

**Quantum Blockchain Technologies Ltd.**  
**Financial Statements**

For the year ended December 31, 2019 and the  
period from February 5, 2018 (date of incorporation) to December 31, 2018

# Independent Auditor's Report

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To the Shareholders of Quantum Blockchain Technologies Ltd.:

## Opinion

We have audited the financial statements of Quantum Blockchain Technologies Ltd. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and December 31, 2018, and the statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2019 and for the period from February 5, 2018 (date of incorporation) to December 31, 2018 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and December 31, 2018, and its financial performance and its cash flows for the year ended December 31, 2019 and for the period from February 5, 2018 to December 31, 2018 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 audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

Management is responsible for the other information. The other information comprises 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 audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management 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.

## 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 Brad Frampton.

Calgary, Alberta

March 26, 2020

*MNP LLP*

Chartered Professional Accountants

**Quantum Blockchain Technologies Ltd.**  
**Statements of Financial Position**

*As at December 31,*

	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash (Note 5)	\$ 260,896	\$ 300,426
Prepaid expenses	950	950
<b>Total assets</b>	<b>\$ 261,846</b>	<b>\$ 301,376</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	\$ 9,629	\$ 13,427
<b>Shareholders' Equity</b>		
Share capital (Note 6)	318,557	318,557
Contributed surplus	45,350	45,350
Deficit	(111,690)	(75,958)
<b>Total shareholders' equity</b>	<b>252,217</b>	<b>287,949</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 261,846</b>	<b>\$ 301,376</b>

Approved on behalf of the Board

"Keith Erickson"

Director

"Roger Jewett"

Director

*The accompanying notes are an integral part of these financial statements*

# Quantum Blockchain Technologies Ltd.

## Statements of Net Loss and Comprehensive Loss

For the year ended December 31, 2019 and the period from February 5, 2018 (date of incorporation) to December 31, 2018

	2019	2018
<b>Expenses:</b>		
Share-based compensation (Note 6)	\$ -	\$ 30,605
Filing and exchange fees	3,845	24,379
Professional fees	15,959	11,040
Transfer agent fees	6,272	4,132
General and administrative	1,100	4,052
Consulting fees	8,556	1,750
	<b>35,732</b>	<b>75,958</b>
<b>Net loss and comprehensive loss</b>	<b>\$ (35,732)</b>	<b>\$ (75,958)</b>
<b>Net loss per share</b>		
Basic and diluted	\$ (0.01)	\$ (0.07)
<b>Weighted average number of shares (Note 6)</b>		
Basic and diluted	<b>3,000,000</b>	<b>1,136,364</b>

The accompanying notes are an integral part of these financial statements

**Quantum Blockchain Technologies Ltd.  
Statement of Changes in Shareholders' Equity**

	Share Capital (\$)	Contributed Surplus (\$)	Deficit (\$)	Shareholders' Equity (\$)
At incorporation February 5, 2018	-	-	-	-
Net loss	-	-	(75,958)	(75,958)
Share issuance (Note 6)	318,557	-	-	318,557
Share-based compensation (Note 6)	-	45,350	-	45,350
As at December 31, 2018	318,557	45,350	(75,958)	287,949
Net loss	-	-	(35,732)	(35,732)
<b>As at December 31, 2019</b>	<b>318,557</b>	<b>45,350</b>	<b>(111,690)</b>	<b>252,217</b>

*The accompanying notes are an integral part of these financial statements*

## Quantum Blockchain Technologies Ltd.

### Statement of Cash Flows

For the year ended December 31, 2019 and the period from February 5, 2018 (date of incorporation) to December 31, 2018

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**Cash provided by the following activities:**

<b>Operating activities</b>	<b>2019</b>	<b>2018</b>
Net loss	\$ (35,732)	\$ (75,958)
Items not affecting cash:		
Share-based compensation (Note 6)	-	30,605
Change in non-cash working capital:		
Prepaid expenses	-	(950)
Accounts payable and accruals	(3,798)	13,427
Cash flows used in operating activities	(39,530)	(32,876)
<b>Financing activities</b>		
Issuance of common shares, net of issue costs (Note 6)	-	333,302
Cash flows provided by financing activities	-	333,302
<b>Increase (decrease) in cash</b>	<b>(39,530)</b>	<b>300,426</b>
<b>Cash, beginning of period</b>	<b>300,426</b>	<b>-</b>
<b>Cash, end of period</b>	<b>\$ 260,896</b>	<b>\$ 300,426</b>

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The accompanying notes are an integral part of these financial statements

# Quantum Blockchain Technologies Ltd.

## Notes to the Financial Statements

For the year ended December 31, 2019 and the period from February 5, 2018 (date of incorporation) to December 31, 2018

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### 1. Incorporation and operations

Quantum Blockchain Technologies Ltd. (the "Company") was incorporated on February 5, 2018 by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta). The Company is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules.

On August 29, 2018, the Company completed its initial public offering (the "IPO") of 3,000,000 common shares at a price of \$0.10 per common share and filed for listing as a Capital Pool Company on the TSX Venture Exchange. The common shares commenced trading on September 4, 2018 under the trading symbol QBC.P.

The head office and registered office of the Company is located at 1250,639 – 5<sup>th</sup> Avenue SW Calgary, Alberta, T2P 0M9.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing.

There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company's shares from trading.

### 2. Basis of preparation

#### **Statement of compliance**

These financial statements 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") in effect on January 1, 2019.

These financial statements were authorized for issue in accordance with a resolution of the directors on March 23, 2020.

#### **Basis of measurement**

These financial statements are stated in Canadian dollars which is the Company's functional currency and were prepared on a going concern basis, under the historical cost convention except for certain financial instruments that have been measured at fair value.

#### **Use of estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the financial statements are disclosed in Note 4.

# Quantum Blockchain Technologies Ltd.

## Notes to the Financial Statements

For the year ended December 31, 2019 and the period from February 5, 2018 (date of incorporation) to December 31, 2018

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### 3. Significant accounting policies

#### **Cash**

Cash consists of the proceeds generated from share issuances which is included in bank balances that are readily convertible into cash.

#### **Deferred financing costs**

Financing costs related to proposed financings are recorded as deferred financing costs. These costs are deferred until the financing is completed at which time the costs are charged against the proceeds received. If the financing does not close, the costs are charged to operations.

#### **Share-based payments**

The Company applies a fair value based method of accounting to all share-based payments. Employee and director stock options are measured at the fair value of each tranche on the grant date and recognized over its respective vesting period. Non-employee stock options are measured based on the service provided to the reporting date and at their then-current fair values. The cost of stock options is presented as share-based compensation expense when applicable with a corresponding credit to contributed surplus. On the exercise of stock options share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

#### **Taxes**

Tax expense comprises current and deferred tax. Tax is recognized in the statement of net loss and comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

##### *Current tax*

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### *Deferred tax*

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

# Quantum Blockchain Technologies Ltd.

## Notes to the Financial Statements

For the year ended December 31, 2019 and the period from February 5, 2018 (date of incorporation) to December 31, 2018

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### 3. Significant accounting policies (continued)

#### **Financial Instruments**

##### **Classification and measurement of financial instruments**

The Company measures its financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification which in the case of financial assets, is determined by the context of the Company's business model and the contractual cash flow characteristics of the financial asset. Financial assets are classified into two categories: (1) measured at amortized cost and (2) fair value through profit and loss ("FVTPL"). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL or designated as FVTPL where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive income ("OCI"). The Company does not employ hedge accounting for its risk management contracts currently in place.

##### **Amortized cost**

The Company classifies its cash and accounts payable and accruals as measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.

##### **Impairment of financial assets**

The measurement of impairment of financial assets is based on expected credit losses. Accounts receivable that are considered collectible within one year or less are not considered to have a significant financing component and a lifetime expected credit loss ("ECL") is measured at the date of initial recognition of the receivable.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. In estimating the lifetime expected loss provision, the Company will consider historical industry default rates as well as credit ratings of major customers. The Company does not currently have any financial assets subject to this approach.

##### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

##### **Accounting standards adopted**

The Company has adopted IFRS 16 effective January 1, 2019. IFRS 16 Leases replaces IAS 17 Leases. The new standard introduces a single recognition and measurement model for leases, which would require the recognition of assets and liabilities for most leases with a term of more than twelve months. The adoption of this standard did not have an impact on the December 31, 2019 financial statements.

# Quantum Blockchain Technologies Ltd.

## Notes to the Financial Statements

*For the year ended December 31, 2019 and the period from February 5, 2018 (date of incorporation) to December 31, 2018*

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#### 4. Significant accounting estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

##### **Estimates**

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

##### Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

##### Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

##### Stock based compensation

Stock-based compensation is subject to the estimation of the fair value of the award at the date of grant using the Black-Scholes pricing model which is based on significant assumptions such as volatility, dividend yield, expected term and forfeitures.

##### **Judgements**

The key areas of judgment that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

##### Taxes

The Company recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available to utilize the Company's deductible temporary differences which are based on management's judgement on the degree of future taxable profits. To the extent that future taxable profits differ significantly from the estimates impacts the amount of the deferred tax assets management judges is probable.

##### Financial instruments

The Company is required to classify its various financial instruments into certain categories for the financial instruments' initial and subsequent measurement. This classification is based on management's judgement as to the purpose of the financial instrument and to which category is most applicable.

##### Stock options

The Company records stock-based payments based on management's judgement of the expected exercise date of options which is impacted by the timing of completion of the qualifying transaction.

# Quantum Blockchain Technologies Ltd.

## Notes to the Financial Statements

For the year ended December 31, 2019 and the period from February 5, 2018 (date of incorporation) to December 31, 2018

### 5. Cash

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds and \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions may apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

### 6. Share capital

Authorized:

Unlimited number of voting Common Shares

Unlimited number of non-voting Preferred shares issuable in series

Issued: Common Shares

	Number of Shares	\$
Issued on incorporation	-	-
Issued at \$0.05 per share	2,500,000	125,000
Issued at \$0.10 per share	3,000,000	300,000
Share issuance costs	-	(106,443)
As at December 31, 2019 and December 31, 2018	5,500,000	318,557

All of the common shares issued at \$0.05 are held in escrow until completion of a Qualifying Transaction. 10% of the common shares held in escrow will be released on the issuance of the Final Exchange Bulletin and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the initial release. These common shares, which are considered contingently issuable until the Company completes a Qualifying Transaction, are not considered to be outstanding for the purpose of the loss per share calculation.

Share issuance costs for the period from February 5, 2018 (date of incorporation) to December 31, 2018 were \$106,443 in relation to the IPO which occurred on August 29, 2018. Of the \$106,443 in share issuance costs, \$14,745 in fair value was recorded in relation to 300,000 non-transferable options issued to the agent.

#### Stock Option Plan

The Company has adopted an incentive stock option plan in accordance with the policies of the TSX Venture (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares. The Stock Option Plan provides that options shall be exercisable for the duration set out in the individual option agreements, which in no event shall exceed ten (10) years from the date such options are granted. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of TSX Venture.

**Quantum Blockchain Technologies Ltd.**  
**Notes to the Financial Statements**

*For the year ended December 31, 2019 and the  
period from February 5, 2018 (date of incorporation) to December 31, 2018*

**6. Share capital (continued)**

A summary of the stock option activity as follows:

	Number of options	Weighted average exercise price
Outstanding, February 5, 2018	-	-
Granted	<b>675,000</b>	<b>\$0.10</b>
Outstanding, December 31, 2019 and 2018	<b>675,000</b>	<b>\$0.10</b>
Exercisable	<b>675,000</b>	<b>\$0.10</b>

*Agent options*

On August 29, 2018, pursuant to the closing of the IPO, the Company granted 300,000 non-transferrable options to the agent on the offering. The agents' options, which vested immediately, may be exercised at a price of \$0.10 per common share until August 29, 2020. The Company recorded the fair value of \$14,745 in share issuance costs. The fair value was estimated at the issuance date based on the Black-Scholes option pricing model, using the following weighted average assumptions:

Risk-free interest rate	<b>2.21%</b>
Expected life	<b>2.0 years</b>
Estimated stock price <sup>(1)</sup>	<b>\$0.10</b>
Expected volatility <sup>(2)</sup>	<b>91%</b>
Forfeiture rate	<b>0%</b>
Dividend yield	<b>0%</b>

<sup>(1)</sup> The estimated stock price was determined to be equal to the IPO price.

<sup>(2)</sup> The estimated expected share price volatility is based on historical CPC peer group data.

*Directors' and officers' options*

On August 29, 2018, the Company granted 375,000 options under the Company's stock option plan to directors and officers of the Company. The options, which vested immediately, may be exercised at a price of \$0.10 per common share for a period of five years from the date of the agreement. The Company recorded \$30,605 in share-based compensation.

The fair value of each stock option is estimated at the date of grant using the Black-Scholes options pricing model and the following average assumptions:

Risk-free interest rate	<b>2.33%</b>
Expected life	<b>5.0 years</b>
Estimated stock price <sup>(1)</sup>	<b>\$0.10</b>
Expected volatility <sup>(2)</sup>	<b>116%</b>
Forfeiture rate	<b>0%</b>
Dividend yield	<b>0%</b>

<sup>(1)</sup> The estimated stock price was determined to be equal to the IPO price.

<sup>(2)</sup> The estimated expected share price volatility is based on historical CPC peer group data.

# Quantum Blockchain Technologies Ltd.

## Notes to the Financial Statements

*For the year ended December 31, 2019 and the period from February 5, 2018 (date of incorporation) to December 31, 2018*

### 6. Share capital (continued)

At December 31, 2019, there were 675,000 stock options outstanding and exercisable as follows:

Number of options outstanding	Exercise price	Expiry Date
300,000	\$0.10	Aug 29, 2020
375,000	\$0.10	Aug 29, 2023
<b>675,000</b>		

At December 31, 2019, the weighted average remaining contractual life of the outstanding options is 2.33 (2018 – 3.33) years.

### 7. Income taxes

The tax recovery differs from the amount that would be computed by applying the expected tax rates to the net loss before taxes. The reasons for the difference are as follows:

	2019	2018
Net loss before taxes	\$ (35,732)	\$ (75,958)
Statutory tax rate	26.5%	27%
Expected tax recovery	(9,470)	(20,509)
Stock-based compensation	-	8,263
Tax asset not recognized	9,470	12,246
Tax recovery	\$ -	\$ -

The Company has gross timing differences related to the following:

Share issue costs	\$ 63,400	\$ 85,000
Loss carry-forwards	124,000	67,000
Total timing differences	\$ 187,400	\$ 152,000

The Company's loss carry-forward balance is available to reduce future years' income for tax purposes. These losses, if not fully utilized, will commence to expire in 2038.

### 8. Capital disclosures

The Company's capital consists of share capital. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,
- ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at period-end apart from the requirements of the Exchange.

# Quantum Blockchain Technologies Ltd.

## Notes to the Financial Statements

*For the year ended December 31, 2019 and the period from February 5, 2018 (date of incorporation) to December 31, 2018*

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### 9. Financial instruments

The Company, as part of its operations, carries financial instruments consisting of cash and accounts payable and accruals. It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

#### Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount of cash and account payable and accruals approximates its fair value due to the short-term maturities of these items.

#### Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk as its cash is held with a major Canadian financial institution.

#### Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company had a cash balance of \$260,896 to pay liabilities of \$9,629.

#### 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.

- i. Interest rate risk  
The Company has cash balances and no interest-bearing debt.
- ii. Foreign currency risk  
The Company does not have assets or liabilities in foreign currency.
- iii. Commodity risk  
The Company is not exposed to commodity price risk.

### 10. Related party transactions

Transactions with related parties are incurred in the normal course of business.

During the year ended December 31, 2019 the Company incurred approximately \$8,055 (2018 - \$1,750) in consulting fees for services provided by a company controlled by a director of the Company. As at December 31, 2019 \$2,000 (2018 - \$nil) is included in accounts payable and accruals.