CASCADIA CONSUMER ELECTRONICS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 31, 2017 and 2016

(Expressed in Canadian Dollars)

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Cascadia Consumer Electronics Corp.

We have audited the accompanying consolidated financial statements of Cascadia Consumer Electronics Corp. which comprise the consolidated statements of financial position as at January 31, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cascadia Consumer Electronics Corp. as at January 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
May 31, 2017

CASCADIA CONSUMER ELECTRONICS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JANUARY 31, 2017 AND 2016
(Expressed in Canadian dollars)

	Notes		**2017**		2016
ASSETS					
Current assets					
Cash and cash equivalents		**$**	**2,568,319**	$	833,892
Amounts receivable	6		**24,226**		5,362
Prepaid expense			**2,897**		1,480
Total assets		**$**	**2,595,442**	$	840,734
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**191,120**	$	25,287
Deferred revenue	4		**189,300**		-
Total current liabilities			**380,420**		25,287
Equity					
Share capital	5		**5,669,592**		1,547,592
Contributed surplus	5		**58,248**		44,228
Deficit			**(3,512,818)**		(776,373)
Total equity			**2,215,022**		815,447
Total liabilities and equity		**$**	**2,595,442**	$	840,734

The consolidated financial statements were authorized for issue by the board of directors on May 31, 2017 and were signed on its behalf by:

/s/ *"Di Deng"*
Di Deng, Director

/s/ *"Ying Zhou"*
Ying Zhou, Director

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

CASCADIA CONSUMER ELECTRONICS CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED JANUARY 31, 2017 AND 2016
(Expressed in Canadian dollars)

	Notes		2017		2016
Expenses					
Website development costs		**$**	**632,891**	$	43,280
Office and miscellaneous			**193,276**		7,274
Rent			**113,836**		4,810
Salaries and benefits	6		**88,811**		33,190
Professional fees			**77,867**		59,450
Listing and transfer agent expenses			**15,590**		18,330
Interest expense and bank charges			**592**		82
Share-based compensation	5		**1,574,020**		-
OPERATING LOSS			**(2,696,883)**		(166,416)
OTHER INCOME (EXPENSE)					
Impairment of intangible assets			**-**		(87,708)
Interest income			**15,092**		1,377
Foreign exchange gain (loss)			**(54,654)**		30,630
NET LOSS AND COMPREHENSIVE LOSS		**$**	**(2,736,445)**	$	(222,117)
Loss per common share, basic and diluted		**$**	**(0.05)**	$	(0.01)
Weighted average number of common shares outstanding, basic and diluted			**52,518,157**		18,855,094

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

CASCADIA CONSUMER ELECTRONICS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Number of Common Shares (Note 5)	Share Capital (Note 5)	Share Subscriptions	Contributed Surplus	Deficit	Total Equity
		$	$	$	$	$
Balance, January 31, 2015	**15,115,937**	**503,774**	**240,000**	**44,228**	**(554,256)**	**233,746**
Completion of private placement	2,000,000	240,000	(240,000)	-	-	-
Common shares issued for cash	10,951,400	821,355	-	-	-	821,355
Share issuance costs	-	(17,537)	-	-	-	(17,537)
Net loss for the year	-	-	-	-	(222,117)	(222,117)
Balance, January 31, 2016	**28,067,337**	**1,547,592**	**-**	**44,228**	**(776,373)**	**815,447**
Stock option grant	-	-	-	14,020	-	14,020
Shares issued for cash	28,500,000	2,565,000	-	-	-	2,565,000
Share-based compensation	-	1,560,000	-	-	-	1,560,000
Share issurance costs	-	(3,000)	-	-	-	(3,000)
Net loss for the year	-	-	-	-	(2,736,445)	(2,736,445)
Balance, January 31, 2017	**56,567,337**	**5,669,592**	**-**	**58,248**	**(3,512,818)**	**2,215,022**

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

CASCADIA CONSUMER ELECTRONICS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2017 AND 2016
(Expressed in Canadian dollars)

	Notes	2017	2016
Cash flows from (used in) operating activities			
Net loss for the year		$ **(2,736,445)**	$ (222,117)
Items not involving cash			
Impairment of intangible assets		**-**	87,708
Share-based compensation	5	**1,574,020**	-
		(1,162,425)	(134,409)
Changes in non-cash working capital items:			
Amounts receivable		**(18,864)**	(1,652)
Prepaid expenses		**(1,417)**	(50)
Accounts payable and accued liabilities		**165,833**	2,982
Deferred revenue		**189,300**	-
Net cash used in operating activities		**(827,573)**	(133,129)
Cash flows from investing activity			
Purchase of intangible assets		**-**	(87,708)
Net cash used in investing activity		**-**	(87,708)
Cash flows from financing activity			
Cash received from share issuances	5	**2,562,000**	803,818
Net cash received from financing activity		**2,562,000**	803,818
Increase in cash and equivalents		**1,734,427**	582,981
Cash and equivalents, beginning of the year		**833,892**	250,911
Cash and equivalents, end of the year		$ **2,568,319**	$ 833,892

SUPPLEMENTAL CASH FLOW INFORMATION (NOTE 7)

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

(Expressed in Canadian dollars)

1. NATURE OF BUSINESS

Cascadia Consumer Electronics Corp. (the "Company" or "Cascadia") was incorporated on November 10, 2011 under the laws of British Columbia, Canada. Its registered office is located at Suite 800 – 885 West Georgia Street, Vancouver, British Columbia V6C 3H1, and head office is at Suite 1552 – 701 West Georgia Street, Vancouver, British Columbia V7Y 1C6. In September 2013, the Company was approved for listing on the Canadian Securities Exchange ("CSE"). The Company's common shares commenced trading on the CSE at the opening of markets on September 12, 2013 under the symbol "CK". The Company is a reporting issuer in the provinces of British Columbia, Alberta and Ontario.

The Company's primary business is to develop and invest in technologies and platforms that leverage the blockchain technology with the goal of providing solutions to real world problems and transforming existing industries. In addition to Cascadia's foregoing primary business objective, the Company is also actively looking for new business opportunities in certain web services areas. In 2016, the Company acquired a website "www.allcoin.com", and is working on establishing an Internet platform to utilize block chain technology to facilitate trading among its users.

On February 6, 2015, the Company dissolved its wholly-owned subsidiary 0945081 B.C. Ltd. All of the subsidiary's assets and liabilities were transferred to the Company.

On October 9, 2015, the Company incorporated a wholly foreign owned enterprise (often referred to as "WOFE") in Tianjin, China under the name of "Tianjin Bocui Technology Limited" ("Bocui"). The Company intends to use Bocui in exploring business opportunities, specifically in the consumer-to-consumer, business-to-consumer and business-to-business web portal sales services industry.

On December 22, 2015, the Company incorporated a wholly-owned subsidiary 1059362 B.C. Ltd. with its name changed to Allcoin Technology Ltd. ("Allcoin") on March 10, 2016. In December 2015, the Company acquired the "www.allcoin.com" website and all allcoin.com subdomains (collectively, the "Websites"), including all of the assets related to the Websites (the "Assets"). These Websites and related Assets are all registered under Allcoin.

On February 17, 2016, Bocui incorporated a wholly-owned subsidiary, Beijing Cascadia Technology Limited ("Beijing Cascadia"), in Beijing, China as the Company's registered office in Beijing to facilitate the daily operations in Beijing.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiary Allcoin, Bocui, and Beijing Cascadia. All inter-company transactions, balances, income and expenses have been eliminated in full on consolidation.

Entity	Country of Incorporation	% of Interest	Basis of Accounting
Tianjin Bocui Technology Ltd.	China	100%(1)	Consolidated
Beijing Cascadia Technology Ltd.	China	100%(2)	Consolidated
Allcoin Technology Ltd.	Canada	100%(1)	Consolidated

(1) Owned through Cascadia
(2) Owned through Bocui

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

The presentation and functional currency of the Company and all its subsidiaries is the Canadian dollar.

Significant judgements and estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Judgements are choices in accounting policies and disclosures which management believes are supported by facts and circumstances existing at the date of the consolidated financial statements.

Significant areas requiring the use of management estimates include:

- amount of deferred income tax assets and liabilities to be recognized;
- assumptions used in valuing options in share-based compensation calculations using the Black-Scholes Option Pricing Model, including determination of the volatility rate; and
- amount of impairment in intangible assets.

Critical accounting judgements are accounting policies that have been identified as being complex or involve subjective judgments or assessments with a significant risk of material adjustment in the next year. Significant judgement areas include the ability of the Company to continue as a going concern and the impairment (reversal of impairment) of intangible assets.

Cash equivalents

Cash equivalents include short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Financial instruments

i) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company’s cash and cash equivalents are classified as a financial asset at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income or loss except for losses in value that are considered other than temporary which are recognized in earnings. The Company's amounts receivable - excluding GST recoverable, are classified as loans and receivables. The Company has no financial instruments classified under held to maturity and available for sale at January 31, 2017.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

ii) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as financial liabilities at FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payables are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company has no financial instruments classified as financial liabilities at FVTPL at January 31, 2017.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital

The Company records proceeds from the issuance of its common shares as equity. 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 the shares are issued.

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 most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

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 earnings.

Foreign currency translation

The functional currency of the Company and its wholly-owned subsidiaries is the Canadian dollar. Transactions denominated in foreign currencies are converted to the functional currency at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenues and expenses are translated at exchange rates prevailing on the date of transactions. All exchange gains and losses are included in determination of earnings.

Intangible assets

Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged to profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible assets. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of loss and other comprehensive loss when the asset is derecognized.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

Long-lived assets, including intangible assets, with finite lives are tested for impairment at the end of each reporting period. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment. Any impairment loss is recognized in profit or loss, or the results of discontinued operations, as appropriate, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units" or "CGUs").

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in net income.

Share-based compensation

Share-based compensation to employees and others providing similar services are measured at the grant date fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if the fair value of the goods or services received cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of options expected to vest. The offset to the recorded cost is to contributed surplus. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized as an expense is based on the number of options that eventually vest. Consideration received on the exercise of stock options is recorded as share capital and the related amount of contributed surplus is transferred to share capital.

The fair value of the stock options is determined using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience), expected dividends, expected forfeiture rates and the risk-free interest rate (based on government bonds).

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the consolidated statement of financial position date, and includes any adjustment to tax payable or receivable in respect of previous years.

Deferred taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the end of each reporting period. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit nor loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Adoption of new pronouncements

The Company did not adopt any new or amended accounting standards during the year ended January 31, 2017 which had a significant impact on consolidated the financial statements.

Changes in accounting policy

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Standard effective for annual periods beginning on or after January 1, 2018

IFRS 9 *Financial Instruments* - In November 2009, as part of the IASB project to replace IAS 39 "*Financial Instruments: Recognition and Measurement*", the IASB issued the first phase of IFRS 9, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013, the standard was revised to add the new general hedge accounting requirements. The standard was finalized in July 2014 and was revised to add a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income ("FVOTCI") category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test.

IFRS 15 - *Revenue from Contracts with Customers* - On May 28, 2014 the IASB issued IFRS 15. IFRS 15 will replace IAS 11, "Construction contracts", IAS 18, "Revenue", IFRIC 13, "Customer loyalty programmes", IFRIC 15, "Agreements for the construction of real estate", IFRIC 18, "Transfers of assets from customers" and SIC 31, "Revenue – barter transactions involving advertising services". The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time; or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

Standard effective for annual periods beginning on or after January 1, 2019

IFRS 16 – *Leases* - On January 13, 2016 the IASB issued IFRS 16, "Leases". This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policy (continued)

Entities may elect early application of the above standards. The extent of the impact of adoption of these above standards on the consolidated financial statements of the Company has not yet been determined.

3. INTANGIBLE ASSETS

In December 2015, the Company signed an asset purchase agreement (the “Agreement”) with a third-party individual. Under the terms of the Agreement, the Company agreed to acquire the “www.allcoin.com” website and all allcoin.com subdomains (collectively, the “Websites”) and all of the assets related to the Websites (the “Assets”) for a consideration of $85,040 (Chinese Renminbi (“RMB”) RMB400,000). These Websites and related Assets are all registered under the Company’s subsidiary Allcoin. The Company incurred $2,668 in legal fees in relation to the purchase of the Assets.

Subsequent to the acquisition of the Websites, the Company experienced certain technical difficulties in the functionality of the Websites and management was not able to determine when the Websites would be fully operative. Accordingly, the Assets’ capitalized cost of $87,708 was written down to $Nil during the year ended January 31, 2016.

For the year ended January 31, 2017, the Company continued the development of and improvements to the Websites. The Company also performed trial tests of the functionality of the Websites. The Company accrued incidental income of $13,015 for user fees during the trial test period. The amount was recorded as a reduction to websites development costs and included in other receivables.

4. DEFERRED REVENUE

In January 2017, the Company entered into a technology consulting service contract with an unrelated company in Beijing, China (the “Customer”) to develop, for a contract price of Renminbi (“RMB”) 1,500,000 and for the exclusive use of the Customer, a website that supports a certain minimum number of impressions and a certain maximum number of match trading capability. As at January 31, 2017, the Company received a deposit of $189,300 (RMB1,000,000) pursuant to the service contract.

5. SHARE CAPITAL

Authorized:

The Company has authorized an unlimited number of common and preferred shares with no par value.

Issued and outstanding:

i) On March 24, 2016, the Company completed a non-brokered private placement and issued 28,500,000 units (“Units”) for proceeds of $2,565,000 at $0.09 per Unit. Each Unit comprised one common share and one non-transferable common share purchase warrant (“Warrant”). Each Warrant entitles the holder to acquire one common share of the Company at a price of $0.12 per share for five years from March 24, 2016. Share issue costs of $3,000 were incurred. Share-based compensation of $1,560,000, being the difference between the share subscription price and the market price of 26,000,000 units issued to the chief executive officer (“CEO”) of the Company, was charged to the consolidated statement of comprehensive loss.

ii) On November 27, 2015, the Company completed a non-brokered private placement and issued 10,951,400 units (“Units”) for proceeds of $821,355 at $0.075 per Unit. Each Unit comprised one common share and one non-transferable common share purchase warrant (“Warrant”). Each Warrant entitles the holder to acquire one common share of the Company at a price of $0.10 per share for five years from November 27, 2015.

(Expressed in Canadian dollars)

5. SHARE CAPITAL (continued)

Issued and outstanding (continued)**:**

iii) On March 17, 2015, the Company completed a non-brokered private placement and issued 2,000,000 units ("Units") for proceeds of $240,000 at $0.12 per Unit. Each Unit comprised one common share and one non-transferable common share purchase warrant ("Warrant"). Each Warrant entitles the holder to acquire one common share of the Company at a price of $0.16 per share for five years from March 17, 2015.

Escrow Shares

As at January 31, 2017, the Company has no shares held in escrow (2016 – 2,700,750 shares).

Stock options

The Company adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in their discretion, and in accordance with the requirements of the CSE (the "Exchange"), grant to directors, officers, and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Options will be exercisable for a period of up to five years from the date of grant.

On March 15, 2016, 200,000 options were granted to directors and officers of the Company. The options are exercisable at a price of $0.12 per share for a period of five years and vested immediately. Share-based compensation of $14,020 was recorded (2016 - $nil) (Note 6(b)).

The following table summarizes the continuity of options as at January 31, 2017.

	Number of Options	Weighted Average Exercise Price
Balance, January 31, 2016 and 2015	**400,000**	**$0.16**
Granted, March 15, 2016	200,000	$0.12
Balance, January 31, 2017	**600,000**	**$0.15**

The Company uses the Black-Scholes option valuation model to value stock options. The Black-Scholes model requires the use of highly subjective estimates and assumptions, including the expected stock price volatility, to estimate fair value of stock options that have no vesting restrictions and are fully transferrable. For the purposes of the calculations, the following weighted average assumptions were used under the Black-Scholes model:

	2017
Share price at grant date	$0.12
Risk free interest rate	0.78%
Expected dividend yield	0%
Expected forfeiture rate	0%
Expected stock price volatility	72%
Expected life of options	5 years

The fair value of the options on the grant date was $0.07.

(Expressed in Canadian dollars)

5. **SHARE CAPITAL** (continued)

Stock options (continued)

The following table summarizes information about stock options outstanding and exercisable as at January 31, 2017:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price ($)	Weighted Remaining Life of Options Outstanding (Years)	Weighted Remaining Life of Options Exercisable (Years)	Expire Date
300,000	300,000	0.16	1.68	1.68	October 7, 2018
100,000	100,000	0.16	2.85	2.85	December 8, 2019
200,000	200,000	0.12	4.12	4.12	March 15, 2021
600,000	600,000		2.69	2.69	

Warrants

On March 24, 2016, the Company issued 28,500,000 non-transferrable common share purchase warrants. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.12 per share, expiring on March 24, 2021.

On March 17, 2015, the Company issued 2,000,000 non-transferrable common share purchase warrants. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.16 per share, expiring November 27, 2020. On December 30, 2015, the Company amended the warrants' expiry date to January 10, 2016.

On November 27, 2015, the Company issued 10,951,400 non-transferrable common share purchase warrants. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.10 per share, and will expire on November 27, 2020.

The following table summarizes the continuity of share purchase warrants as at January 31, 2017:

	Number of Warrants	**Weighted Average Exercise Price**
Balance, January 31, 2015	-	-
Granted, March 17, 2015	2,000,000	$0.16
Granted, November 27, 2015	10,951,400	$0.10
Expired, January 10, 2016	(2,000,000)	$0.16
Balance, January 31, 2016	**10,951,400**	**$0.10**
Granted, March 24, 2016	28,500,000	$0.12
Balance, January 31, 2017	**39,451,400**	**$0.11**

As at January 31, 2017, the issued and outstanding warrants to acquire common shares of the Company are as follows:

Number of Warrants Outstanding	Exercise Price ($)	Weighted Average Remaining Life (Years)	Expire Date
10,951,400	0.10	3.82	November 27, 2020
28,500,000	0.12	4.15	March 24, 2021
39,451,400		4.06	

(Expressed in Canadian dollars)

6. RELATED PARTY TRANSACTIONS AND BALANCES

a) For the year ended January 31, 2017, included in amounts receivables was $7,824 (2016 - $4,610) owed by P2P Info. Inc. ("P2P"), a company related with some common directors. The Company and P2P share office rent equally.

b) The Company incurred the following compensation to key management personnel of the Company:

		2017	2016
		($)	($)
Salaries and benefits	Directors and former CFO	**88,811**	33,190
Share-based compensation	Directors and the CEO	**1,574,020**	-

Key management includes directors, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company.

7. SUPPLEMENTAL CASH FLOW INFORMATION

		2017		2016
Cash paid for income taxes during the year	**$**	**-**	$	-
Cash paid for interest during the year	**$**	**-**	$	-

As at January 31, 2017, the Company has four one-year flexible Guaranteed Investment Certificates ("GIC") totalling $2,477,003 (US$1,960,000) which matured on March 30, 2017, with interest rate at Prime minus 2.10% per annum. For the year ended January 31, 2017, interest income of $12,433 was accrued.

8. INCOME TAXES

The following table reconciles the amount of deferred tax expense on application of the combined statutory Canadian federal and provincial income tax rates:

	2017	2016
	$	$
Combined statutory tax rate	**26%**	26%
Income tax recovery at combined statutory rate	**(711,476)**	(57,750)
Rate difference in subsidiary	**36**	(166)
Non-taxable items	**409,382**	(4,115)
Other	**-**	(1,370)
Change in deferred income tax assets not recognized	**302,058**	63,401
Deferred income tax (recovery) expense	**-**	-

(Expressed in Canadian dollars)

8. **INCOME TAXES** (continued)

The significant components of deferred tax assets not recognized as at January 31, 2017 and 2016 are as follows:

	2017		2016	
	Temporary Difference	**Tax Effect**	Temporary Difference	Tax Effect
	$	**$**	$	**$**
Non-capital losses	**1,595,000**	**414,812**	433,000	**112,466**
Capital losses	**156,000**	**40,582**	156,000	**40,582**
Intangible assets	**88,000**	**22,804**	88,000	**22,804**
Share issuance costs	**13,000**	**3,359**	14,000	**3,647**
Capital assets	**1,000**	**309**	1,000	**309**
	1,853,000	**481,866**	692,000	**179,808**

As at January 31, 2017, the Company and its subsidiary had approximately $1,598,000 (2015 - $433,000) of non-capital loss carry forwards available to reduce taxable income for future years. The non-capital losses expire from 2033 to 2037:

2033	$	82,000
2034		105,000
2035		91,000
2036		155,000
2037		1,165,000
	$	1,598,000

In assessing the realizability of deferred income tax assets, management considers whether the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred income tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

9. FINANCIAL INSTRUMENTS

Fair values

The Company's financial instruments include cash and cash equivalents, amounts receivable - excluding GST recoverable, and accounts payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature.

The following table summarizes the carrying values of the Company's financial instruments:

	2017	2016
	$	$
Financial assets at fair value through profit or loss (i)	2,568,319	833,892
Loans and receivables (ii)	21,027	-
Other financial liabilities (iii)	191,120	25,287

(i) Cash and cash equivalents
(ii) Amounts receivable - excluding GST recoverable
(iii) Accounts payable

The amount of loans and receivables financial assets and other financial liabilities carried at amortized cost is a reasonable approximation of their fair value due to the relatively short period to maturity of these financial instruments.

Fair value

Financial instruments measured at fair value on a recurring basis are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable. The three levels of the fair value hierarchy are:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and cash equivalents of $2,568,319 is classified as Level 1. There were no transfers into or out of Level 2 or Level 3 during the year.

Financial risk management

The Company's financial risks arising from its financial instruments are currency risk, credit risk, liquidity risk and interest rate risk. The Company's exposure to these risks and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Currency risk

The Company's expenses are mainly denominated in Canadian dollars for operations. As the Company has significant amount of GIC in US dollars, it also faces exchange rate fluctuation relative to the US dollar.

Significant change in the currency exchange rates between the Canadian dollar relative to the US dollar, and significant change in the currency exchange rates between the Canadian dollar relative to the RMB could both have effect on the Company's results of operations, financial position and / or cash flow.

9. FINANCIAL INSTRUMENTS *(continued)*

Currency risk (continued)

The Company has wholly-owned foreign subsidiaries based in China. These subsidiaries hold cash, incur expenditures in RMB and face exchange rate fluctuation. A significant change in the currency exchange rates between the Canadian dollar relative to the RMB could have an effect on the Company's results of operations, financial position and / or cash flow.

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. The Company's credit risk with respect to its cash is minimal as it is held with a large financial institution.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 10. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations. As at January 31, 2017, the Company had a working capital surplus of $2,215,022. All of the Company's financial liabilities are classified as current.

Interest rate risk

The Company is exposed to interest rate risk on its GIC. The Company has no interest-bearing debt. The Company has not entered into any derivative instruments to manage interest rate fluctuations. The Company is not exposed to significant interest rate risk.

Sensitivity analysis

The following sensitivity analysis estimates the impact on net income or loss for which a potential change in foreign exchange rates during the year ended January 31, 2017 would have had.

The sensitivity analysis includes the assumption that changes in individual foreign exchange rates do not cause foreign exchange rates in other countries to alter.

A theoretical increase (decrease) of 10% in the US dollar to Canadian dollar exchange rate could have increased (decreased) equivalents the net loss by approximately $190,100.

The above result arises primarily because the Company has US dollar denominated cash equivalents. The financial position of the Company may vary at the time that a change in the foreign exchange rate occurs, causing the impact on the Company's results to differ from that shown above.

10. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In management of capital, the Company's capital includes shareholders' equity.

The Company's objective is met by retaining adequate equity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. The Board of Directors does not establish quantitative return on capital criteria for management. Currently, the Company is relying on private placements and advances from the directors and officers to continue its operations. The Company is not subject to any externally imposed capital requirements.

11. SEGMENTED INFORMATION

The Company's business and reporting segment is the development of blockchain technologies for internet and digital transactions. As at January 31, 2017, the Company is still in the development stage. The Company's intended business operations are in Canada with technical supporting services provided by its Chinese subsidiaries. As at and for the years ended January 31, 2017 and 2016, the Company did not have significant revenue or non-current assets arising from outside Canada.