GOVERMEDIA PLUS CANADA CORP.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018

(Unaudited, expressed in Canadian Dollars, unless otherwise noted)

Notice of No Auditor Review of Interim Financial Statements

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

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

November 26, 2018

"Roland Bopp"	*"Arvin Ramos"*
Chief Executive Officer	Chief Financial Officer

GOVERMEDIA PLUS CANADA CORP.

Condensed Interim Consolidated Statement of Financial Position
(Unaudited)

	Note		**September 30, 2018**		December 31, 2017
Assets					
Current assets:					
Cash and cash equivalents	5	**$**	**8,936**	$	858,016
Prepaid expenses			**161,281**		37,706
Other receivables			**168,586**		2,113
Other assets	6		**-**		102,745
Total current assets			**338,803**		1,000,580
Equipment	7		**28,427**		10,511
Total assets		**$**	**367,230**	$	1,011,091
Liabilities and Shareholders' Equity (Deficiency)					
Current liabilities:					
Accounts payable and accrued liabilities	8		**243,352**		450,778
Due to related party	13		**1,000**		1,000
Share subscription payable	9		**-**		811,940
Total liabilities			**244,352**		1,263,718
Shareholders' equity (deficiency)					
Share capital	9		**3,060,848**		888,811
Contributed surplus	10,11,12		**1,378,805**		194,764
Accumulated other comprehensive income			**11,696**		22,821
Accumulated deficit			**(4,328,471)**		(1,359,023)
Total shareholders' equity (deficiency)			**122,878**		(252,627)
Total liabilities and shareholders' equity (deficiency)		**$**	**367,230**	$	1,011,091

Nature of Operations and Going Concern – *Note 1*

Subsequent Event – *Note 16*

Approved on behalf of the Board

”Leon Afanasyev”	”David Lane”
Director (**Signed**)	Director (**Signed**)

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

GOVERMEDIA PLUS CANADA CORP.

Condensed Interim Consolidated Statement of Comprehensive Loss
For the three and nine months ended September 30, 2018 and 2017
(Unaudited)

	Note	Three months ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
Operating expenses:					
Professional fees		**$ 47,641**	$ 49,301	**$ 191,270**	$ 81,264
Consulting fees and payroll costs		**218,624**	55,370	**910,721**	82,570
Travel and administrative expenses		**157,668**	45,148	**648,320**	92,814
Stock-based compensation		**-**	71,356	**1,048,622**	71,356
Rent expense		**5,099**	30,272	**124,729**	44,416
Foreign exchange (gain) loss		**(34,904)**	(22,988)	**35,234**	(16,960)
Depreciation	7	**7,387**	-	**10,552**	115
Net loss		**$ 401,515**	$ 228,460	**$ 2,969,448**	$ 355,575
Other comprehensive income					
Foreign currency translation		**49,068**	(6,272)	**11,125**	(12,005)
Total other comprehensive income		**49,068**	(6,272)	**11,125**	(12,005)
Comprehensive loss		**$ 450,583**	$ 222,188	**$ 2,980,573**	$ 343,570
Weighted average number of common shares outstanding	12	**43,246,056**	5,000,001	**42,420,945**	2,509,158
Loss per common share - basic and diluted		**$ 0.01**	$ 0.04	**$ 0.07**	$ 0.14

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

GOVERMEDIA PLUS CANADA CORP.

Condensed Interim Consolidated Statement of Changes in Equity (Deficiency)
For the three and nine months ended September 30, 2018 and 2017
(Unaudited)

	Note	Number of shares	Amount	Contributed surplus	Accumulated other comprehensive income	Accumulated deficit	Total
Balance at December 31, 2016		-	$ 504	$ -	$ 22,462	$ (23,185)	$ (219)
Incorporation	9	1	-	-	-	-	-
Private placement	9	5,000,000	250,000	-	-	-	250,000
Stock-based compensation	10	-	-	71,356	-	-	71,356
Net loss		-	-			(355,575)	(355,575)
Other comprehensive income		-	-		12,005		12,005
Balance at September 30, 2017		**5,000,001**	**250,504**	**71,356**	**34,467**	**(378,760)**	**(22,433)**
Shares issued for reverse takeover	4,9	30,000,000	-	-	-	-	-
Private placements	9	1,605,000	310,000	-	-	-	310,000
Shares issued for debt settlement	9,13	1,094,355	328,307	-	-	-	328,307
Stock-based compensation	10	-	-	114,206	-	-	114,206
Contribution from shareholder	13	-	-	9,202	-	-	9,202
Net loss		-	-	-	-	(980,263)	(980,263)
Other comprehensive income		-	-	-	(11,646)	-	(11,646)
Balance at December 31, 2017		**37,699,356**	**$ 888,811**	**$ 194,764**	**$ 22,821**	**$ (1,359,023)**	**$ (252,627)**
Private placement, net of issuance costs	9	2,000,000	1,000,000				1,000,000
Initial private offering, net of issuance costs	9	3,546,700	1,773,350				1,773,350
Cost of issuances	9	-	(465,894)				(465,894)
Warrants reserve	11	-	(135,419)	135,419			-
Stock-based compensation	10	-		1,048,622			1,048,622
Net loss		-	-	-	-	(2,969,448)	(2,969,448)
Other comprehensive income					(11,125)		(11,125)
Balance at September 30, 2018		**43,246,056**	**$ 3,060,848**	**$ 1,378,805**	**$ 11,696**	**$ (4,328,471)**	**$ 122,878**

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

GOVERMEDIA PLUS CANADA CORP.

Condensed Interim Consolidated Statement of Cash Flows
For the nine months ended September 30,
(Unaudited)

	Note		**2018**		2017
Cash flows from operating activities:					
Net loss for the period		**$**	**(2,969,448)**	$	(355,575)
Adjustments for:					
Depreciation			**10,552**		115
Stock-based compensation	10		**1,048,622**		71,356
Unrealized foreign exchange (gain) loss			**(86,207)**		7,139
Change in non-cash operating working capital					
Prepaid expenses			**(116,551)**		(68,461)
Other receivables			**(166,648)**		(5,372)
Other assets	5		**102,745**		-
Accounts payables and accrued liabilities			**(138,578)**		2,411
			(2,315,513)		(348,387)
Cash flows from financing activities:					
Proceeds from issuance of common shares, net of costs	9		**2,307,456**		-
Proceeds received from share subscription payable	9		**(811,940)**		450,000
Proceeds from related party	13		**-**		151,150
			1,495,516		601,150
Cash flows from investing activities:					
Investment in intangible assets	6		**-**		(129,454)
Investment in equipment	7		**(28,468)**		-
			(28,468)		(129,454)
Foreign exchange gain on cash and cash equivalents			**(615)**		**520**
Increase (decrease) in cash and cash equivalents			**(849,080)**		**123,829**
Cash and cash equivalents, beginning of period			**858,016**		15,195
Cash and cash equivalents, end of period		**$**	**8,936**	$	139,024

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

1. NATURE OF OPERATIONS AND GOING CONCERN

GoverMedia Plus Canada Corp. (the "Company" or "MPLS") was incorporated on January 25, 2017 under the British Columbia Business Corporations Act. The head office and registered office of the Company is located at 430 – 580 Hornby Street, Vancouver, BC V6C 3B6.

LLC GoverMedia Plus ("LLC"), a wholly-owned subsidiary of the Company, is a technology company focusing on the online retail market in the Russian speaking regions. The Company is developing an online platform offering e-commerce, social media, crowdfunding, corporate data base as well as corporate auctions and multimedia.

On October 11, 2017, LLC completed a transaction with MPLS, as described in Note 3. For accounting purposes, LLC is considered the acquirer and MPLS is the acquiree. Amounts reported as comparative figures are historical balances as reported by MPLS prior to the transaction, those balances have been expressed in Canadian dollars using the period end exchange rate for balance sheet items, except equity items which were translated using historical exchange rates, and the average rate for the period for the statement of loss and comprehensive loss items.

These consolidated financial statements were authorized by the Board of Directors of the Company on November 26, 2018.

These condensed interim consolidated financial statements have been prepared on a going concern basis. The Company has not generated revenues, has experienced negative cash flows from operations and has accumulated losses as at September 30, 2018 of $4,328,471 (December 31, 2017 – $1,359,023). As of September 30, 2018, the Company had a working capital of $94,451 (December 31, 2017 – deficiency of $263,138).

The Company has relied on financing from its shareholders and officers as well as equity raises to fund operations to date as the Company does not generate revenues as of September 30, 2018. Implementation of the Company's business plan and to continue to operate as a going concern will require additional debt or equity financing and there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. These circumstances cast significant doubt upon the Company's ability to continue as a going concern and, therefore, its ability to realize assets and discharge liabilities in the normal course of business.

These financial statements do not reflect adjustments, which could be material that would be necessary if the going concern assumption were not appropriate.

2. BASIS OF PRESENTATION

(a) Statement of Compliance with International Financial Reporting Standards

The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". These condensed interim consolidated financial statements do not include all notes of the type normally included within the annual financial report and should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2017, which has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(b) Basis of Presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis.

The condensed interim consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency, unless otherwise indicated.

The preparation of the condensed interim consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2. BASIS OF PRESENTATION (continued)

(c) Standards issued but not yet effective

IFRS 16 – Leases – The standard was issued by the IASB on January 13, 2016, and will replace IAS 17, "Leases". IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied. The Company is assessing the impact of this standard on the Company's financial statements.

(d) Functional currency

Items included in the condensed interim consolidated financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The presentation currency of the Company is the Canadian dollar. The functional currency of the Company is the Canadian dollar except for its Russian subsidiary which has a functional currency of the Russian Ruble ("RUB").

An operation whose functional currency is not the Canadian dollar, the operation's assets and liabilities are translated to the presentation currency at the closing rate as at the date of the consolidated statement of financial position, and revenue and expenses are translated using the rate as at the time of the transaction. All exchange differences resulting from the translation are recognized in other comprehensive loss.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in loss for the period.

(e) Basis of Consolidation

The condensed interim consolidated financial statements of the Company include the accounts of the Company and its wholly-owned and controlled subsidiary, LLC GoverMedia Plus. All intercompany balances and transactions have been eliminated. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using the same accounting policies described in these consolidated financial statements.

(f) Use of estimates

The preparation of these condensed interim consolidated financial statements and related disclosures in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of these financial statements, and the reported amounts of revenue and expenses during the periods reported.

Estimates include estimated useful life of intangible assets and measurement of stock-based compensation, and reflect management's best estimates. By their nature, these estimates are subject to uncertainty and the effect on the financial statements of changes in estimates in future periods could be significant.

Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the period that they are determined to be necessary.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- ***Share-based payments*** – The Company determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- ***Income taxes*** - The Company must make significant estimates in respect of the provision for income taxes and the composition of its deferred income tax assets and deferred income tax liabilities. The Company's operations are, in part, subject to foreign tax laws where interpretations, regulations and legislation are complex and continually changing. As a result, there are usually some tax matters in question which may, on resolution in the future, result in adjustments to the amount of deferred income tax assets and deferred income tax liabilities, and those adjustments may be material to the Company's financial position and results of operations.

- ***Functional currency determination*** - The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency is conducted through an analysis of the consideration factors identified in IAS 21. The Effects of Changes in Foreign Exchange Rates and may involve certain judgments to determine the primary economic environment. The Corporation reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment. Significant changes to those underlying factors could cause a change to the functional currency.

- ***Equipment*** - The Company measures equipment at initial recognition at cost, and subsequently at historical cost less accumulated depreciation and accumulated impairment losses. Depreciation expense is recorded over the estimated useful life of the assets using the straight-line method over three years.

4. ACQUISITION OF SUBSIDIARY

MPLS was formed on January 25, 2017 on behalf of the controlling shareholder of LLC. On May 16, 2017 in contemplation of the transaction between LLC and MPLS, a private placement was completed by MPLS whereby 5,000,000 common shares were issued in exchange for net proceeds of $250,000. An agreement was reached between MPLS and LLC on June 7, 2017 to transfer 100% of the ownership of LLC to MPLS in exchange for 30,000,000 common shares issued to the shareholders of LLC. The transaction with LLC closed on October 11, 2017 whereby MPLS is considered to be a continuation of LLC. Accordingly, the comparative figures presented in the consolidated financial statements prior to the transaction represent those of LLC. The assets and liabilities of LLC were recorded by the Company at their historical carrying amounts. On October 11, 2017 the Company completed a private placement as described in Note 9(b)(iv).

5. CASH AND CASH EQUIVALENTS

		September 30, 2018		December 31, 2017
Canadian dollar denominated deposits held in Canada	**$**	**8,936**	$	768,447
U.S. dollar denominated deposits held in Canada		**-**		72,761
Ruble denominated deposits held in Russia		**-**		16,808
	$	**8,936**	$	858,016

6. OTHER ASSETS

Other assets pertain to costs in connection with the common shares issued on January 8, 2018 (Note 9(b)(vi)) and the Company's initial public offering (Note 9(b)(vii)).

7. EQUIPMENT

		Computer equipment
Cost		
Opening balance	**$**	-
Additions for the year		-
Balance at December 31, 2016	$	-
Additions for the year		11,490
Balance at December 31, 2017	$	11,490
Addition for the period		28,468
Balance at September 30, 2018	**$**	**39,958**
Accumulated depreciation		
Opening balance	**$**	-
Expense for the year		-
Balance at December 31, 2016	$	**-**
Expense for the year		979
Balance at December 31, 2017	$	979
Expense for the period		10,552
Balance at September 30, 2018	**$**	**11,531**
Net book value		
At September 30, 2018	**$**	**28,427**
At December 31, 2017	$	10,511
At December 31, 2016	$	-

8. ACCOUNTS PAYABLE AND ACCRUED LIABILTIES

Accounts payable and accrued liabilities are comprised of the following:

		September 30, 2018		December 31, 2017
Accounts payable	**$**	**174,152**	$	308,058
Accrued liabilities		**69,200**		142,720
	$	**243,352**	$	450,778

9. SHARE CAPITAL

(a) Authorized:

The Company is authorized to issue an unlimited number of common shares with no par value.

(b) Issued:

(i) LLC is a limited liability company in the Russian Federation and does not issue any shares per local legislation. The paid-up capital of LLC is $504.

(ii) On January 25, 2017, the Company issued 1 common share for a nominal amount.

(iii) On May 16, 2017, the Company issued 5,000,000 common shares for gross proceeds of $250,000 through a private placement.

(iv) On October 11, 2017, the Company issued 30,000,000 common shares in exchange for 100% ownership of LLC GoverMedia Plus. Also on October 11, 2017, the Company issued 1,550,000 common shares, through a private placement, on October 11, 2017 in exchange for cash consideration of $310,000. In addition, $11,000 of transaction costs were incurred in connection with the issuance of the 30,000,000 commons shares and 1,550,000 common shares, which were settled with the issuance of 55,000 common shares.

(v) MPLS issued 1,094,355 common shares to settle $328,307 of LLC debt to a related party (Note 12).

(vi) On January 8, 2018, the Company issued 2,000,000 common shares and 15,045 warrants in exchange for $1,000,000 cash consideration of $1,000,000. The warrants are exercisable at $0.50 per common share and expire on January 8, 2020. The Company received $811,940 of cash consideration in connection with this offering in 2017, which has been recorded as a liability as at December 31, 2017.

(vii) The Company successfully completed its initial public offering on the Canadian Securities Exchange issuing a total of 3,546,700 common shares at a price of $0.50 per common share for a gross total proceeds of $1,773,350 (including amounts received by the Company prior to December 31, 2017) on February 28, 2018. Pursuant to the agency agreement, the Company incurred an aggregate cash commission of $131,868 and granted 263,763 warrants at a price of $0.50 per common share expiring on February 28, 2020. The agent also received a corporate finance fee, which consisted of cash and 64,955 warrants exercisable at $0.50 per share exercisable until January 8, 2020.

10. SHARE-BASED PAYMENTS

Share Option Plan

On August 1, 2017, the Company's directors approved and adopted a stock option plan (the "2017 Plan") for directors, officers, employees and consultants whereby the aggregate number of common shares reserved for issuance under the Plan, including common shares reserved for issuance under any other share compensation arrangement granted or made available by the Company from time to time, may not exceed 10% of the Company's issued and outstanding common shares. The Plan is administered by the Board of Directors.

A summary of the change in the Company's stock options is as follows:

	Expiry date		Weighted average exercise price	Number of options
Opening balance, December 31, 2017	-	$	0.09	2,100,000
Granted - February 28, 2018	28-Feb-23	$	0.50	225,000
Granted - March 1, 2018	01-Mar-23	$	0.50	300,000
Granted – April 2, 2018	02-Apr-23	$	0.51	1,645,000
Expired		$	-	-
Forfeited		$	-	-
Balance at September 30, 2018		**$**	**0.30**	**4,270,000**

10. SHARE-BASED PAYMENTS (continued)

Weighted average exercise price	Number of options	Weighted average remaining life (years)	Vested and exercisable
$ 0.05	1,500,000	3.84	1,500,000
$ 0.20	600,000	4.01	600,000
$ 0.50	225,000	4.42	225,000
$ 0.50	300,000	4.42	300,000
$ 0.51	1,645,000	4.41	1,645,000
$ 0.30	4,270,000	4.19	4,270,000

The fair value of options granted in 2018 were calculated using the Black-Scholes option pricing model using the following assumptions:

	02-Apr-18	01-Mar-18	28-Feb-18
Assumptions			
Volatility - estimate based on comparable companies	175%	175%	175%
Risk-free interest rate	1.96%	2.04%	2.08%
Expected life (years)	5.00	5.00	5.00
Dividend yield	Nil	Nil	Nil
Forfeiture rate	0%	0%	0%
Exercise price	$ 0.51	$ 0.50	$ 0.50
Share price	$ 0.51	$ 0.50	$ 0.50

The fair value of options granted in 2017 were calculated using the Black-Scholes option pricing model using the following assumptions:

	01-Aug-17	01-Oct-17
Assumptions		
Volatility - estimate based on comparable companies	175%	175%
Risk-free interest rate	1.47%	1.71%
Expected life (years)	5.00	5.00
Dividend yield	Nil	Nil
Forfeiture rate	0%	0%
Exercise price	$ 0.05	$ 0.20
Share price	$ 0.05	$ 0.20

For the nine months ended September 30, 2018, $1,048,622 (2017 - $nil) of stock-based compensation expense was recorded for the fair value of vested stock options granted.

11. WARRANT RESERVE

The following is a summary of warrants:

Expiry date	Balance, December 31, 2017	Granted	Exercised	Expired	Balance, September 30, 2018	Weighted average exercise price
January 8, 2020	-	15,045	-	-	15,045	$0.50
February 28, 2020	-	328,691	-	-	328,691	$0.50
Balance – September 30, 2018	-	343,736	-	-	343,736	$0.50

The fair value of warrants granted in 2018 were calculated using the Black-Scholes option pricing model using the following assumptions:

	28-Feb-18	**08-Jan-18**
Assumptions		
Volatility - estimate based on comparable companies	175%	175%
Risk-free interest rate	1.80%	1.77%
Expected life (years)	2.00	2.00
Dividend yield	Nil	Nil
Forfeiture rate	0%	0%
Exercise price	$ 0.50	$ 0.50
Share price	$ 0.50	$ 0.50

12. INCOME (LOSS) PER SHARE

The calculation of basic and diluted loss per share for the period ended September 30, 2018 was based on the loss attributable to common shareholders of $2,969,448 (2017 – $355,575) and the weighted average number of common shares outstanding of 42,420,945 (2017 – 2,509,158). Diluted gain per share did not include the effect of 4,720,000 stock options (2017 – 1,500,000) and 343,736 (2017 – nil) warrants as they are anti-dilutive.

13. RELATED PARTY TRANSACTIONS

During the period ended September 30, 2018 key management compensation was $598,135 (2017 - $55,000). Management compensation has been included in the following expense accounts:

As at September 30,	**2018**	2017
Consulting, general and administrative and director's fees	**$ 265,249**	$ 55,000
Share-based compensation	**332,887**	-
	$ 598,136	$ 55,000

As at September 30, 2018, $1,000 was due to a director.

During 2017, the Company received a contribution from a shareholder in the amount of $9,202.

13. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at September 30, 2018 and 2017 were as follows:

September 30, 2018	Loans and receivables	Other financial liabilities	Total
Cash and cash equivalents	$ 8,936	$ -	$ 8,936
Accounts payable and accrued liabilities	-	(243,352)	(243,352)
Due to related party	-	(1,000)	(1,000)
	$ 8,936	$ (244,352)	$ (235,416)

September 30, 2017	Loans and receivables	Other financial liabilities	Total
Cash and cash equivalents	$ 139,024	$ -	$ 139,024
Accounts payable and accrued liabilities	-	(12,861)	(12,861)
Loans and borrowings	-	(315,470)	(315,470)
	$ 139,024	$ (328,331)	$ (189,307)

The carrying amount reflected above represents the Company's maximum exposure to credit risk for such loans and receivables. As at September 30, 2018 and 2017, the Company did not hold financial instruments recorded at fair value that would require classification within the fair value hierarchy.

The carrying value of cash and cash equivalents, other receivable, accounts payable, accrued liabilities and due to shareholder classified as long term approximate fair value because of the limited terms of these instruments.

14. FINANCIAL RISK FACTORS

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash, investments and other receivables.

The Company's credit risk is primarily attributable to cash. Management believes that the credit risk with respect to cash and investments is remote as it maintains accounts with highly rated financial institution.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to capital markets is hindered, whether as a result of a downturn in stock market conditions, generally, or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at September 30, 2018, the Company had a cash balance of $8,936 (December 31, 2017 - $858,016) to settle current liabilities of $244,352 (December 31, 2017 - $1,263,718) (Note 1).

All of the Company's financial liabilities have contractual maturities of less than one year and are subject to normal trade terms. The Company cannot ensure there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's cash holdings. The Company is currently seeking sources of funding to settle short term liabilities, and short term cash requirements.

14. FINANCIAL RISK FACTORS (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

Interest rate risk

Interest rate risk consists of a) the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, and b) to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities.

Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair values.

Foreign currency risk

The Company expects to continue to raise equity predominantly in Canadian dollars; however, transactions are transacted in Canadian dollars, U.S. dollars and Russian Ruble. As such, the Company is subject to fluctuations in exchange rate between the Canadian dollar and the U.S. dollar and Russian Ruble. As at September 30, 2018, the Company holds none (December 31, 2017 – 10.4%) of its cash in foreign currencies. Management believes the foreign exchange risk related to currency conversion is minimal and therefore, does not hedge its foreign exchange risk. The effect of a 10% change in the foreign exchange rate in cash held in currencies other than the functional currency at September 30, 2018 would be nil (December 31, 2017 - $9,000).

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital, defined as shareholders' equity, are to safeguard the Company's ability to continue as a going concern (Note 1) in order to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

There have been no changes to the Company's approach to capital management during the period ended September 30, 2018. The Company is not subject to externally imposed capital requirements.

16. SUBSEQUENT EVENT

On November 13, 2008, the Company announced that it has entered into a non-binding Letter of Intent ("LOI") with EXMO, one of the largest European cryptocurrency exchanges. The LOI provides the Company with exclusivity in negotiating the transaction for a period of up to 180 days. Upon completion of the transaction, the combined entity will continue to carry on the business of EXMO.