



# **Condensed Interim Consolidated Financial Statements**

**For the nine month periods ended April 30, 2015 and 2014**

**(Expressed in Canadian Dollars)**

(Prepared by Management)  
(Unaudited)

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**Notice of no Review by Auditor**

In accordance with National Instrument 51-102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators **WE HEREBY GIVE NOTICE THAT** the condensed interim consolidated financial statements that follow this notice have not been reviewed by the Company's auditors.

**NEWNOTE FINANCIAL CORP.**  
**Condensed Interim Consolidated Statements of Financial Position**  
**As at**  
**(Expressed in Canadian Dollars)**  
(unaudited)

	Note	January 31, 2015 \$	July 31, 2014 \$
<b>Assets</b>			
Current			
Cash		132,860	257,592
Crypto currency		-	11,268
Advances and prepaid expenses		6,351	20,933
GST receivable		15,754	12,643
		<u>154,965</u>	<u>302,436</u>
Assets		1,500,000	
Investments		<u>332,500</u>	-
		<u>1,987,465</u>	<u>302,436</u>
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities		368,400	22,300
Due to related parties	7(b)	28,500	3,375
Client funds on deposit		20,135	-
		<u>417,035</u>	<u>25,675</u>
<b>Shareholders' Equity</b>			
<b>Capital Stock</b>	6	3,196,741	1,330,439
<b>Reserves</b>	6(d)	274,121	215,121
<b>Deficit</b>		<u>(1,900,432)</u>	<u>(1,268,799)</u>
		<u>1,570,430</u>	<u>276,761</u>
		<u>1,987,465</u>	<u>302,436</u>

Approved on Behalf of the Board:

\_\_\_\_\_  
Director  
Mitchell Demeter

\_\_\_\_\_  
Director  
Paul Dickson

**NEWNOTE FINANCIAL CORP.**  
**Condensed Interim Consolidated Statements of Operations and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**  
(unaudited)

	Note	For the three months ended April 30, 2015 \$	For the three months ended April 30, 2014 \$	For the nine months ended April 30, 2015 \$	For the nine months ended April 30, 2014 \$
<b>Bitcoin Operations</b>					
Revenue		693	-	12,840	-
Operating costs		959	-	(28,445)	-
Income from operations		1,652	-	(15,605)	-
<b>General and administrative</b>					
Bank charges and interest		792	584	1,194	743
Consulting fees		15,248	4,500	66,952	4,500
Foreign exchange		16,836	-	16,836	-
Investor relations		4,070	35,585	12,265	36,276
Management compensation		53,424	38,660	157,784	77,560
Marketing costs		80,618	-	100,618	-
Office and miscellaneous		1,284	2,483	2,438	3,639
Professional fees		19,248	28,614	39,902	29,825
Regulatory fees		11,434	19,206	17,874	28,073
Rent		8,000	4,500	20,000	11,400
Share-based payment	6(d)	-	57,000	61,500	67,500
Travel		12,827	4,761	52,365	4,761
Website development		26,300	-	66,300	-
Total general and administrative expenses		250,081	195,893	616,028	264,277
<b>Net Loss and Comprehensive Loss for</b>		<b>248,429</b>	<b>195,893</b>	<b>631,633</b>	<b>264,277</b>
<b>Basic and Diluted Loss per Common \$</b>		<b>0.01</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>
<b>Weighted Average Number of Common Shares Outstanding</b>					
		33,739,048	12,085,713	28,686,836	11,062,501

**NEWNOTE FINANCIAL CORP.**  
**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**  
**(Expressed in Canadian Dollars)**  
(unaudited)

	Common Shares		Reserves	Deficit	Total Shareholders' Equity
	Number	Amount \$			
<b>Balance, July 31, 2013</b>	10,004,000	400,414	105,360	(485,163)	20,611
Shares issued for private placement	9,500,000	415,463	-	-	415,463
Shares issued on exercise of options	505,222	43,022	-	-	43,022
Shares issued on exercise of warrants	75,000	7,500	-	-	7,500
Share issuance costs	-	(17,840)	-	-	(17,840)
Share-based payment	-	-	67,500	-	67,500
Net loss for the period	-	-	-	(264,277)	(264,277)
<b>Balance, April 30, 2014</b>	20,084,222	848,559	172,860	(749,440)	271,979
Shares issued for private placement	180,000	(58,263)	76,800	-	18,537
Shares issued for exercise of warrants	3,669,655	441,859	(74,893)	-	366,966
Shares issued for exercise of options'	188,240	47,750	(28,926)	-	18,824
Shares issued for debt	261,305	93,500	-	-	93,500
Share-based payment	-	-	56,000	-	56,000
Share issuance costs	-	(42,966)	13,280	-	(29,686)
Net loss for the period	-	-	-	(519,359)	(519,359)
<b>Balance, July 31, 2014</b>	24,383,422	1,330,439	215,121	(1,268,799)	276,761
Shares issued for investment	1,500,000	225,000	7,500	-	232,500
Shares issued for private placement	4,383,668	627,550	-	-	627,550
Shares issued for exercise of options'	256,250	30,000	-	-	30,000
Shares issued for asset purchase	6,666,668	1,000,000	-	-	1,000,000
Share-based payment	-	-	61,500	-	61,500
Share issuance costs	-	(16,248)	(10,000)	-	(26,248)
Net loss for the period	-	-	-	(20,000)	(20,000)
<b>Balance, April 30, 2015</b>	37,190,008	3,196,741	274,121	(1,288,799)	2,182,063

**NEWNOTE FINANCIAL CORP.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**  
(unaudited)

	For the nine months ended April 30, 2015 \$	For the nine months ended April 30, 2014 \$
<b>Operating Activities</b>		
Net loss	(631,633)	(264,277)
Items not involving cash		
Share-based payment	61,500	67,500
Changes in non-cash working capital		
Advances and prepaid expenses	14,582	(268)
GST receivable	(3,111)	(3,144)
Accounts payable and accrued liabilities	346,100	(1,550)
Due to related parties	25,125	(20,500)
Client funds on deposit	20,135	-
Crypto currency	11,268	-
<b>Cash Used in Operating Activities</b>	<u>(156,034)</u>	<u>(222,239)</u>
<b>Investing Activities</b>		
Purchase of investment	(107,500)	-
Purchase of assets	(500,000)	(119,799)
	<u>(607,500)</u>	<u>(119,799)</u>
<b>Financing Activities</b>		
Issuance of shares for private placement	627,550	464,753
Issuance of shares for exercise of options	30,000	-
Share issuance costs	(18,748)	(17,840)
	<u>638,802</u>	<u>446,913</u>
<b>Inflow of Cash</b>	<u>(124,732)</u>	<u>104,875</u>
<b>Cash, Beginning of Year</b>	<u>257,592</u>	<u>6,604</u>
<b>Cash, End of Year</b>	<u>132,860</u>	<u>111,479</u>
<b>Supplemental Cash Flow Information</b>		
Shares issued for purchase of asset	1,000,000	-
Shares issued for investment	225,000	-
	<u>1,225,000</u>	<u>-</u>

**NEWNOTE FINANCIAL CORP.**  
**Notes to the Condensed Consolidated Financial Statements**  
**For the nine months ended April 30, 2015 and 2014**  
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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Newnote Financial Corp. (the "Company") was incorporated as Winrock Resources Inc. under the *Business Corporations Act* of British Columbia on August 16, 2010. The Company was engaged in the acquisition, exploration and development of mineral properties. The Company was listed on the Canadian Securities Exchange ("CSE") and started trading May 28, 2012 under the symbol "WR". On April 8, 2014, the Company changed its name to Newnote Financial Corp. ("Newnote") and started trading on the CSE under the symbol "NEU". The Company is also trading on the Frankfurt Stock Exchange under the symbol "1W4" and is listed on the OTCQB venture market in the United States and trades under the symbol "NWWTF". The Company also changed its business from resource exploration to the provision of crypto currency financial services.

The address of the Company's registered office is Suite 709 - 700 West Pender Street, Vancouver, British Columbia V6C 1G8.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business for the foreseeable future.

The Company reported a net loss of \$631,633 for the nine months ended April 30, 2015 (2014 - \$264,277) and has an accumulated deficit of \$1,900,432 as at April 30, 2015 (2014 - \$749,440). The Company has an ongoing requirement for capital investment for its administrative overhead, and accordingly, the Company will need to raise additional capital through equity financing to accomplish its business plan over the next several years. There can be no assurance as to the availability or terms upon which such financing might be available. These material uncertainties cast significant doubt about the Company's ability to continue as a going concern.

The Company's wholly-owned subsidiary, Newnote Networks Inc. ("NNI"), a software and hardware development company specializing in the development and acquisition of crypto currency related products and services, was incorporated during the year. The Company formed a wholly owned subsidiary in Australia in January 2015, Newnote Financial Pty Ltd. ("NFP") to conduct overseas business for the digital currency exchange.

These condensed interim consolidated financial statements do not include the adjustments and reclassifications that would be necessary should the Company be unable to continue as a going concern. Such adjustments and reclassifications could be material.

**2. BASIS OF PRESENTATION**

(a) Statement of Compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). The unaudited condensed interim financial statements follow the same accounting policies and methods of application as our most recent annual financial statements and do not include all of the information required for full annual financial statements. Accordingly, they should be read in conjunction with our IFRS financial statements for the fiscal year ended July 31, 2014. The accounting policies applied in these unaudited condensed interim financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as of June 29, 2015, the date the Board of Directors approved these unaudited condensed interim financial statements and they are consistent with those disclosed in the annual financial statements.



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(b) Basis of preparation

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss ("FVTPL"), which are stated at their fair values. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting. The condensed interim consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency, and all values are rounded to the nearest dollar, unless otherwise indicated.

(c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, NNI and NFP. Intercompany balances and transactions are eliminated on consolidation.

(d) Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements, and the reported amounts of expenses during the reporting period. In particular, significant judgments made by management in the application of IFRS during the preparation of the condensed interim consolidated financial statements and estimates with a risk of material adjustment are as follows:

(i) Impairment assessment

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

At July 31, 2014, there were indicators that suggested that the Company's assets were impaired. Impairments of mineral properties and equipment have been reflected in the consolidated statement of operations and comprehensive loss.

(ii) Valuation of share-based payments

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions could materially affect the fair value estimate and the Company's earnings and equity reserves.

(iii) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company

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recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company only recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

While management believes these judgments and estimates are reasonable, actual results could differ from those estimates and could impact future results of comprehensive income (loss) and cash flows. The estimates and underlying assumptions are reviewed on an ongoing basis.

**3. SIGNIFICANT ACCOUNTING POLICIES**

(a) Financial instruments

*Financial assets*

All financial assets are initially recorded at fair value and classified upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or as FVTPL.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost using the effective interest method.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss), except for losses in value that are considered other than temporary, which are recognized through profit or loss.

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

*Financial liabilities*

All financial liabilities are initially recorded at fair value and classified upon inception as FVTPL or other financial liabilities. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs.

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Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through profit or loss.

*Impairment of financial assets*

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

(b) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(c) Share-based payment

The Company accounts for share-based payment using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the options are recorded at the fair value of the goods or services received. When the value of the goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured using the Black-Scholes option pricing model. The fair value of the options is accrued and charged either to profit or loss or mineral property interests, with the offset credit to reserves.

For directors and employees the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of share-based payment are transferred to share capital.

(d) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

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Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(e) Unit offerings

The Company has adopted the 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 common shares issued in the private placements at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the warrants. Any fair value attributed to the warrants is recorded in shareholders' equity.

(f) Crypto currencies

The Company is involved in the production of crypto currencies. As part of this production, the Company incurs costs, and is able to realize value of the currency when exchanging to fiat currencies. The Company recognizes the various crypto currencies at their costs of production during the year. Subsequent to production, crypto currencies are valued at their fair market value, based on publicly quotable rates. Fair value adjustments on these assets are recognized through profit or loss.

(g) Revenue recognition

The Company generates revenue by leasing out computing power for the purpose of mining crypto currencies. Revenues are recorded evenly over the life of the lease.

(h) New accounting standards and interpretations not yet adopted

The Company will be required to adopt certain standards and amendments issued by the IASB, as described below, for which the Company is currently assessing the impact on its condensed interim consolidated financial statements. As at April 30, 2015, the impact of these new accounting standards to the Company is not known.

Accounting standards issued, but not yet effective are:

**IFRS 9 *Financial Instruments* (2009)**

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a "business model" test and a "cash flow characteristics" test are measured at amortized cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as "fair value through other comprehensive income" with only dividends being recognized in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognized in profit or loss
- The concept of "embedded derivatives" does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

The International Accounting Standards Board ("IASB") has indefinitely postponed the mandatory adoption date of this standard.

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**IFRS 9 *Financial Instruments* (2010)**

This is a revised version incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*.

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss; in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

The IASB has indefinitely postponed the mandatory adoption date of this standard.

**IFRS 9 *Financial Instruments* (2014)**

This is a finalized version of **IFRS 9**, which contains accounting requirements for financial instruments, replacing **IAS 39 *Financial Instruments: Recognition and Measurement***. The standard contains requirements in the following areas:

- **Classification and measurement.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of **IFRS 9** introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under **IAS 39**; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment.** The 2014 version of **IFRS 9** introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from **IAS 39**.

Applicable to annual periods beginning on or after January 1, 2018.

**IFRS 9 *Financial Instruments* (Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39) (2013)**

A revised version of IFRS 9 which:

- Introduces a new chapter to IFRS 9 on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
- Permits an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss
- Removes the mandatory effective date of IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalization of the impairment and classification and

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measurement requirements. Notwithstanding the removal of an effective date, each standard remains available for application.

This standard has no stated effective date.

***Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)***

Amends IAS 32 Financial Instruments: Presentation to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of “currently has a legally enforceable right of set-off”
- the application of simultaneous realization and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

Applicable to the Company’s annual period beginning on August 1, 2014.

***Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)***

Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

Applicable to the Company’s annual period beginning on August 1, 2014.

**4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company’s financial instruments have been designated as follows: cash and crypto currency assets, as held-for-trading; and accounts payable and accrued liabilities and due to related parties, as other financial liabilities.

The carrying values of accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short-term maturity of these financial instruments; therefore, disclosure is not made of their level in the fair value hierarchy.

Crypto currency assets are measured at fair value in accordance with Level 1 of the fair value hierarchy, based on the published exchange prices of the crypto currencies held at year-end.

(a) Credit risk

The Company manages credit risk, in respect of cash, by holding it at a major Canadian financial institution in accordance with the Company’s investment policy. The Company’s concentration of credit risk and maximum exposure is for cash and crypto currencies at April 30, 2015 in the amount of \$132,860 (2014 - \$111,479).

The credit risk associated with cash is managed by ensuring that it is placed with major Canadian financial institutions with strong investment-grade ratings by a primary ratings agency.

(b) 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’s approach to mitigating liquidity risk is to provide reasonable assurance

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that it will have sufficient funds to meet liabilities when due. The Company has cash of \$132,860 at April 30, 2015 (2014 - \$111,479), accounts payable and accrued liabilities of \$368,400 (2014 - \$19,300) and due to related parties of \$28,500 (2014 - \$1,400) payable on demand.

(c) Market risk

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

(i) Interest rate risk

The Company is not exposed to significant interest rate risk, as all its cash is held in bank accounts and the effect of interest rate fluctuations will be minimal.

(ii) Foreign currency risk

The Company is not exposed to foreign currency risk.

(iii) Other price risk

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

The Company will be exposed to other price risk with respect to crypto currencies in the future. As at April 30, 2015, the other price risk of crypto currencies is immaterial.

**5. CAPITAL MANAGEMENT**

The Company's primary source of funds comes from the issuance of share capital and crypto currency operations. The Company does not use other sources of financing that require fixed payments of interest and principal and is not subject to any externally imposed capital requirements.

The Company defines its capital as shareholders' equity. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals.

The Company's capital management objective is to maximize investment returns to its equity-linked stakeholders within the context of relevant opportunities and risks associated with the Company's operating segment. Achieving this objective requires management to consider the availability of capital, the cost of various capital alternatives and other factors. Establishing and adjusting capital requirements is a continuous management process. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this financing due to uncertain economic conditions.

The Company does not have sufficient funds to meet its working capital requirements for the coming year and will need to generate additional capital to expand its services.

**6. SHARE CAPITAL**

(a) Authorized

Unlimited number of common shares without par value.

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(b) Issued

During March 2015, there were 6,666,668 shares issued for the purchase of Cointrader.net at a deemed price of \$0.15 per share.

During February 2015, there were 156,250 shares issued for warrants exercised at a price of \$0.16 per share.

During December 2014, there were 4,383,668 shares issued by way of a private placement at a price of \$0.15 per share and 100,000 shares issued for stock options exercised at a price of \$0.05 per share

During October 2014, there were 1,500,000 shares issued for an investment in Coinpayments Inc. at a deemed price of \$0.15 per share.

During June 2014, there were 3,689,655 shares issued for warrants exercised at a price of \$0.10 per share, 225,000 options exercised at prices of \$0.05 and \$0.10 per share, 26,935 agent options exercised at a price of \$0.10, and 225,000 shares issued for services at a price of \$0.36 per share.

During May 2014, there were 36,305 shares issued for services at a price of \$0.34 per share, 55,000 warrants exercised at a price of \$0.10 per share, and 41,304 agent options exercised at a price of \$0.10 per option. Share issue costs totaled \$5,602.

During April 2014, there were 225,000 options exercised at prices of \$0.05 and \$0.10 per option, and 109,222 agent options exercised at a price of \$0.10 per option.

During March 2014, there were 66,000 agent options exercised at a price of \$0.10 per option.

On February 28, 2014, the Company issued 7,680,000 units at a price of \$0.05 per unit. Each unit consisted of one common share and one-half of one share purchase warrant, with each whole warrant exercisable to acquire one common share at \$0.10 until February 28, 2015. Under an acceleration clause within the warrants, the expiry date on the warrants was adjusted to June 15, 2014. Share issue costs totaled \$55,205. Included in share issue costs were finder's fees of \$16,600. In addition, 166,000 agent warrants were issued exercisable at \$0.10 for one year (note 7(g)).

On December 18, 2013, the Company issued 480,000 shares at a price of \$0.025 per share.

On December 4, 2013, the Company issued 1,520,000 shares at a price of \$0.025 per share.

On October 25, 2012, the Company issued 500,000 units at a price of \$0.10 per unit. Each unit consists of one flow-through share and one-half of one warrant of non-flow-through common shares at an exercise price of \$0.12 for a twelve-month period.

On October 22, 2012, the Company issued 150,000 common shares at a price of \$0.10 per share for the acquisition of additional claims in the Ecstall River area.

(c) Escrowed shares

As at April 30, 2015, there were 502,500 (2014 – 1,507,500) common shares held in escrow.



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(d) Stock options

The Company has adopted an incentive stock option plan (the "Plan"), which reserves for issuance a maximum of 10% of the Company's issued and outstanding share capital at the time of a grant of options under the Plan. The Plan will be administered by the Board of Directors and provides for grants of options to directors, executive officers, employees, consultants, management company employees or their permitted assigns (collectively, the "Optionees") of the Company at the discretion of the Board of Directors.

The term of any options granted under the Plan will be fixed by the Board of Directors and may not exceed ten years. The exercise price of options granted under the Plan will be determined by the Board of Directors and, if the common shares are listed on an exchange, the exercise price must not be lower than the last closing sale price for such common shares as quoted on the exchange for the market trading day immediately prior to the date of grant of the option, less any discount permitted by the CNSX.

A summary of the Company's outstanding and exercisable stock options and changes during the years then ended is as follows:

	Outstanding Stock Options	Exercisable Stock Options	Weighted Average Exercise Price \$
Balance July 31, 2012 and 2013	825,000	825,000	\$ 0.17
Granted December 18, 2013	400,000	400,000	\$ 0.05
Granted February 4, 2014	225,000	225,000	\$ 0.10
Granted February 22, 2014	750,000	750,000	\$ 0.16
Granted June 10, 2014	200,000	200,000	\$ 0.36
Granted August 25, 2014	500,000	500,000	\$ 0.15
Exercised	(550,000)	(550,000)	\$ 0.10
Exercised	(100,000)	(100,000)	\$ 0.05
Cancelled	(450,000)	(450,000)	\$ 0.16
Balance April 30, 2015	1,800,000	1,800,000	\$ 0.18

In August 2014, the Company granted 500,000 options to consultants at an exercise price of \$0.15 per share, exercisable for a period of fifteen months from the grant date. The total fair value of these options was calculated at \$61,500, which has been recognized as share-based payments for the period ended April 30, 2015.

In June 2014, the Company granted 200,000 options to officers, directors and consultants at an exercise price of \$0.36 per share, exercisable for a period of eighteen months from the grant date. The total fair value of these options was calculated at \$56,000, which has been recognized as share-based payments for the year ended July 31, 2014.

In February 2014, the Company granted 750,000 options to officers, directors and consultants at an exercise price of \$0.16 per share, exercisable for a period of eighteen months from the grant date. The total fair value of these options was calculated at \$48,000, which has been recognized as share-based payments for the year ended July 31, 2014.

In February 2014, the Company granted 225,000 options to consultants at an exercise price of \$0.10 per share, exercisable for a period of eighteen months from the grant date. The total fair value of these options was calculated at \$9,000, which has been recognized as share-based payments for the year ended July 31, 2014.

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In December 2013, the Company granted 400,000 options to directors, officers and consultants at an exercise price of \$0.05 per share, exercisable for a period of two years from the grant date. The total fair value of these options was calculated at \$10,500, which has been recognized as share-based payments for the year ended July 31, 2014.

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2014	2013
Risk-free interest rate	1.10%	N/A
Expected dividend yield	0.00%	N/A
Expected stock price volatility	239.00%	N/A
Expected life in years	1.25	N/A
Expected forfeiture rate	0.00%	N/A
Fair value at grant date	\$ 0.12	N/A

The expected volatility is determined based on the historical share price of peer group companies over the estimated lives of the options.

(e) Agent options

A summary of the Company's outstanding agent options and changes during the periods ended April 30, 2015 and 2014 is as follows:

	Outstanding Agent Options	Weighted Average Exercise Price \$
Balance July 31, 2013 and 2012	316,400	0.10
Exercised	(243,462)	0.10
Balance April 30, 2015 and July 31, 2014	72,938	0.10

The fair value of agent options granted was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: a risk-free interest rate of 1.10%, expected dividend yield of 0%, expected stock price volatility of 87%, expected life of three years and an expected forfeiture rate 0%.

The following summarizes information on the number of agent options outstanding at April 30, 2015 and 2014:

Expiry Date	Exercise Price	2015	2014
May 25, 2015	\$ 0.10	72,938	316,400

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(f) Warrants

As at April 30, 2015 and 2014, the Company had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price \$	Expiry Date	Outstanding January 31, 2014	Issued	Exercised	Expired	Outstanding January 31, 2015
0.20	December 18, 2015	-	4,383,668	-	-	4,383,668
		-	4,383,668	-	-	4,383,668

The total fair value of these warrants issued was calculated to be \$76,800, based on the application of the residual valuation method on the private placement proceeds.

**7. RELATED PARTY TRANSACTIONS**

The Company entered into the following transaction with related parties during the year:

**a) Compensation of key management**

Key management comprises directors and executive officers. Compensation awarded to key management is as follows:

	Nine months ended April 30, 2015 \$	Nine months ended April 30, 2014 \$
Management compensation	157,784	77,560
Stock-based compensation	61,500	40,500
	219,284	118,060

The Company incurred no post-employment benefits, no other long-term benefits and no termination benefits.

b) Related party payable. As at April 30, 2015 there was \$28,500 ( 2014 - \$1,400) due to related parties.

**8 SEGMENTED INFORMATION**

The Company has one industry segment, the crypto-currency and Bitcoin-related software products and services industry and operates in two geographic segments, British Columbia, Canada and Australia.

**9 COMMITMENTS**

The Company has no commitments,

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**10. SUBSEQUENT EVENTS**

On May 12, 2015, the Company announced that it had acquired Paylvy.com, a platform for merchants selling digital products and digital downloads such as e-books, software, graphic designs, web designs and intellectual property. Newnote paid CDN \$260,000 in cash and stock.