"Praveen Varshney"

Director

CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

(formerly Westbay Ventures Inc.)

Consolidation Statement of Changes in Equity

For the Years Ended December 31, 2018 and 2017

(Expressed in US Dollars)

	Note	Share Capital		Reserve	Subscription receipts	Accumulated other comprehensive loss	Deficit	Total shareholders' equity
		Number of shares	Amount					
Balance at August 29, 2017 (date of incorporation)	11	19,754,000	\$ 1,975	\$ 18,420	\$ -	\$ -	\$ -	20,395
Shares issued for cash	11	12,000,000	1,200	184,702	-	-	-	185,902
Subscriptions receipts	11	-	-	-	1,711,213	-	-	1,711,213
Net loss		-	-	-	-	-	(233,360)	(233,360)
Balance at December 31, 2017		31,754,000	3,175	203,122	1,711,213	-	(233,360)	1,684,150
Shares issued for cash	11	7,804,733	780	1,873,555	(1,711,213)	-	-	163,122
Share issuance costs	11	-	(24,519)	-	-	-	-	(24,519)
Fair value of warrants	11	-	(600,426)	600,426	-	-	-	-
Reallocation of reserve	11	-	2,076,677	(2,076,677)	-	-	-	-
Recapitalization transaction:								
Equity of Westbay	4,11	7,006,669	2,441,810	-	-	-	-	2,441,810
Shares issued for finder's fee	11	1,717,000	599,267	-	-	-	-	599,267
Shares issued for cash	11	8,189,442	2,858,279	-	-	-	-	2,858,279
Share issuance costs	11	-	(65,131)	-	-	-	-	(65,131)
Fair value of finders' warrants	11	-	(27,724)	27,724	-	-	-	-
Share-based compensation	11	-	-	211,022	-	-	-	211,022
Net loss		-	-	-	-	-	(6,997,843)	(6,997,843)
Other comprehensive loss		-	-	-	-	(81,084)	-	(81,084)
Balance at December 31, 2018		56,471,844	\$ 7,262,188	\$ 839,172	\$ -	(81,084)	(7,231,203)	789,073

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

CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

(formerly Westbay Ventures Inc.)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in US Dollars)

	Notes	Year ended December 31, 2018	From August 29, 2017 (date of incorporation) to December 31, 2017
Sales of product and services	15	\$ 1,106,362	\$ -
Cost of sales		(1,088,569)	-
		<u>17,793</u>	<u>-</u>
Operating expenses			
Advertising and marketing		589,196	556
Amortization	9	31,723	759
Application development		273,313	28,834
Bad debt		17,056	-
Bank charges and fees		29,504	2,352
Consulting fees	12	34,015	110,000
Foreign exchange		(22,972)	-
Management fees and salaries	12	377,752	21,000
Office and administration	12	428,954	28,089
Professional fees		207,148	25,228
Regulatory and transfer agent fees		26,801	-
Rent and utilities		92,127	5,235
Share-based compensation	11	211,022	-
Travel		94,366	11,307
		<u>2,390,005</u>	<u>233,360</u>
NET LOSS BEFORE OTHER ITEMS		(2,372,212)	(233,360)
Other items			
Interest and other income		319	-
Realized loss on digital currency transactions	8	(118,484)	-
Gain on revaluation of digital currencies	8	18,937	-
Impairment charge on assets held-for-sale	9	(63,122)	-
Impairment of investments	7	(661,829)	-
Impairment of security deposit	6	(365,018)	-
Listing expense	4	(3,211,128)	-
		<u>(4,400,325)</u>	<u>-</u>
NET LOSS FROM CONTINUING OPERATIONS		(6,772,537)	(233,360)
Loss from discontinued operations	9	(225,306)	-
NET LOSS FOR THE PERIOD		(6,997,843)	(233,360)
Other comprehensive loss that may be reclassified to profit and loss:			
Unrealized foreign exchange loss		(81,084)	-
COMPREHENSIVE LOSS FOR THE PERIOD		\$ (7,078,927)	\$ (233,360)

CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

(Formerly Westbay Ventures Inc.)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in US Dollars)

Loss per common share from continuing operations			
-basic and diluted	\$	(0.18)	\$ (0.36)
Weighted average number of common shares outstanding			
-basic and diluted		37,573,288	643,320

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

CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

(formerly Westbay Ventures Inc.)

Consolidated Statements of Cash Flows

(Expressed in US Dollars)

	Year ended December 31, 2018	From August 29, 2017 (date of incorporation) to December 31, 2017
Cash provided by (used in):		
Operating:		
Net loss for the period	\$ (6,997,843)	\$ (233,360)
Items not involving cash:		
Amortization	31,723	759
Share-based compensation	211,022	-
Realized loss on digital currency transactions	118,484	-
Gain on revaluation of digital currencies	(18,937)	-
Impairment of security deposit	365,018	-
Impairment charge on assets held-for-sale	63,122	-
Impairment of investments	661,829	-
Listing expense	3,197,591	-
	<u>(2,367,991)</u>	<u>(232,601)</u>
Changes in non-cash operating working capital items:		
Receivables	(10,242)	(295)
Prepays	(71,720)	-
Deposits	(365,018)	-
Accounts payable and accrued liabilities	(30,321)	111,000
Due to related party	7,618	-
Deferred revenue	100	-
	<u>(2,837,574)</u>	<u>(121,896)</u>
Investing		
Purchase of digital currencies	(195,328)	-
Acquisition of property and equipment	(69,480)	(7,613)
Investments	(736,829)	-
Assets held-for-sale	(368,331)	-
Net cash acquired on acquisition of Westbay	(70,721)	-
	<u>(1,440,689)</u>	<u>(7,613)</u>
Financing		
Proceeds from issuance of shares, net	4,642,964	206,297
Subscription receipts	(1,711,213)	1,711,213
	<u>2,931,751</u>	<u>1,917,510</u>
Effect of foreign exchange on cash flows	(81,084)	-
Change in cash during the period	(1,427,596)	1,788,001
Cash, beginning	1,788,001	-
Cash, ending	\$ 360,405	\$ 1,788,001

Supplemental disclosure with respect to cash flows (Note 14)

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

CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

(formerly Westbay Ventures Inc.)

Notes to Consolidated Financial Statements

For the year ended December 31, 2018

(Expressed in US Dollars)

1. NATURE OF OPERATIONS

Cryptanite Blockchain Technologies Corp. (formerly Westbay Ventures Inc.) (the “Company” or “Cryptanite”) was incorporated on June 24, 1986 under the laws of British Columbia.

The Company’s head office, principal address and records office is Suite 2050-1055 West Georgia Street, PO Box 11121, Royal Centre, Vancouver, BC V6E 3P3. The registered office is Suite 1500-1055 West Georgia Street, PO Box 11117, Vancouver, BC V6E 4N7.

On March 7, 2018, the Company completed a reverse takeover transaction (the “RTO”), which was effected pursuant to a merger agreement between Westbay Ventures Inc. and ChargaCard, Inc. (“ChargaCard”), a private corporation existing under the laws of Delaware with its head office in Boulder, Colorado. See Note 4.

As part of the transaction, the Company voluntarily delisted its common shares from the TSX Venture Exchange effective February 28, 2018, changed its name to Cryptanite Blockchain Technologies Corp. and commenced trading its shares on the Canadian Securities Exchange (“CSE”) under the symbol NITE on March 12, 2018. On June 26, 2018, the Company commenced trading on the OTCQB Venture Market in the United States of America under the symbol: CRBTF. On July 18, 2018, the Company also commenced trading on the Frankfurt Stock Exchange under the symbol 98AA.

The Company is in the business of offering its clients a full-service blockchain and cryptocurrency payment processing technology with end-to-end payment solutions and software system for recurring billing, client-to-client financing by allowing customers to pay for goods and services in monthly installments.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to fully develop its blockchain and cryptocurrency payment processing network. Given the volatile nature of the industry in which it operates, the Company is subject to risks and uncertainties that may adversely impact future operating results and cash flows. As at December 31, 2018, the Company has an accumulated deficit of \$7,231,203 including a loss for the year ended December 31, 2018 of \$6,997,843 (2017 - \$233,360), of which \$3,211,128 (2017 - \$Nil) was a listing expense recorded in connection with the RTO (Note 4). These uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities which might be necessary should the Company be unable to continue in existence.

The consolidated financial statements were authorized for issue on April 29, 2019 by the directors of the Company.

2. BASIS OF PRESENTATION

Statement of compliance to International Financial Reporting Standards (“IFRS”)

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

(formerly Westbay Ventures Inc.)

Notes to Consolidated Financial Statements

For the year ended December 31, 2018

(Expressed in US Dollars)

2. BASIS OF PREPARATION (cont'd)

Basis of presentation and consolidation

The consolidated financial statements of the Company have been prepared on an accrual basis except for cash flow information and are based on historical costs, modified where applicable and the valuation of certain financial assets and financial liabilities to fair value.

The consolidated financial statements are presented in US dollars.

Subsidiaries

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able directly or indirectly, to control financial and operational policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. They are de-consolidated from the date that control by the Company ceases.

The subsidiaries of the Company are as follows:

	Country of incorporation	Percentage owned		Functional currency
		December 31, 2018	December 31, 2017	
ChargaCard Inc. ⁽¹⁾	United States	100%	0%	USD
Cryptanite Ltd. ⁽²⁾	Malta	100%	0%	EURO
Intellabridge LLC. ⁽³⁾	Ukraine	100%	0%	UAH

(1) Acquired on March 7, 2018. See Note 4.

(2) Incorporated on October 9, 2018.

(3) Incorporated on August 7, 2018.

The consolidated financial statements include the accounts of Westbay from March 7, 2018, the date of the RTO. The financial statements prior to this date include only the accounts of ChargaCard. Inter-company transactions and balances are eliminated upon consolidation.

Consolidation

Assets, liabilities, revenues and expenses of the subsidiaries are recognized in accordance with the Company's accounting policies. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

All inter-entity balances and transactions, including unrealized profits and losses arising from inter-company transactions, have been eliminated in full on consolidation.

CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

(formerly Westbay Ventures Inc.)

Notes to Consolidated Financial Statements

For the year ended December 31, 2018

(Expressed in US Dollars)

2. BASIS OF PREPARATION (cont'd)

Significant accounting judgements, estimates and assumptions

The preparation of these 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 statements and the reported expenses during the period. Actual results could differ from these estimates.

The preparation of these consolidated financial statements requires management to make judgments regarding going concern of the Company as discussed in Note 1.

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

Share-based payments

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

Recognition and Valuation of Deferred Tax Assets

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future or whether taxable temporary differences will reverse such that deferred tax assets can be utilized. Recognition therefore involves a degree of estimation and judgement regarding the future financial performance or the timing of the reversed deferred tax liabilities where deferred tax assets have been recognized.

Research and development costs

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

Reverse takeover

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of estimated discounts. The Company considers the terms of the sales contracts as well as industry practices, taking into consideration the type of customer, the nature of the transaction and the specific circumstances of each arrangement.

CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

(formerly Westbay Ventures Inc.)

Notes to Consolidated Financial Statements

For the year ended December 31, 2018

(Expressed in US Dollars)

2. BASIS OF PREPARATION (cont'd)

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

Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of loss. For the year ended December 31, 2018, other comprehensive loss is related to the effects of currency translation adjustments.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The consolidated financial statements of the Company are presented in US dollars. The individual financial statements of each subsidiary are presented in its functional currency, the currency of the primary economic environment in which the entity operates. The functional currency of Cryptanite is the Canadian dollar, and the functional currencies of the subsidiaries are listed in *Subsidiaries* section of Note 2.

In preparing the financial statements of each subsidiary, transactions in currencies other than the entity's functional currency are translated at exchange rates in effect on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rate of the exchange in effect as at the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the exchange rates prevailing at the time when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Revenue and expenses are translated at average exchange rates prevailing during the reporting period. Foreign currency differences arising on translation are recognized in the consolidated statement of comprehensive loss. All resulting exchange gains or losses are recognized as a foreign currency translation adjustment and included as a separate component of equity, Accumulated Other Comprehensive Income ("AOCI").

Digital currencies

Digital currencies consist of cryptocurrencies and are initially recorded at cost. Changes in the fair value of digital currencies are recorded in profit and loss in the period of the change. Digital currencies are measured using www.coinmarketcap.com to derive the fair value. The digital currency market is still a new market and is highly volatile. Historical prices are not necessarily indicative of future value, and a significant change in the market prices for digital currencies could have a material impact on the Company's earnings and financial position.

Property and equipment

Items of equipment are recorded at cost less accumulated depreciation and impairment charges. Such cost consists of the purchase price, any costs directly attributable to bringing the equipment to the location and condition necessary for its intended use.

CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

(formerly Westbay Ventures Inc.)

Notes to Consolidated Financial Statements

For the year ended December 31, 2018

(Expressed in US Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property and equipment (cont'd)

Depreciation of equipment and leasehold improvements is calculated over the estimated useful lives as follows:

Crypto-mining equipment	18 months	straight-line method
Computer equipment	24 months	straight-line method
Office equipment and furniture	36 months	straight-line method
Leasehold improvements	16 months	straight-line method

Impairment

The Company reviews the carrying amounts of its non-financial assets, including equipment, when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Assets carried at fair value, such as digital currencies, are excluded from impairment analysis.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows to be derived from continuing use of asset or cash generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Fair value less costs of disposal is estimated using recent market prices for similar items that would be received in an orderly transaction between market participants at the measurement date. If the recoverable amount of an asset or cash generating unit is reduced to its recoverable amount, an impairment loss is recognized immediately in the consolidated statement of loss. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

Income taxes

Income tax expense is comprised of current and deferred tax components.

The Company follows the liability method of accounting for taxes. Under this method, deferred tax assets and liabilities are recognized based on the estimated tax effects of temporary differences in the carrying amount of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax assets and liabilities are calculated using the enacted or substantively enacted income tax rates that are expected to apply when the asset is recovered or the liability is settled. Deferred tax assets or liabilities are not recognized when they arise on the initial recognition of an asset or liability in a transaction (other than in a business combination) that, at the time of the transaction, affects neither accounting nor taxable profit.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences or tax loss carry forwards can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date, and is reduced if it is no longer probable that sufficient future taxable profits will be available against which the temporary differences or tax loss carry forwards can be utilized.

CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

(formerly Westbay Ventures Inc.)

Notes to Consolidated Financial Statements

For the year ended December 31, 2018

(Expressed in US Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income taxes (cont'd)

Current tax is calculated based on net earnings for the year, adjusted for items that are non-taxable or taxed in different periods, using income tax rates that are enacted or substantively enacted at each reporting date. Income taxes are recognized in equity or other comprehensive income, consistent with the items to which they relate.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent they do not meet the definition of a financial liability or financial asset. The Company's common shares, options and warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that shares are issued.

Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to profit or loss.

Warrants

Equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

Share-based compensation

The Company has a share option plan. The fair value of share-based compensation to employees is measured at grant date using the Black-Scholes Option Pricing Model, and is recognized over the vesting period using the graded vesting method. The fair value of share-based compensation to non-employees is measured at the date the goods or services are received, at either the fair value of the goods or services received or the fair value of the equity instruments issued using the Black-Scholes Option Pricing Model, if the fair value of the goods or services received cannot be readily measured.

For both employees and non-employees, the fair value is recognized as an expense with a corresponding increase in reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. For share options granted with vesting terms conditional upon the achievement of a performance condition, and the performance condition is not a market condition, the Company revises its estimates of the length of the vesting period, if necessary, when information arises that indicates that the length of the vesting period differs from previous estimates. When this occurs, the change in estimate is accounted for prospectively.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based compensation (cont'd)

Compensation expense is recorded in the consolidated statement of loss as share-based compensation expense with a corresponding credit to equity reserves. When stock options are exercised, the proceeds, together with the amount recorded in equity reserves, are recorded in share capital.

Financial instruments

As at January 1, 2018, the Company adopted all of the requirements of IFRS 9, which replaced IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and a new "expected credit loss model" for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is substantially unchanged.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9.

	<i>Original classification IAS 39</i>	<i>New classification IFRS 9</i>
Financial assets		
Cash	Financial assets - FVTPL	Financial assets - FVTPL
Receivables	Loans and receivables - amortized cost	Amortized cost
Deposit	Loans and receivables - amortized cost	Amortized cost
Investments	Financial assets - FVTPL	Financial assets - FVTPL
Financial liabilities		
Accounts payable	Other financial liabilities - amortized cost	Amortized cost
Due to related parties	Other financial liabilities - amortized cost	Amortized cost

The following are new accounting policies for financial assets under IFRS 9.

The Company classifies its financial assets in one of the following categories: (1) financial assets at fair value through profit or loss ("FVTPL"), (2) loans and receivables at amortised cost or (3) financial assets at fair value through other comprehensive income ("FVTOCI"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized 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 comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on de-recognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

The Company's financial instruments at December 31, 2018 are as follows:

	<i>FVTPL</i>	<i>Amortized cost</i>
Financial assets		
Cash	\$ 360,405	\$ —
Receivables	6,104	—
Investments	75,000	—
Financial liabilities		
Accounts payables	—	137,813
Due to related parties	—	7,618
	\$ 441,509	\$ 145,431

The Company has classified its cash and investments as financial assets at FVTPL. Receivables and deposits are classified as loans and receivables, and trade payables and due to related parties are classified as other financial liabilities, all of which are measured at amortized cost.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- i) Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- ii) Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- iii) Level 3 – Applies to assets or liabilities for which there are unobservable market data.

Cash deposits have been measured at fair value using Level 1 inputs. The carrying value of receivables, digital currencies, security deposits, accounts payables and accrued liabilities and due to related parties approximate their fair value because of the short-term nature of these instruments or their ability of prompt liquidation.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, an impairment loss is recognized in the consolidated statement of loss. Impairment losses on financial assets carried at amortized cost, including loans and receivables, are calculated as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Earnings/ loss per share amounts

Basic per share amounts are calculated by dividing the net earnings or loss by the weighted average number of shares outstanding during the reporting period.

Diluted per share amounts are calculated by using the treasury stock method, by adjusting the weighted average number of shares outstanding for the potential number of issued instruments which may have a dilutive effect on net earnings or loss. This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the period.

Revenue

The Company generates revenue by providing transaction processing services for digital currencies, contracting development and IT services and telecommunication data services. Revenues from crypto mining activities is recognised at the fair value of the digital currencies received as consideration on the date of actual receipt. Revenues from telecommunication and IT and other development services are recognised when services are provided and billed.

The Company adopted IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") on a retroactive basis in accordance with the transitional provisions. IFRS 15 will replace IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations on revenue. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The new standard requires companies to follow a five-step model to determine if revenue should be recognized:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the entity satisfies a performance obligation

The Company has concluded that there are no significant differences between the point of risks and rewards transfer and the point of transfer of control under IFRS 15.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New accounting pronouncements

At the date of authorization of these consolidated financial statements, certain new standards, and amendments to existing standards have been issued by the IASB and effective for reporting periods beginning on or after January 1, 2019.

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations, and amendments either not adopted or listed below, are not expected to have a material impact on the Company's consolidated financial statements.

IFRS 16 "Leases"

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16 - Leases 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 leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

The Company plans to apply IFRS 16 effective January 1, 2019 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize a lease obligation related to its lease commitment for its office lease. It will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The associated right of use asset will be measured at the lease obligation amount, less prepaid lease payments, resulting in no adjustment to the opening balance of deficit. The Company intends to apply the following practical expedients permitted under the new standard: leases of low dollar value will continue to be expensed as incurred; and the Company will not apply any grandfathering practical expedients.

As at January 1, 2019 the Company expects to recognize a right-of-use asset and corresponding liability for its office lease. Furthermore, the Company expects a decrease in administrative expenses, an increase in depreciation expense (as the right-of-use asset is depreciated) and an increase in finance costs (due to accretion of the lease liability).

4. REVERSE TAKEOVER OF CHARGACARD

On March 7, 2018 ("RTO Date"), the Company completed an RTO transaction with ChargaCard (Note 1), whereby the Company acquired 100% of the issued and outstanding common shares of ChargaCard.

Pursuant to the RTO, the Company issued an aggregate of 39,558,733 common shares of the Company in exchange for all of the issued and outstanding shares of ChargaCard. Upon closing of the transaction, the shareholders of ChargaCard owned 70% of the common shares of the Company and, as a result, the transaction is considered a reverse acquisition of the Company by ChargaCard. The Company changed its year end from May 31st to December 31st in order to align the fiscal year periods to that of ChargaCard.

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4. REVERSE TAKEOVER OF CHARGACARD (cont'd)

In conjunction with the RTO, the Company raised capital through an equity financing consisting of 8,189,442 common shares of the Company at a price of approximately \$0.35 per share for gross proceeds of \$2,858,279 (CAD \$3,685,249) (Note 11).

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

The accounting for this transaction resulted in the following:

- (i) The consolidated financial statements of the combined entity are issued under the legal parent, Cryptanite, but are considered a continuation of the financial statements of the legal subsidiary, ChargaCard.
- (ii) As ChargaCard is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.
- (iii) Since the shares allocated to the former shareholders of Cryptanite on closing the RTO is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or service received in return for the allocation of the shares, the value in excess of the net identifiable assets or obligations of Cryptanite acquired on closing was expensed in the consolidated statement of loss and comprehensive loss as a listing expense.

The fair value of the 7,006,669 common shares for all of Westbay was determined to be \$2,441,810 or \$0.35 per common share.

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

Fair value of the common shares at RTO Date	\$ 2,441,810
Identifiable assets acquired – At March 7, 2018	
Cash	\$ (70,721)
Receivables	6,328
Prepays	2,710
Trade payables	(94,831)
	(156,514)
Unidentified assets acquired	
Listing expense	2,598,324
Total net identifiable assets and transaction costs	\$ 2,441,810

- (v) The Company paid a finder's fee of 1,717,000 shares at the completion of the RTO. Accordingly, the Company recorded the fair value of \$599,267 as a listing expense. The Company incurred additional listing expenses of \$13,537.
- (vi) The comparative figures as at December 31, 2017 and for the period from August 29, 2017 (date of incorporation) to December 31, 2017 are those of ChargaCard.

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Notes to Consolidated Financial Statements

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5. RECEIVABLES

December 31,		2018		2017
Goods and services input tax credits	\$	10,761	\$	-
Other receivables		6,104		295
	\$	16,865	\$	295

6. PREPAIDS AND DEPOSITS

As at December 31, 2018, the Company's prepaid expenses and deposits consists of the following:

December 31,		2018		2017
Deposit with the digital currency exchange	\$	24,105	\$	-
Insurance		17,653		-
Other		32,672		-
Total prepaids	\$	74,430	\$	-

According to a Data Service Agreement dated August 9, 2018, the Company paid a security deposit of \$365,018. The Data Service Agreement was terminated subsequent to December 31, 2018, and \$10,000 was refunded to the Company. The Company's management was not able to collect the deposit back by February 21, 2019 as per the terms of the Data Service Agreement and recognized an impairment allowance of \$365,018 on the security deposit in the consolidated statement of loss. On April 18, 2019, the Company entered into an agreement whereby the remaining balance of the deposit are to be repaid to the Company, in an installment basis, by June 30, 2019.

7. INVESTMENTS

December 31,		2018		2017
(1) On February 1, 2018, the Company entered into a Simple Agreement for Future Equity ("SAFE") Agreement with Fanboard Inc. ("Fanboard"), a private company, to invest in future rights to shares after the Fanboard reaches a valuation cap of \$1,000,000. The maximum investment shall not be higher than \$60,000.		\$ 45,000	\$	-
(1) On May 1, 2018, the Company entered into a SAFE Agreement with True Sync Media, Inc. ("True Sync"), a private company to invest in future rights to shares after True Sync reaches a valuation cap of \$2,000,000 for an investment of \$30,000.		30,000		-
		\$ 75,000	\$	-

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7. INVESTMENTS (cont'd)

- (1) Pursuant to the terms of the SAFE Agreements, if there is an equity financing before the instrument expires or is terminated, the company will automatically issue to the investors either: 1) a number of shares of standard preferred stock sold in the equity financing equal to the purchase amount divided by the price per share of the standard preferred stock, if the pre-money valuation is less than or equal to the valuation cap; or 2) a number of shares of SAFE preferred stock equal to the purchase amount divided by the SAFE Price, if the pre-money valuation is greater than the valuation cap.

If there is a liquidation event before the expiration or termination of the SAFE Agreement, the investor will at its option either: 1) receive a cash payment equal to the purchase amount or 2) automatically receive from the company a number of shares of common stock equal to the purchase amount divided by the liquidity price, if the investor fails to select the cash option.

Thereafter the SAFE Agreement will terminate. In connection with a cash payment through a liquidity event, if there are not enough funds to pay the investors and holder of the SAFE Agreements in full, funds will be distributed pro-rata and based on the purchase price and the remaining amounts will be covered with common stock equal to the remaining unpaid purchase price divided by the liquidity event.

In a dissolution event, SAFE Agreement holders will be paid out of remaining assets prior to holders of the company's capital stock.

In accordance with IFRS 9, the Company has initially recorded these investments at cost, which approximates fair value. To December 31, 2018, neither Fanboard nor True Sync have met the valuation cap thresholds. As such, no shares have been distributed to the Company.

- (2) On July 10, 2018, the Company signed an agreement (the "JV Agreement") with BRC Blockchain Resources Corp. ("BRC"), a corporation existing under the laws of the Province of British Columbia, to create a joint venture company, BRC Cryptanite Mining Corp. ("JV Company"), for the purchase, assembly, siting and operation of mobile crypto-currency mining equipment to be located in the United States.

Under the terms of the agreement, the Company was to make an initial contribution of \$55,000, representing a 20% initial capital in the JV Company. As at December 31, 2018, the Company paid \$3,333 (2017 - \$Nil) and the remaining balance of \$51,667 was paid subsequent to year end.

Pursuant to the terms of the JV Agreement, the Company also issued a non-interest bearing loan of \$520,000 (2017 - \$Nil) to fund the purchase and assembly of certain crypto-currency mining equipment.

As at December 31, 2018, JV Company did not generate any income from the crypto-mining operations and has not repaid any amounts of the loan. The Company's management determined the investment was impaired and expensed the investments of \$575,000 in the consolidated statement of loss.

- (3) On April 2, 2018, the Company signed a Revenue Participation Agreement ("RP Agreement") with Canyon Capital LLC ("Canyon Capital"), a corporation with directors in common, existing under the laws of the State of New Mexico, USA. Pursuant to the RP Agreement, the Company agreed to provide application development services and, in return, would earn a 10% royalty from the gross revenue from the project. As at December 31, 2018, the Company incurred a total of \$86,829 in application development costs in connection with this project.

As at December 31, 2018, Canyon Capital did not generate any income from the project and no royalties have been earned by the Company. The Company's management determined the investment was impaired and expensed the investment of \$86,829 in the consolidated statement of loss.

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8. DIGITAL CURRENCIES

As at December 31, 2018 (2017 - \$Nil), the Company held the following digital currencies:

Symbol	Digital currency	Quantity	Fair value
BCH	Bitcoin Cash	11.51954	\$ 1,740
BTC	Bitcoin	7.86111	29,422
BTS	BitShares	17.93200	1
DASH	DASH	40.35174	3,211
DMT	DMarket	4,343.60197	1,061
DOGE	Dogecoin	2,941.91952	7
ENJ	Enjin Coin	0.63600	0
EOS	EOS	689.51979	1,772
ETC	Ethereum Classic	644.43171	3,254
ETH	Ethereum	180.13986	24,025
FUN	FunFair	145,380.29600	599
ICX	Icon	2.29162	1
IOTA	Iota	0.63600	0
LOOM	Loom Network	44,364.57300	2,011
LTC	Litecoin	125.37740	3,820
MANA	Decentraland	62,985.49700	2,861
MITH	Mithril	0.11300	0
NEO	NEO	249.64111	1,880
PIVX	PIVX	0.99700	1
RDD	ReddCoin	415,625.00000	526
SC	Siacoin	0.15302	0
TRX	Tron	22.00000	0
USDT	Tether	3,622.35304	3,659
WAN	Wanchain	4.99000	2
XEM	NEM	0.76600	0
XLM	Stellar	49,240.89377	5,555
XMR	Monero	0.06209	3
XRP	XRP	19,789.02326	6,980
ZEC	Zcash	32.33292	1,828
ZEN	Horizen	94.21119	501
ZRX	0x	3,651.13700	1,061
			\$ 95,781

Digital currencies were valued using the closing USD price quoted on www.coinmarketcap.com. During the year ended December 31, 2018, the Company recorded a revaluation gain of \$18,937 (2017 - \$Nil) on digital currencies and realized a loss of \$118,484 (2017 - \$Nil) from the trades of digital currencies.

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9. PROPERTY AND EQUIPMENT

	Land and building ⁽¹⁾	Cryptomining Equipment ⁽²⁾	Leasehold Improvements	Furniture & Equipment	Computer Equipment	Other Assets	Total
Cost:							
At August 29, 2017 (date of incorporation)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	-	-	-	7,152	461	7,613
At December 31, 2017	-	-	-	-	7,152	461	7,613
Additions	368,331	225,056	9,105	7,784	48,690	3,901	662,867
Impairment	(63,122)	(38,733)	-	-	-	-	(101,855)
Assets held-for-sale	(305,209)	-	-	-	-	-	(305,209)
Reallocated to discontinued operations	-	(186,323)	-	-	-	-	(186,323)
At December 31, 2018	\$ -	\$ -	\$ 9,105	\$ 7,784	\$ 55,842	\$ 4,362	\$ 77,093
Depreciation and impairment:							
At August 29, 2017 (date of incorporation)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	-	298	461	759
At December 31, 2017	-	-	-	-	298	461	759
Amortization	-	45,457	9,105	1,530	17,187	3,901	77,180
Reallocated to discontinued operations	-	(45,457)	-	-	-	-	(45,457)
At December 31, 2018	\$ -	\$ -	\$ 9,105	\$ 1,530	\$ 17,485	\$ 4,362	\$ 32,482
Net book value:							
At December 31, 2017	\$ -	\$ -	\$ -	\$ -	\$ 6,854	\$ -	\$ 6,854
At December 31, 2018	\$ -	\$ -	\$ -	\$ 6,254	\$ 38,357	\$ -	\$ 44,611

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9. PROPERTY AND EQUIPMENT (cont'd)

- (1) During the year ended December 31, 2018, the Company acquired title to a facility located in Nederland, Colorado. This facility was to be used as a data center for its cryptocurrency mining operations. As at December 31, 2018, the facility remained vacant and was not used in operations during the year. As of December 31, 2018, management made an assessment of the market value of the facility and recognized an impairment loss of \$63,122 (2017 - \$Nil) against its carrying value. As at December 31, 2018, the remaining carrying value of the property of \$305,209 (2017 - \$Nil) was reclassified to assets held-for-sale, following management's decision to offer the facility for sale.
- (2) During the year ended December 31, 2018, the Company purchased equipment to mine cryptocurrency. As of December 31, 2018, management made an assessment, given changes in the business environment, to discontinue crypto-mining activities. As such, the following accounts have been reclassified to discontinued operations:

December 31,		2018		2017
Cost of crypto mining equipment	\$	225,056	\$	–
Revenue from crypto mining		(4,456)		–
Cost of crypto mining revenue		4,706		–
	\$	225,306	\$	–

10. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

December 31,		2018		2017
Accounts payable	\$	137,813	\$	111,000
Accrued liabilities		37,697		–
	\$	175,510	\$	111,000

11. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

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

- (i) ChargeCard completed a private placement of 7,804,733 common shares for gross proceeds of \$1,874,335, of which \$1,711,213 was collected in fiscal 2017 and recorded in subscription receipts at December 31, 2017. ChargeCard's authorized share capital was issued with a par value of \$0.0001 per share, with the excess of par value recorded in reserve. Accordingly, ChargeCard recorded \$780 in share capital and \$1,873,555 in reserve. ChargeCard paid \$24,519 in share issuance costs related to the private placement, which was recorded in reserve. ChargeCard also issued 2,000,000 finders' warrants in connection to the private placement. Each share purchase warrant is exercisable at a price of CAD\$0.10 per common share for an 18 month period expiring September 9, 2019. Accordingly, ChargeCard recorded a fair value of \$600,426 in the reserve account.

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11. SHARE CAPITAL (cont'd)

(b) Issued (cont'd)

- (ii) On March 7, 2018, in accordance with the RTO (Note 1), the Company issued 39,558,733 common shares to acquire all the issued and outstanding shares of ChargaCard and adopted the Company's authorized share capital without par value (Note 4). Accordingly, all amounts previously allocated to reserve were reallocated to share capital.

Concurrent with the completion of the RTO, the Company issued 1,717,000 common shares to the finder of the Company's acquisition of ChargaCard. The fair value of these common shares of \$599,267 and additional expenses of \$13,537 were recorded as a listing expense during the year ended December 31, 2018 (Note 4).

- (iii) Completed a non-brokered private placement of 8,189,442 common shares at a price of \$0.35 (CAD \$0.45) per share for total gross proceeds of \$2,858,279 (CAD \$3,685,249). The Company paid finders' fees totaling \$65,131 and issued an aggregate of 184,299 warrants, each of which is exercisable to acquire one common share of the Company at a price of CAD \$0.45 per share over a period of one year from date of issue. The Company recognized a fair value of \$27,724 on the finder's warrants.

During the period from August 29, 2017 (date of incorporation) to December 31, 2017, the Company issued 31,754,000 common shares for proceeds of \$206,297, of which \$3,175 had been allocated to share capital and \$203,122 to reserves.

(c) Escrow shares

17,648,600 shares issued to the principals of the Company under the RTO are subject to escrow conditions required by applicable securities laws and the CSE requirements. Pursuant to the terms of the escrow agreements, 10% of the escrowed shares were released from escrow on March 7, 2018. The remaining 13,236,450 shares held within escrow will be released over a period of 36 months.

In addition, 2,750,000 shares issued under the RTO have a restrictive resale legend and are subject to an 18-month voluntary hold period with 10% of shares being released four, eight and twelve months from the CSE listing date, and 35% released every three months thereafter.

(d) Reserve

The reserve records items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

(e) Stock options and warrants

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

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11. SHARE CAPITAL (cont'd)

(e) Stock options and warrants (cont'd)

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

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, August 24, 2017 and December 31, 2017	-	CAD\$ -	-	CAD\$ -
Granted	2,184,299	CAD\$ 0.13	920,000	CAD\$ 0.60
Outstanding, December 31, 2018	2,184,299	CAD\$ 0.13	920,000	CAD\$ 0.51
Number currently exercisable	2,184,299	CAD\$ 0.13	620,000	CAD\$ 0.47

As at December 31, 2018, the following were outstanding:

	Expiry Date	Number of Shares	Weighted Average Exercise Price	Weighted Average Period
Options	March 12, 2023	620,000	CAD\$ 0.47	4.20 years
	September 12, 2019	100,000	CAD\$ 0.60	0.70 years
	September 12, 2020	100,000	CAD\$ 0.60	1.70 years
	September 12, 2021	100,000	CAD\$ 0.60	2.70 years
		920,000	CAD\$ 0.51	3.38 years
Warrants	March 2, 2019	184,299(*)	CAD\$ 0.45	0.17 years
	September 7, 2019	2,000,000	CAD\$ 0.10	0.68 years
		2,184,299	CAD\$ 0.13	0.64 years

(*) 184,299 finder's warrants expired unexercised subsequent to December 31, 2018.

Stock option and warrant activities during the year ended December 31, 2018:

- (i) On March 12, 2018, the Company issued 620,000 incentive stock option to a consultant for the purchase of up to 620,000 common shares of the Company at an exercise price of CAD\$0.47 per share on or before March 12, 2023 with no vesting provisions.
- (ii) On April 30, 2018, the Company issued three blocks of 100,000 stock options, for a total of 300,000, incentive stock options to an officer of the Company for the purchase of up to 300,000 common shares of the Company at an exercise price of CAD \$0.60 per share. Each block of stock options are subject to vesting provisions and expire between September 21, 2019 and 2021.
- (iii) In connection with the private placement, the Company issued to finders an aggregate of 184,299 common share purchase warrants. Each finder warrant is exercisable for one common share of the Company at an exercise price of CAD \$0.45 per share until March 2, 2019.

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11. SHARE CAPITAL (cont'd)

(e) Stock options and warrants (cont'd)

(iv) In connection to the private placement completed by ChargaCard, 2,000,000 finder's warrants were issued to a company for its efforts in raising funds exceeding the minimum target amount during the period up to and including 18 months from the date of listing of the Company, Each whole warrant is exercisable for one common share of the Company at an exercise price of CAD \$0.10.

(i) Recognized \$600,426 in share-based compensation on finder's warrants in reserves.

(f) Share-based compensation

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

(ii) Recognized \$211,022 (2017 - \$Nil) in share-based compensation for options granted to a consultant and to an officer of the Company.

(iii) Recognized \$27,724 (2017 - \$Nil) in share-based compensation on finder's warrants in reserves.

The Company applies the fair value method in accounting for its stock options and finder's warrants using the Black-Scholes Option Pricing Model using the following estimates:

December 31, 2018	Warrants	Stock Options
Risk free rate	1.75%	1.99%
Expected dividend yield	0%	0%
Expected stock price volatility	147.66%	157.06%
Weighted average expected life	1.46 years	4.14 years
Weighted average fair value	CAD \$0.37	CAD \$0.32

12. RELATED PARTY TRANSACTIONS

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

During the year ended December 31, 2018, the remuneration of management fees to key personnel were as follows:

December 31,		2018		2017
Chief Executive Officer	\$	95,311	\$	13,500
Chief Operating Officer ⁽¹⁾		90,000		7,500
Chief Technology Officer ⁽³⁾		114,205		-
President ⁽²⁾		78,236		-
Total	\$	377,752	\$	21,000

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12. RELATED PARTY TRANSACTIONS (cont'd)

- (1) Pursuant to an Operations Management and Product Development Services contract between the Company and its Chief Operating Officer dated December 4, 2017. The contract is for a one year term with an extension to renewal for an additional year at the end of the original term.
- (2) Pursuant to a consulting agreement between the Company and Katmando Holdings Inc., a company owned by Keith Turner, President of the Company, dated April 30, 2018. This agreement was terminated on January 31, 2019.
- (3) Salary of the CTO of ChargaCard who has been appointed to the Board of Directors of the Company subsequent to December 31, 2018.

Other related party transactions and balances

- (a) On March 1, 2018, the Company entered into an administrative agreement with Varshney Capital Corp. ("VCC"), a company controlled by a common director. (Note 13(a))

Pursuant to this agreement for the year ended December 31, 2018, the Company paid \$76,650 (2017 - \$Nil) for administrative fees to VCC.

- (b) As at December 31, 2018, \$600 (2017 - \$Nil) in cost recoveries was due from companies with a director in common. The amount was included in receivables, and \$600 was collected subsequent to December 31, 2018 (Note 5).
- (c) As at December 31, 2018, \$7,037 (2017 - \$Nil) was due to Katmando Holdings Inc. for management services, and \$581 (2017 - \$Nil) was due to a director of the Company for reimbursement of business expenses. The amounts were paid subsequent to December 31, 2018.
- (d) In connection with the RTO and concurrent private placements, the Company issued 2,000,000 share purchase warrants to VCC exercisable at a price of CAD \$0.10 per share expiring September 9, 2019. A fair value of \$599,528 was recorded as a listing expense on these warrants (Note 11(e)). ChargaCard also paid \$29,000 to VCC for consulting and advisory services provided in connection with the RTO.
- (e) During the year ended December 31, 2018, the Company issued three blocks of 100,000 stock options, for a total of 300,000, incentive stock options to the President of the Company for the purchase of up to 300,000 common shares of the Company at an exercise price of CAD \$0.60 per share. Each block of stock options are subject to vesting provisions and expire between September 21, 2019 and 2021. The Company recognized \$26,058 (CAD \$33,996) in share-based compensation for the vested portion of these stock options.
- (f) During the year ended December 31, 2018, ChargaCard engaged in a software application development project with Canyon Capital (Note 7), a company with a common director and officer. As at December 31, 2018, the Company incurred software development costs of \$86,829 in connection with this project.

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13. COMMITMENTS

- (a) On March 1, 2018, the Company entered into an agreement with VCC to provide administrative services to the Company for a period of three years in exchange for a monthly fee of CAD\$10,000 plus applicable taxes. At the end of the service term, the terms of the agreement are automatically renewed on an annual basis until either party provides notice of termination.
- (b) On March 1, 2018, the Company entered into a sublease agreement with a company for a portion of the office premises located in Vancouver, BC for a period of 2 years and 9 months, expiring November 30, 2020, in exchange for CAD\$2,050 or US\$1,503 per month plus applicable taxes.

The following table presents the projected amounts due under the agreement in future years:

December 31,		2018
2019	\$	18,036
2020		16,533
Total	\$	34,569

- (c) On February 26, 2018, ChargaCard entered into a sublease agreement for office rental space premises located in Kiev, Ukraine, for a period expiring July 15, 2019, in exchange for US\$4,560 per month plus applicable taxes. A refundable security deposit of \$10,943 was paid on this lease.

The following table presents the projected amounts due under the agreement in future years:

December 31,		2018
2019	\$	29,640

- (d) On December 17, 2018, the Company entered into a research and development services contract, pursuant to which the Company agreed to provide development services to its client utilizing blockchain technologies for a 6 month period. The total consideration of the contract is US \$500,000 that will be billed monthly in arrears.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended December 31, 2018 included:

- fair value of finder's warrants of \$27,724 (2017 - \$Nil) recognized as share issuance costs included in share capital (Note 11(b)(iii));
- fair value of shares granted in conjunction with the RTO of \$599,267 (2017 - \$Nil) and recorded as listing expense (Note 11(b)(ii)); and
- reallocation of \$2,076,677 for amounts previously allocated to reserve were reallocated to share capital.

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15. SEGMENTED INFORMATION

The Company operates in three industry segments, being transaction processing services for digital currencies, contracting development and IT services and telecommunication data services.

December 31,	2018	2017
Sales for the period		
Transaction processing	\$ 325	\$ -
Contracting development and IT services	5,387	-
Telecommunication data services	1,100,650	-
	<u>\$ 1,106,362</u>	<u>\$ -</u>

The Company operates in the following geographic areas:

December 31,	2018	2017
Long-term investments – USA	<u>\$ 75,000</u>	<u>\$ -</u>
Property and equipment		
USA	7,305	6,854
Ukraine	37,306	-
	<u>\$ 44,611</u>	<u>\$ 6,854</u>

16. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2018	2017
Loss before income taxes	\$ (6,997,843)	\$ (233,360)
Tax rate	25.5%	15%
Expected income tax recovery at statutory tax rates	\$ (1,784,450)	\$ (35,004)
Increase (decrease) in income tax recovery resulting from:		
Non-deductible items	57,720	-
Foreign tax rates differences	72,021	-
Change in deferred tax assets not recognized	1,654,709	(35,004)
Total income tax expense (recovery)	<u>\$ -</u>	<u>\$ -</u>

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16. INCOME TAXES (cont'd)

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statement of financial position are as follows:

	2018	Expiry dates	2017	Expiry dates
Share issue costs	\$ 130,889	No expiry	\$ -	No expiry
Non-Capital losses (Canada)	1,569,889	2029 to 2038	-	-
Net operating losses (US)	1,455,338	2037-2038	233,360	2037
Non capital losses (Malta)	7,870	-	-	-
	3,163,986		233,360	
Deferred tax asset not recognized	(3,163,986)		(233,360)	
Deferred tax asset liability	\$ -		\$ -	

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Credit risk

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

The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consist primarily of refundable Canadian government sales taxes of \$10,761.

The Company is exposed to higher credit risks on its digital currencies that are held on different crypto exchange platforms. Management chooses reliable and legitimate platforms for its crypto transaction to minimize that risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring cash requirements to ensure that it is able to meet its short term and long term obligations and operational plans.

As at December 31, 2018, the Company had working capital of \$669,462 (2017 - \$1,677,296).

Market risk

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

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

(a) *Interest rate risk*

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

(b) *Foreign currency risk*

The Company and its subsidiaries operate internationally, and during the year were exposed to foreign exchange risk arising from currency fluctuations, primarily with respect to the USD/ CAD dollar rate.

Management regularly monitors exposure to foreign exchange risks, but does not have a current hedging policy in place.

As at December, 2018, the Company had cash of CAD \$347,444. A 10% change in the US dollar versus the Canadian dollar would give rise to a gain/loss of approximately \$25,448 within cash and cash equivalents.

(c) *Price risk*

The Company is exposed to digital currencies price risk due to the volatility of the industry.

18. CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

There were no changes in the Company's approach to capital management during the year.

19. SUBSEQUENT EVENTS

(a) On February 1, 2019, the Company entered into a new Service Agreement with Katmando Holdings, a company owned by the President of the Company, to provide professional development services to the Company in exchange for a performance-based commission fee until January 31, 2021.

(b) On February 28, 2019, as amended on March 21, 2019, the Company entered into a Shareholders Agreement with a group of three individuals, for provision of an investment loan for a software development project and incorporation of a common legal entity in which the Company will acquire a 3.35% interest of shares. Pursuant to the terms of the Shareholders Agreement, the Company agreed to provide an investment loan in the amount up to \$60,000 to fund the development of the project and cover operating expenses, of which \$10,000 was transferred on March 22, 2019. The investment loan has no interest and is returnable to ChargaCard from profits generated by the product after a one year hold period.