FOGCHAIN CORP.
(Formerly Mukuba Resources Limited)

Consolidated Financial Statements
Years Ended December 31, 2018 and 2017
(Expressed In US Dollars)

Index	Page

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of FogChain Corp. (formerly Mukaba Resources Limited),

Opinion

We have audited the consolidated financial statements of FogChain Corp. (formerly Mukaba Resources Limited) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company incurred a net loss of $6,495,346 during the year ended December 31, 2018. As stated in Note 1, this events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on April 5, 2018.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

DMCL

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

April 30, 2019

An independent firm associated with Moore Stephens International Limited

MOORE STEPHENS

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)
Consolidated Statements of Financial Position
(Expressed in US Dollars)

	Notes		**December 31, 2018**		December 31, 2017
ASSETS					
Cash and cash equivalents	5	**$**	**1,801,412**	$	353,462
Receivables	6		**65,128**		-
Prepaids			**18,230**		-
			1,884,771		353,462
Intangible assets	7		**2,159,375**		-
Goodwill	7		**253,961**		-
Equipment	8		**18,979**		-
			2,432,315		-
		$	**4,317,086**	$	353,462
LIABILITIES					
Trade payables and accrued liabilities	9	**$**	**191,200**	$	13,774
Due to related party	12		**-**		7,560
Convertible debenture	10		**-**		400,000
			191,200		421,334
SHAREHOLDERS' EQUITY (DEFICIENCY)					
Share capital	11		**10,437,855**		9,025
Reserve	11		**264,690**		-
Subscription receipts			**-**		(110)
Accumulated other comprehensive loss			**(4,526)**		-
Deficit			**(6,572,133)**		(76,787)
			4,125,886		(67,872)
		$	**4,317,086**	$	353,462

Nature and Continuance of Operations (Note 1)
Reverse Takeover of FogChain Inc. (Note 4)
Commitment (Note 13)
Subsequent Event (Note 18)

Approved on behalf of the board of directors:

"James Cerna"	*"Zachary Dymala-Dolesky"*
James Cerna, Director	**Zachary Dymala-Dolesky, Director**

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

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in US Dollars)

	Note		Year Ended December 31, 2018		2017
Sales	14	$	**194,345**	$	-
Cost of sales			**93,482**		-
GROSS PROFIT			**100,863**		-
Operating expenses					
Amortization	7,8		**1,207,397**		-
Consulting fees	11		**261,558**		-
Marketing			**118,258**		-
Office and administration	12		**232,782**		20,261
Professional fees			**635,361**		18,006
Regulatory and transfer agent fees			**39,576**		-
Rent and utilities	12		**42,426**		36,000
Salaries and benefits			**488,416**		-
Share-based compensation	11		**89,671**		-
Share-based payments	11		**111,204**		-
Software costs	7		**147,692**		-
Travel			**25,473**		-
			3,399,814		74,267
NET LOSS BEFORE OTHER ITEMS			**(3,298,951)**		(74,267)
Other items					
Impairment of intangibles	7		**(516,507)**		-
Interest income			**6,513**		-
Listing expense	4		**(2,686,401)**		-
			(3,196,395)		-
NET LOSS FOR THE YEAR			**(6,495,346)**		(74,267)
Other comprehensive loss that may be reclassified to profit and loss					
Unrealized foreign exchange loss			**(4,526)**		-
			(4,526)		**-**
COMPREHENSIVE LOSS FOR THE YEAR		**$**	**(6,499,872)**	$	(74,267)
Loss per common share					
-basic and diluted		**$**	**(0.10)**	$	(0.00)
Weighted average number of common shares outstanding					
-basic and diluted			**62,378,465**		54,000,000

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

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)
Consolidated Statements of Shareholders' Equity (Deficiency)
(Expressed in US Dollars)

	Note	Share Capital Number of Common Shares		Amount	Number of Class A Restricted Common Shares		Amount		Reserve		Subscription receipts		AOCI		Deficit		Total shareholders ' equity (deficiency)
Balance at December 31, 2016		**54,000,000**	**$**	**9,000**	**-**	**$**	**-**	**$**	**-**	**$**	**(9,000)**	**$**	**-**	**$**	**(2,520)**	**$**	**(2,520)**
Shareholder contribution	11	-		25	-												25
Subscription receipts		-		-	-		-		-		8,890						8,890
Net loss for the year		-		-	-		-		-		-		-		(74,267)		(74,267)
Balance at December 31, 2017		**54,000,000**		**9,025**	**-**		**-**		**-**		**(110)**		**-**		**(76,787)**		**(67,872)**
Shares issued for cash	11	9,983,884		4,108,120	-		-		-		110		-		-		4,108,230
Shares reallocated as Class A convertible voting	11	(18,630,000)		(3,105.00)	18,630,000		3,105		-		-		-		-		-
Share issuance costs	11	-		(427,302)	-		-		-		-		-		-		(427,302)
Fair value of warrants	11	-		(175,019)	-		-		175,019		-		-		-		-
Recapitalization transaction:																	
Equity of FogChain	4,11	3,318,051		837,238	-		-		-		-		-		-		837,238
Share consolidation	4,11	(1,319,288)		-	-		-		-		-		-		-		-
Shares issued for finder's fee	4,11	3,750,000		1,570,793	-		-		-		-		-		-		1,570,793
Shares issued on debt settlement	11,12	240,451		100,720	-		-		-		-		-		-		100,720
Shares issued on convertible notes	10,11	9,000,000		400,000	-		-		-		-		-		-		400,000
Shares issued on asset acquisition	7,11	15,100,000		4,003,021	-		-		-		-		-		-		4,003,021
Share-based payment	11	180,000		11,259	-		-		-		-		-		-		11,259
Share-based compensation	11	-		-	-		-		89,671		-		-		-		89,671
Net loss for the year		-		-	-		-		-		-		-		(6,495,346)		(6,495,346)
Other comprehensive income		-		-	-		-		-		-		(4,526)		-		(4,526)
Balance at December 31, 2018		**75,623,098**	**$**	**10,434,750**	**18,630,000**	**$**	**3,105**	**$**	**264,690**	**$**	**-**	**$**	**(4,526)**	**$**	**(6,572,133)**	**$**	**4,125,886**

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

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)
Consolidation Statements of Cash Flows
(Expressed in US Dollars)

	For the year ended December 31, 2018	2017
Cash provided by (used in):		
Operating:		
Net loss for the year	$ (6,495,346)	$ (74,267)
Items not involving cash:		
Amortization	1,207,397	-
Share-based compensation	89,671	-
Share-based payments	122,708	-
Listing expense	2,518,643	-
Impairment of intangibles	516,507	
	(2,040,420)	(74,267)
Changes in non-cash operating working capital items:		
Receivables	(61,281)	-
Prepaids	(18,230)	-
Trade payables and accrued liabilities	151,696	13,774
Due to related party	(7,560)	5,040
	(1,975,795)	(55,453)
Investing		
Acquisition of intangible assets	(250,000)	-
Acquisition of equipment	(20,757)	-
Cash acquired on acquisition of Quilmont	17,214	-
	(253,543)	-
Financing		
Net cash acquired on reverse takeover	886	-
Proceeds from issuance of convertible notes	-	400,000
Shareholder contribution	-	25
Proceeds from issuance of shares, net	3,680,818	-
Subscription receipts	110	8,890
	3,681,814	408,915
Effect of foreign exchange on cash flows	(4,526)	-
Change in cash and cash equivalents during the year	1,447,950	353,462
Cash and cash equivalents, beginning of year	353,462	-
Cash and cash equivalents, end of year	**$ 1,801,412**	**$ 353,462**

Supplemental cash flow information:

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

- A fair value of $3,905,196 on common shares issued for the acquisition of intangible assets (Note 7);
- A fair value of $97,825 on common shares issued for the acquisition of software (Note 7);
- A fair value of $11,259 on common shares issued for consulting services (Note 11);
- A fair value of $175,019 on agent's warrants recorded in share issuance costs. (Note 11); and
- A conversion of $400,000 convertible debentures for 9,000,000 common shares (Note 10).

Significant non-cash transactions for the year ended December 31, 2017 included a fair value of $9,000 on share issuance of 9,000 common shares in exchange for promissory notes.

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

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

FogChain Corp. (formerly Mukuba Resources Limited) ("FogChain" or the "Company") was incorporated on February 7, 1984 under the *Business Corporations Act (Ontario).*

The Company's head office, principal address and records office is Suite 2050-1055 West Georgia Street, PO Box 11121, Royal Centre, Vancouver, BC V6E 3P3. The registered office is Suite 4400-181 Bay street, Toronto, Ontario M5J 2T3.

On May 24, 2018, the Company completed a reverse takeover transaction (the "RTO"), which was effected pursuant to a merger agreement between Mukuba Resources Limited ("Mukaba") and FogChain Inc. ("Fog Inc."), a private company existing under the laws of Delaware with its head office in San Carlos, California. See Note 4.

As part of the transaction, the Company changed its name to FogChain Corp. effective May 23, 2018, voluntarily delisted its common shares from the TSX Venture Exchange effective May 28, 2018, and commenced trading its shares on the Canadian Securities Exchange ("CSE") on May 29, 2018, under the symbol FOG. On September 4, 2018, the Company's common shares were listed on the OTCQB trading under the symbol FOGCF.

FogChain is a fully integrated, end-to-end software development life cycle (SDLC) and quality assurance solutions provider. FogChain's suite of services and technology provides application development at scale with greater speed, efficiency and at a lower cost. FogChain's Build-Once-Deploy-Everywhere software architecture provides developers with a suite of tools to build, test, and monitor exciting new applications in a unified environment.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to fully develop its software development Blockchain platform. At December 31, 2018, the Company has an accumulated deficit of $6,572,133 (December 31, 2017 - $76,787) including a loss for the year ended December 31, 2018 of $6,495,346 (December 31, 2017 - $74,267). These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities which might be necessary should the Company be unable to continue in existence.

The consolidated financial statements were authorized for issue on April 30, 2019 by the directors of the Company.

2. BASIS OF PRESENTATION

Statement of compliance and conversion to International Financial Reporting Standards ("IFRS")

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").

2. BASIS OF PRESENTATION (cont'd)

Basis of presentation and consolidation

The consolidated financial statements of the Company have been prepared on an accrual basis except for cash flow information, and are based on historical costs, modified where applicable. The consolidated financial statements are presented in US Dollars unless otherwise noted.

These consolidated financial statements include accounts of the Company and its wholly owned subsidiary, Fog Inc.

The consolidated financial statements include the accounts of Mukuba from May 24, 2018, the date of the RTO. The financial statements prior to this date include only the accounts of Fog Inc. Inter-company transactions and balances are eliminated upon consolidation.

Subsidiaries are corporations in which the Company is able to control the financial operating, investing and financing activities and policies, which is the authority usually connected with holding majority voting rights. The consolidated financial statements include the accounts of the Company and its controlled entity from the date on which control was acquired. Fog Inc. uses the same reporting period and the same accounting policies as the Company.

All significant inter-company balances and transactions have been eliminated on consolidation.

Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

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

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

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

2. BASIS OF PRESENTATION (cont'd)

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

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

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable, net of estimated discounts. The Company considers the terms of the sales contracts as well as industry practices, taking into consideration the type of customer, the estimated time required on each project and the specific circumstances of each arrangement. The Company recognizes revenues when services are completed and billed.

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

Reverse takeover

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

Business combination
Considerable judgment is required to determine whether a set of assets acquired and liabilities assumed constitute a business and may require the Company to make certain judgments, taking into account all facts and circumstances. A business consists of inputs, including non-current assets and processes, including operational processes, than when applied to those inputs have the ability to create outputs and provide a return to the Company and its shareholders.

In business combinations, it generally requires time to obtain the information necessary to identify and measure the following as of the acquisition date:

a) The identifiable assets acquired and liabilities assumed;
b) The consideration transferred in exchange for an interest in the acquiree;
c) The resulting goodwill.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete.

During the measurement period, the Company will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Company will also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date.

2. BASIS OF PRESENTATION (cont'd)

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

Estimates of useful lives of property and equipment and intangible assets
Management's judgment involves consideration of intended use, industry trends and other factors in determining the expected useful lives of depreciable assets and to determine depreciation methods.

Cash generating units and impairment of non-financial assets
Judgment is required to assess the Company's determination of cash generating units ("CGU") for the purpose of impairment testing. The process to calculate the recoverable amount of a cash generating unit requires use of valuation methods such as the discounted cash flow method which uses assumptions of key variables including future cash flows, discount rate and terminal growth rates.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand and other short-term highly liquid investments with original maturities of three months or less.

Foreign currency translation

The financial statements are presented in US dollars.

The functional currency for the Company is the Canadian dollar and the functional currency for Fog Inc. is the US dollar.

Transactions in currencies other than the entity's functional currency are translated at the exchange rates in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of the exchange in effect as at the statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities. Foreign currency differences arising on translation are recognized in profit or loss. All resulting exchange gains or losses are recognized as a foreign currency translation adjustment and included as a separate component of equity, Accumulated Other Comprehensive Loss.

Intangibles and equipment

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

Depreciation is calculated over the estimated useful lives as follows:

Computer equipment	2 to 3 years	Straight-line method
Software	3 years	Straight-line method
Customer list	5 years	Straight-line method

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Goodwill

Goodwill is the amount that results when the fair value of consideration transferred for an acquired business exceeds the net fair value of the identifiable assets and liabilities acquired. When the Company enters into a business combination, the acquisition method of accounting is used. Goodwill is assigned, as of the date of the business combination, to cash generating units that are expected to benefit from the business combination.

Business combination

The Company accounts for a transaction as a business combination when the acquisition of an asset or group of assets constitutes a business and when the Company obtains control of the entity being acquired. Business combinations are accounting for using the acquisition method. In applying the acquisition method, the Company separately records the identifiable assets acquired, the liabilities assumed, and goodwill acquired and any non-controlling interest in the acquired entity.

The Company measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values, less any non-controlling interest at fair value. Goodwill is measured as the excess of the fair value of the consideration transferred, less any non-controlling interest in the entity being acquired over the fair value of the net identifiable assets acquired. The consideration transferred in a business combination is measured as the aggregate of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquired entity and the equity interests issued by the Company. Acquisition costs in connection with a business combination are expensed as incurred. Those costs include finder's fees, professional fees, consulting fees and general administrative costs.

Impairment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income taxes

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

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

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

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

Warrants

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

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

Share-based compensation

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based compensation

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

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

Financial instruments

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

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

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

	Original classification IAS 39	*New classification IFRS 9*
Financial assets		
Cash and cash equivalents	Financial assets - FVTPL	Financial assets - FVTPL
Receivables	Loans and receivables - amortized cost	Amortized cost
Financial liabilities		
Trades payables and accrued liabilities	Other financial liabilities - amortized cost	Amortized cost

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

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

Financial assets at FVTPL

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

***Financial instruments** (cont'd)*

Amortized cost

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

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment.

Financial assets at FVTOCI

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

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

	Amortized cost	*FVTPL*	*FVTOCI*
Financial assets			
Cash and cash equivalents	$ –	$ 1,801,412	$ –
Receivables	$ 65,128	$ –	$ –
Financial liabilities			
Accounts payables	$ 191,200	$ –	$ –

Fair value hierarchy

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

i) Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

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

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

Cash deposits have been measured at fair value using Level 1 inputs. The carrying value of receivables and accounts payables approximate their fair value because of the short-term nature of these instruments or their ability of prompt liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments *(cont'd)*

Impairment of financial assets

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

Earnings/loss per share amounts

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

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

Revenues

The Company generates revenues by providing fully integrated, end-to-end software development life cycle and quality assurance solutions. The Company's suite of services and technology provides application development at scale with greater speed, efficiency and at a lower cost. Revenues from IT support services are recognized when services are provided and billed.

On January 1, 2018, the Company adopted IFRS 15 – Revenue from Contracts with Customers. The new standard includes a five step recognition and measurement approach for revenue arising from contracts with customers, and includes new requirements for accounting for contract costs. Revenues arising from financial instruments within the scope of IFRS 9 – Financial Instruments, specifically interest revenue, are excluded from the scope of IFRS 15. All other revenue streams are included within the scope of IFRS 15.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018, and supersedes IAS 11, Construction Contracts, and IAS 18, Revenue, as well as various International Financial Reporting Interpretative Committee ("IFRIC") and Standards Interpretations Committee ("SIC") interpretations regarding revenue.

The adoption of this standard did not have any significant impact on the Company's consolidated financial statements. During the year ended December 31, 2018, the Company generated total sales of $194,345 for IT development and support services.

New accounting pronouncements

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New accounting pronouncements *(cont'd)*

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

IFRS 16 "Leases"
In January 2016, the IASB released IFRS 16 "Leases" replacing IAS 17 "Leases" and related interpretations. The new standard eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the consolidated statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements.

IFRS 16 is effective for reporting periods beginning on or after January 1, 2019. The Company's management is currently assessing the impact of IFRS 16 on these consolidated financial statements. All leases the Company has entered into are currently classified as operating leases, under which lease payments are expensed on a straight-line basis over the term of the lease.

4. REVERSE TAKEOVER OF FOGCHAIN INC.

On May 24, 2018, the Company completed an RTO transaction with Fog Inc. (Note 1), whereby the Company acquired 100% of the issued and outstanding common shares of Fog Inc.

Prior to the completion of the RTO, FogChain completed a consolidation of its shares on a basis of 1.66 to 1. Pursuant to the RTO, the Company issued an aggregate of 45,353,884 common shares and 18,630,000 Class A convertible restricted voting shares (the "restricted shares") of the Company in exchange for all of the issued and outstanding shares of Fog Inc. Upon closing of the transaction, the shareholders of Fog Inc. owned 96% of the common shares of the Company and, as a result, the transaction is considered a reverse acquisition of the Company by Fog Inc.

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

(i) The consolidated financial statements of the combined entity are issued under the legal parent, FogChain, but are considered a continuation of the financial statements of the legal subsidiary, Fog Inc.

(ii) As Fog Inc. is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

(Expressed in US Dollars)

4. REVERSE TAKEOVER OF FOGCHAIN INC. (cont'd)

(iii) Since the shares allocated to the former shareholders of FogChain on closing the RTO is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or service received in return for the allocation of the shares, the value in excess of the net identifiable assets or obligations of FogChain acquired on closing was expensed in the consolidated statement of loss and comprehensive loss as a listing expense.

The fair value of the 3,318,051 common shares for all of FogChain was determined to be $837,238 or $0.42 per common share.

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

Fair value of the common shares at RTO Date	$	837,238
Identifiable assets acquired – At May 24, 2018		
Cash	$	886
Receivables		1,327
Trade payables		(112,826)
		(110,613)
Unidentified assets acquired		
Listing expense		947,850
Total net identifiable assets and transaction costs	$	837,238

(v) The Company paid a finder's fee of 3,750,000 shares at the completion of the RTO. Accordingly, the Company recorded the fair value of $1,570,793 as a listing expense (Note 11). The Company incurred additional listing expenses of $167,758.

5. CASH AND CASH EQUIVALENTS

		December 31, 2018		December 31, 2017
Cash at bank	$	1,638,177	$	353,462
Short-term investments		163,235		-
	$	1,801,412	$	353,462

6. RECEIVABLES

		December 31, 2018		December 31, 2017
Trade receivables	$	62,345	$	-
Goods and services tax recoverable		2,783		-
	$	65,128	$	-

(Expressed in US Dollars)

7. INTANGIBLE ASSETS

		Software[(a)]		Customer List[(b)]		Goodwill[(b)]		Total
Acquisition costs:								
Balance, December 31, 2016 and 2017	$	-	$	-	$		$	-
Additions		3,219,890		661,611		253,961		4,135,462
Impairment		(516,507)		-		-		(516,507)
Balance, December 31, 2018	**$**	**2,703,383**	**$**	**661,611**	**$**	**253,961**	**$**	**3,618,955**
Accumulated amortization:								
Balance, December 31, 2016 and 2017	$	-	$	-	$	-	$	-
Amortization for the year		1,073,297		132,322		-		1,205,619
Balance, December 31, 2018	**$**	**1,073,297**	**$**	**132,322**	**$**	**-**	**$**	**1,205,619**
Total, December 31, 2017	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**
Total, December 31, 2018	**$**	**1,630,086**	**$**	**529,289**	**$**	**253,961**	**$**	**2,413,336**

a) On June 1, 2018, the Company entered into a computer software assignment and asset purchase agreement (“RadJav Purchase Agreement”) to acquire the RadJav rapid application development platform (“RadJav”) and other related assets from Higher Edge Software, LLC. The Company issued payment under the following terms of the acquisition:

(i) 10,000,000 common shares of the Company with a fair value of $2,969,890 (Note 11) (issued); and
(ii) Aggregate cash payment of $250,000 payable by installment of $50,000 each month commencing on date of signing (paid).

The Company acquired the intangible asset to develop advancements in the platform to be compatible with various operating systems.

The Company tests assets for impairment when events or circumstances may indicate the carrying value is no longer recoverable. The asset is impaired when the recoverable amount is less than the net book value. The recoverable amount is the higher of (i) an asset‘s fair value less costs to sell and (ii) its value-in-use. In performing the annual impairment test the Company identified evidence of impairment in certain assets and an analysis was done on the recoverable amount.

During the annual review, the Company determined that the recoverable amount of software was less than their carrying value. Accordingly, at December 31, 2018, the Company recorded an impairment of $516,507 on the asset.

b) On August 29, 2018, the Company entered into a purchase agreement to acquire the rights, title and interest of certain assets of Quilmont LLC (“Quilmont”), a software development technology and solutions provider, for a consideration of 4,100,000 common shares of the Company at a fair value of $935,306 (Note 11). The Company received net assets of $19,734

For accounting purposes, the assets acquired was considered to be a business acquisition under IFRS 3 *Business Combinations* (“IFRS 3”). As such, the difference between the fair value of consideration paid and the fair value of the Company’s identifiable assets and liabilities has been recognized as goodwill.

(Expressed in US Dollars)

7. INTANGIBLE ASSETS (cont'd)

b) (cont'd)

The acquisition costs was allocated as follows:

Cash and cash equivalents	$	17,214
Accounts receivables		2,520
Intangible - customer list		661,611
Goodwill		253,961
Total	$	935,306

The annual impairment test of goodwill and was performed on December 31, 2018 and did not result in any impairment loss.

The recoverable amount is the higher of (i) an asset's or CGU's fair value less costs to sell and (ii) its value-in-use. In performing the annual impairment test for the Company's single CGU, the Company measured the value-in-use of the CGU using certain key management assumptions. Cash flow projections, which were made over a five-year period, were based primarily on the financial budget reviewed by the Board of Directors plus a terminal value using a terminal growth rate. The Company discounted these estimates of future cash flows to their present value using an after-tax discount rate of 10% which reflects the Company's weighted average cost of capital. The fair value less costs to sell, primarily based on the Company's market capitalization as at December 31, 2018, also exceeded the net carrying amount of the CGU.

c) On November 27, 2018, the Company entered into a purchase agreement with AppMark Inc. ("AppMark") to acquire an application monitoring and benchmark platform, "AppMon", and other related assets. The Company issued payment under the following terms of the acquisition:

i) 1,000,000 common shares of the Company at a fair value of $97,825 (Note 11) (issued); and
ii) cash payment of $40,000 (paid).

There was no identifiable asset to which the consideration was attributable. As such, the Company recorded the consideration as share based compensation and software costs, respectively.

8. EQUIPMENT

		Computer Equipment
Cost:		
At December 31, 2016 and 2017	$	-
Acquisition		20,757
At December 31, 2018	$	20,757
Accumulated amortization:		
At December 31, 2016 and 2017	$	-
Amortization		1,778
At December 31, 2018	$	1,778
Net book value:		
At December 31, 2017	$	-
At December 31, 2018	$	18,979

(Expressed in US Dollars)

9. TRADE PAYABLES AND ACCRUED LIABILITIES

		2018		2017
Trade payables (Note 12)	$	159,658	$	13,774
Accrued liabilities		31,542		-
	$	191,200	$	13,774

10. CONVERTIBLE DEBENTURE

On December 19, 2017, Fog Inc. received $400,000 in convertible debenture subscriptions. The convertible debentures were non-interest bearing with a maturity term of 12 months and were automatically converted into common shares on completion of the RTO on May 24, 2018 (Note 4 and 11).

11. SHARE CAPITAL

a) Authorized share capital

Unlimited common shares without par value

Unlimited Class A convertible restricted voting common shares without par value ("Restricted Shares").

The Restricted Shares entitles the holder to receive notice to attend and vote at meetings, however, it prohibits the shareholder from voting for the election or removal of directors of the Company. Each Restricted Share shall be convertible into 1 common share, without payment of additional consideration, at the option of the holder thereof as follows:

(i) at any time that is not a Restricted Period[1] or with the consent of the board of directors;
(ii) if the Company determines that it has ceased to be a foreign issuer for the purposes of United States securities laws, and has notified the holders of the Restricted Shares of such determination;
(iii) if there is an offer to purchase the common shares, and the Issuer has notified the holders of the Restricted Shares of such offer and commencing on the date the offer is made until completion or termination of such offer.

[1] - "Restricted Period" means any time at which the board of directors reasonably believes that the Company is a domestic issuer under applicable United States securities laws or would become a domestic issuer as a result of the issuance of Common Shares upon the conversion of Restricted Voting Common Shares.

b) Issued

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

(i) The Company completed a private placement of 9,983,884 subscription receipts at a price of CAD$0.54 per subscription receipt for total proceeds of $4,108,120. The Company paid $427,302 in share issuance costs for agent's commission, legal and transfer agent costs. The Company also issued 686,255 agent's warrants. Each agent's warrant is exercisable at a price of CAD$0.54 per common share until May 24, 2020. Accordingly, the Company recorded a fair value of $175,019 in reserve.

(ii) On May 24, 2018, in accordance with the RTO (Note 4), FogChain completed a consolidation of its common shares on a basis of 1.66 to 1 and issued 45,353,884 common shares and 18,630,000 restricted shares to acquire all the issued and outstanding shares of Fog Inc.

Concurrent with the completion of the RTO (Note 4), the Company issued 3,750,000 common shares to the finders of the Company's acquisition of Fog Inc. The fair value of these common shares of $1,570,793 was recorded as a listing expenses during the year ended December 31, 2018.

11. SHARE CAPITAL (cont'd)

b) Issued (cont'd)

(iii) Issued an aggregate of 240,451 common shares, at a fair value of $100,720 for a debt settlement. Of this amount, 207,927 common shares, at a fair value of $87,096, were issued for settlement of outstanding payables of $87,096 (Note 12) and 32,524 common shares, at a fair value of $13,624, as consideration to a waiver of a voting support agreement.

(iv) Issued 9,000,000 common shares on conversion of convertible debentures of $400,000 (Note 10).

(v) Issued 10,000,000 common shares, at a fair value of $2,969,890, pursuant to the RadJav Purchase Agreement (Note 7).

(vi) Issued 4,100,000 common shares, at a fair value of $935,306, to Quilmont (Note 7).

(vii) Issued 1,000,000 common shares, at a fair value of $97,825, to AppMark (Note 7).

(viii) Issued 180,000 common shares at a fair value of $11,259 to a company providing consulting services to the Company.

During the year ended December 31, 2017, a shareholder contributed $25 and there were no common shares issued.

c) Escrow shares

18,630,000 Restricted Shares and 3,240,000 common shares issued to the principals of the Company under the RTO are subject to escrow conditions required by applicable securities laws and the CSE requirements. Pursuant to the terms of the escrow agreements, 10% of the escrowed shares were released from escrow on May 24, 2018. The remaining 16,767,000 Restricted Shares and 2,916,000 common shares held within escrow will be released over a period of 36 months.

d) Reserve

The reserve records the fair value recognized on stock options granted and on the share purchase warrants issued in connection to the private placement until such time that the stock options or share purchase warrants are exercised, at which time the corresponding amount will be transferred to share capital.

e) Stock options and warrants

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

During the year ended December 31, 2018, the Company granted an aggregate of 1,920,000 stock options to directors, officers, employees and consultants of the Company at an exercise price of $0.28 per share expiring on October 1, 2022. The stock options granted are subject to vesting terms over a 2 year period. During the year, the Company recorded $89,671 in share based compensation.

(Expressed in US Dollars)

11. SHARE CAPITAL (cont'd)

e) Stock options and warrants (cont'd)

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

	Stock Options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2017	-	CAD$ -	-	CAD$ -
Granted	1,920,000	CAD$ 0.28	686,255	CAD$ 0.54
Forfeited	(11,250)	CAD$ 0.28	-	-
Outstanding, December 31, 2018	1,908,750	CAD$ 0.28	686,255	CAD$ 0.54
Number currently exercisable	192,000	CAD$ 0.28	686,255	CAD$ 0.54

As at December 31, 2018, the following stock options and share purchase warrants were outstanding:

	Expiry Date	Number of Shares	Weighted Average Exercise Price	Weighted Average Period
Stock options	October 1, 2022	1,908,750	CAD$ 0.28	3.75 years
Warrants	May 24, 2020	686,255	CAD$ 0.54	1.40 years

The Company applied the fair value method in accounting for its stock options and share purchase warrants using the Black-Scholes Option Pricing Model using the following estimates:

December 31, 2018	Stock options	Warrants
Risk free rate	2.29%	1.95%
Expected dividend yield	0%	0%
Expected stock price volatility	121.31%	119.31%
Weighted average expected life	3.96 years	2 year
Weighted average fair value	CAD$0.19	CAD$0.33

12. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

	December 31, 2018	December 31, 2017
Chief Executive Officer	$ 117,000	$ -
VP Product Marketing & Corporate Secretary	91,667	-
Chief Strategy Officer	40,000	-
Total	$ 248,667	$ -

(Expressed in US Dollars)

12. RELATED PARTY BALANCES AND TRANSACTIONS (cont'd)

Other related party transactions and balances

(i) The Company leases office space on a month to month basis from Newton Energy, Inc., a company with a common director and shareholder, James Cerna, for a monthly rent of $3,000 plus $420 in telecommunication services.

During the year ended December 31, 2018, the Company paid a total of $41,460 (2017 - $41,040) in rent and telecommunications charges.

As at December 31, 2018, the Company owed James Cerna, director and officer of the Company, $Nil (December 31, 2017 - $7,560) in expense reimbursements. This amount was included in due to related party.

(ii) As at December 31, 2018, $200 (2017 - $Nil) was owed to Anthony Cerna, officer of the Company for reimbursement of expenses. This amount was included in the trade payables and accrued liabilities.

(iii) As at December 31, 2018, $930 (2017 – $Nil) was owed to Patrick Quilter, director and officer of the Company for reimbursement of expenses. This amount was included in the trade payables and accrued liabilities.

(iv) In connection to the purchase agreement dated August 29, 2018 (Note 7 and 11), 4,100,000 common shares were issued to Quilmont, a company wholly owned by Patrick Quilter, a director and officer of the Company.

(v) The former Chief Executive Officer and former Chief Financial Officer of FogChain is a senior employee of Marrelli Support Services ("Marrelli"). During the year ended December 31, 2018, the Company issued 84,868 common shares to settle outstanding debt of $45,829 due to Marrelli (Note 11).

(vi) The Company's former legal counsel, Peterson McVicar LLP, was issued 123,059 common shares to settle outstanding debt of $91,452 (Note 11).

13. COMMITMENT

On June 1, 2018, the Company entered into an agreement with a private company to provide administrative services to the Company for a period of three years in exchange for a monthly fee of CAD$10,000 plus applicable taxes. At the end of the service term, the terms of the agreement are automatically renewed on an annual basis until either party provides notice of termination.

14. SEGMENTED INFORMATION

The Company operates in two industry segments, being project development services and support and maintenance services.

December 31,	2018	2017
Sales for the year		
Project development	$ 12,875	$ -
Support and maintenance	181,470	-
	$ 194,345	$ -

(Expressed in US Dollars)

15. INCOME TAXES

The following table reconciles the expected income tax recovery at the Canadian Federal and Provincial statutory rate of 27% (2017 - $26.5%) to the amounts recognized in the consolidated statements of loss and comprehensive loss:

	2018	2017
Loss before income taxes	$ (6,495,346)	$ (74,267)
Expected income tax at statutory tax rates	$ (1,837,000)	$ (15,248)
Permanent difference	729,000	-
Change in statutory, foreign tax, foreign exchange rates and other	896,000	-
Adjustments and change in unrecognized deductible temporary differences	212,000	15,248
Total income tax expense	$ -	$ -

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

	2018	Expiry dates	2017	Expiry dates
Share issue costs	$ 518,000	2023	$ -	No expiry
Non-Capital losses	5,416,000	2028 to 2038	77,000	2037
Capital assets	2,566,000	No expiry	-	No expiry
Canadian eligible capital	127,000	No expiry	-	No expiry
Exploration and evaluation assets	1,726,000	No expiry	-	No expiry
Allowable capital losses	19,618,000	No expiry	-	No expiry
	$ 29,971,000		$ 77,000	

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Credit risk

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

The Company's secondary exposure to credit risk is on its receivables. The Company has credit risk as it relates to the collection of its receivables. Current receivables are due from three customers consisting of 96% and refundable Canadian government sales taxes consisting of the remaining 4% of total receivables.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash and cash equivalent balances to ensure that it is able to meet its short term and long term obligations as and when they fall due.

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

As at December 31, 2018, the Company had working capital of $1,693,571 (December 31, 2017 –working capital deficiency of $67,872).

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.

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

(b) Foreign currency risk
The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, and accounts payable and accrued liabilities that are denominated in Canadian Dollars. Management does not hedge its exposure to foreign exchange risk and does not believe the Company's net exposure to foreign currency risk is significant.

As at December 31, 2018, the Company had net financial assets of CAD$139,047. A 10% change in the US dollar versus the Canadian dollar would give rise to a gain/loss of approximately $10,192.

(c) Price risk
The Company is not exposed to price risk.

17. CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. There was no change to the capital management from the prior year.

18. SUBSEQUENT EVENT

On January 8, 2019, the Company engaged a consultant to provide advisory services for strategic consulting matters and investor relations activities in exchange for total cash consideration of $100,000 paid in equal quarterly payments and an aggregate of 2,000,000 common shares over a one year term.