

BLOCK ONE CAPITAL INC.

(formerly Essex Angel Capital Inc.)

Financial Statements

Years Ended August 31, 2017 and 2016

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Block One Capital Inc. (formerly Essex Angel Capital Inc.)

We have audited the accompanying financial statements of Block One Capital Inc. (formerly Essex Angel Capital Inc.), which comprise the statements of financial position as at August 31, 2017 and 2016 and the statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also involves evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Block One Capital Inc. (formerly Essex Angel Capital Inc.) as at August 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Block One Capital Inc. (formerly Essex Angel Capital Inc.) to continue as a going concern.



Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

December 27, 2017

BLOCK ONE CAPITAL INC.

(formerly Essex Angel Capital Inc.)

Statements of financial position

(Expressed in Canadian dollars)

	August 31, 2017 \$	August 31, 2016 \$
Assets		
Current assets		
Cash	146,170	82,072
Amounts receivable (Note 5)	63,028	6,929
Advances receivable (Note 4)	287,000	50,000
Loans receivable (Note 5)	424,186	161,050
Total current assets	920,384	300,051
Non-current assets		
Investments (Note 3)	1,574,975	1,002,525
Total assets	2,495,359	1,302,576
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	210,777	190,284
Notes payable (Note 7)	457,403	—
Total current liabilities	668,180	190,284
Non-current liabilities		
Notes payable (Note 7)	75,000	133,200
Total liabilities	743,180	323,484
Shareholders' equity		
Share capital	4,248,642	4,073,642
Share-based payment reserve	692,867	647,632
Share subscriptions received (Note 9)	290,000	—
Deficit	(3,479,330)	(3,742,182)
Shareholders' equity	1,752,179	979,092
Total liabilities and shareholders' equity	2,495,359	1,302,576

Nature of operations and continuance of business (Note 1)

Subsequent events (Note 15)

Approved for issuance on behalf of the Board on December 27, 2017:

/s/ 'David Berg'

David Berg, Director

/s/ 'Julie Zhu'

Julie Zhu, Director

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

BLOCK ONE CAPITAL INC.

(formerly Essex Angel Capital Inc.)

Statements of operations and comprehensive loss

(Expressed in Canadian dollars)

	Year ended August 31, 2017 \$	Year ended August 31, 2016 \$
Interest revenue	56,599	6,929
Expenses		
General and administrative	8,498	82,827
Professional fees (Note 8)	40,207	33,511
Share-based payments (Note 11)	45,235	–
Total expenses	93,940	116,338
Loss before other income (expense)	(37,341)	(109,409)
Other income (expense)		
Adjustments to fair value of investments (Note 3)	445,314	207,354
Foreign exchange gain (loss)	–	(10,304)
Interest expense	(23,245)	(13,284)
Loss on sale of investments (Note 3)	(117,076)	(73,409)
Loss on settlement of debt	(4,800)	–
Total other income (expense)	300,193	110,357
Net income and comprehensive income for the year	262,852	948
Earnings per share, basic and diluted	0.01	–
Weighted average number of shares outstanding	36,795,182	13,433,961

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

BLOCK ONE CAPITAL INC.

(formerly Essex Angel Capital Inc.)

Statements of changes in equity

(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve \$	Share subscriptions received \$	Deficit \$	Total shareholders' equity \$
	Number of shares	Amount \$				
Balance, August 31, 2015	10,838,333	3,574,942	647,632	–	(3,743,130)	479,444
Issuance of common shares for cash	25,000,000	500,000	–	–	–	500,000
Share issuance costs	–	(1,300)	–	–	–	(1,300)
Net income for the year	–	–	–	–	948	948
Balance, August 31, 2016	35,838,333	4,073,642	647,632	–	(3,742,182)	979,092
Exercise of share purchase warrants	1,750,000	175,000	–	–	–	175,000
Share-based payments	–	–	45,235	–	–	45,235
Share subscriptions received	–	–	–	290,000	–	290,000
Net income for the year	–	–	–	–	262,852	262,852
Balance, August 31, 2017	37,588,333	4,248,642	692,867	290,000	(3,479,330)	1,752,179

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

BLOCK ONE CAPITAL INC.

(formerly Essex Angel Capital Inc.)

Statements of cash flows

(Expressed in Canadian dollars)

	Year ended August 31, 2017 \$	Year ended August 31, 2016 \$
Operating activities		
Net income for the year	262,852	948
Items not involving cash:		
Adjustments to fair value of investments	(445,314)	(207,354)
Loss on disposal of investments	117,076	73,409
Loss on settlement of debt	4,800	–
Share-based payments	45,235	–
Unrealized foreign exchange loss on investments	–	10,304
Changes in non-cash operating working capital:		
Amounts receivable	(56,099)	(6,929)
Prepaid expenses	–	5,422
Accounts payable and accrued liabilities	20,493	99,782
Net cash used in operating activities	(50,957)	(24,418)
Investing activities		
Acquisition of investments	(312,507)	(242,665)
Advances for loans receivable	(433,000)	(161,050)
Repayments of loans receivable	169,864	–
Advances receivable	(287,000)	(50,000)
Proceeds from sale of investments	113,495	60,322
Net cash used in investing activities	(749,148)	(393,393)
Financing activities		
Proceeds from issuance of common shares and share subscriptions	465,000	500,000
Share issuance costs	–	(1,300)
Proceeds from notes payable	545,704	–
Repayment of notes payable	(146,501)	–
Net cash provided by financing activities	864,203	498,700
Increase in cash	64,098	80,889
Cash, beginning of year	82,072	1,183
Cash, end of year	146,170	82,072
Non-cash investing and financing activities:		
Acquisition of investments in accounts payable and accrued liabilities	–	7,000
Supplemental disclosures:		
Interest paid	53,499	–
Income taxes paid	–	–

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

BLOCK ONE CAPITAL INC.

(formerly Essex Angel Capital Inc.)

Notes to the financial statements

August 31, 2017

(Expressed in Canadian dollars)

1. Nature of Operations and Continuance of Business

Essex Angel Capital Inc. (the "Company") was incorporated on February 10, 2010 pursuant to the Canada Business Corporations Act. The Company completed its initial public offering ("IPO") on December 7, 2010, and is listed on the TSX-V as a Tier 2 Investment Issuer under the symbol "EXC". The Company's stated business goal is to build a portfolio of investments, with a view to participating in income and capital growth from the ultimate sale or other disposal of those investments.

These financial statements have been prepared on the 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. As at August 31, 2017, the Company has not generated significant revenues, has negative cash flow from operations, and has an accumulated deficit of \$3,479,330. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external sources to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms that are suitable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Statement of Compliance and Basis of Presentation

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

These financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Use of Estimates and Judgments

The preparation of these financial statements in conformity with IFRS requires the Company's management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the collectability of advances receivable and loans receivable, valuation and recoverability of investments, fair value of share-based payments, and unrecognized deferred income tax assets. Actual results could differ from those estimates.

Judgments made by management include the factors used to assess whether the going concern assumption is appropriate. The assessment of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

BLOCK ONE CAPITAL INC.

(formerly Essex Angel Capital Inc.)

Notes to the financial statements

August 31, 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(d) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the statement of operations. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company's cash and investments are classified as fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the statement of operations. The Company does not have any assets classified as available-for-sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Amounts receivable, advances receivable, and loans receivable are classified as loans and receivables.

BLOCK ONE CAPITAL INC.

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Notes to the financial statements

August 31, 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to the statement of operations in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through the statement of operations are not reversed through the statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, and notes payable.

BLOCK ONE CAPITAL INC.

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Notes to the financial statements

August 31, 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

(ii) Non-derivative financial liabilities (continued)

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(e) Revenue Recognition

As an investment company, the Company may earn revenue in the form of interest or dividends which derive from its investments or from cash on hand. Investment income includes interest, dividends, and realized gains on the sale of investments. Revenue is recognized only when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the stage of completion of the transaction at the end of the reporting period can be measured reliably, and the cost incurred for the transaction and the cost to complete the transaction can be measured reliably.

(f) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Revenue and expenses are translated at average rates for the period. Foreign exchange gains and losses are included in the statement of operations.

(g) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

BLOCK ONE CAPITAL INC.

(formerly Essex Angel Capital Inc.)

Notes to the financial statements

August 31, 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(h) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed using the weight average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at August 31, 2017, the Company had 23,650,000 (2016 – 33,761,333) potentially dilutive shares outstanding.

(i) 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 operations. As at August 31, 2017 and 2016, the Company had no items that represent comprehensive income (loss).

(j) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled, share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The fair value of the options is measured at the grant date using the Black-Scholes option pricing model. The fair value is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. When the options are exercised, any proceeds received are credited to share capital along with the amount reflected in share-based payment reserve.

(k) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended August 31, 2017, and have not been applied in preparing these financial statements.

New standard IFRS 9, "Financial Instruments"

New standard IFRS 15, "Revenue from Contracts with Customers"

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the Company's financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

BLOCK ONE CAPITAL INC.

(formerly Essex Angel Capital Inc.)

Notes to the financial statements

August 31, 2017

(Expressed in Canadian dollars)

3. Investments

	Balance, August 31, 2016 \$	Acquisitions \$	Adjustments to fair value \$	Dispositions \$	Balance, August 31, 2017 \$
Equities					
AbraPlata Resource Corp.	–	100,000	425,000	–	525,000
Arena Minerals Inc.	17,500	–	(1,130)	(16,370)	–
Breathtec Biomedical Inc.	–	15,100	4,755	(19,855)	–
Callitas Health Inc.	13,000	–	(8,095)	(4,905)	–
Catalina Gold Corp.	22,545	–	7,515	–	30,060
CNRP Mining Inc.	–	23,194	124,389	–	147,583
Columbus Energy Limited	16,000	16,000	34,000	–	66,000
Gold Port Resources Ltd.	–	–	4,177	–	4,177
Huayra Minerals Corporation	9,881	65,119	–	(75,000)	–
Leagold Mining Corporation	12,750	–	(3,510)	–	9,240
LeenLife International Inc.	351,605	1,610	(193,020)	(2,695)	157,500
NRG Metals Inc.	–	5,008	47,492	–	52,500
Reliq Health Technologies Ltd.	7,000	35,667	46,343	(37,410)	51,600
Rosita Mining Corp.	223,830	19,605	(149,325)	–	94,110
Savoy Ventures Inc.	–	51,015	78,135	–	129,150
Shoshoni Gold Ltd.	23,800	–	(6,800)	–	17,000
Tangelo Games Corp.	7,760	–	(1,065)	(6,695)	–
Targeted Microwave Solutions Inc.	24,800	–	(20,000)	(4,800)	–
U308 Corp.	15,000	–	(2,690)	(12,310)	–
VBI Vaccines Inc.	28,797	–	(5,885)	–	22,912
Vinergy Resources Ltd.	–	35,525	(430)	(13,255)	21,840
Yorkton Ventures Inc.	–	5,385	(480)	–	4,905
Total equities	774,268	373,228	379,376	(193,295)	1,333,577
Warrants					
Breathtec Biomedical Inc.	–	–	8,386	–	8,386
Callitas Health Inc.	4,021	–	(4,021)	–	–
CNRP Mining Inc.	–	34,306	72,797	–	107,103
Columbus Energy Limited	1,993	–	(1,993)	–	–
Huayra Minerals Corporation	15,119	–	–	(15,119)	–
NRG Metals Inc.	–	45,092	(22,709)	–	22,383
Reliq Health Technologies Ltd.	–	–	–	–	–
Rosita Mining Corp.	177,795	–	(153,751)	–	24,044
Savoy Ventures Inc.	–	–	63,187	–	63,187
Shoshoni Gold Ltd.	28,695	–	(12,401)	–	16,294
Tangelo Games Corp.	634	–	(633)	–	1
Total warrants	228,257	79,398	(51,138)	(15,119)	241,398
Total investments	1,002,525	452,626	328,238	(208,414)	1,574,975

BLOCK ONE CAPITAL INC.

(formerly Essex Angel Capital Inc.)

Notes to the financial statements

August 31, 2017

(Expressed in Canadian dollars)

3. Investments (continued)

	Balance, August 31, 2015 \$	Acquisitions to fair value \$	Adjustments to fair value \$	Dispositions \$	Foreign exchange loss \$	Balance, August 31, 2016 \$
Equities						
Arena Minerals Inc.	–	25,140	(7,640)	–	–	17,500
Blueocean Nutrasciences Inc.	12,355	–	–	(12,355)	–	–
Callitas Health Inc.	11,000	–	2,000	–	–	13,000
Catalina Gold Corp.	7,515	–	15,030	–	–	22,545
Columbus Energy Limited	–	12,000	4,000	–	–	16,000
Huayra Minerals Corporation	–	9,881	–	–	–	9,881
Leagold Mining Corporation	–	5,250	7,500	–	–	12,750
LeenLife International Inc.	385,000	705	(34,100)	–	–	351,605
Reliq Health Technologies Ltd.	–	15,105	(8,105)	–	–	7,000
Rosita Mining Corp.	–	131,850	91,980	–	–	223,830
Shoshoni Gold Ltd.	–	1,448	22,352	–	–	23,800
Tangelo Games Corp.	16,005	–	(8,245)	–	–	7,760
Targeted Microwave Solutions Inc.	74,000	–	(49,200)	–	–	24,800
U308 Corp.	–	17,615	(2,615)	–	–	15,000
VBI Vaccines Inc.	61,440	–	(32,643)	–	–	28,797
Zivo Bioscience Inc.	109,938	–	21,742	(121,376)	(10,304)	–
Total equities	677,253	218,994	22,056	(133,731)	(10,304)	774,268
Warrants						
Callitas Health Inc.	9,959	–	(5,938)	–	–	4,021
Columbus Energy Limited	–	–	1,993	–	–	1,993
Huayra Minerals Corporation	–	15,119	–	–	–	15,119
Reliq Health Technologies Ltd.	–	–	–	–	–	–
Rosita Mining Corp.	–	–	177,795	–	–	177,795
Shoshoni Gold Ltd.	–	15,552	13,143	–	–	28,695
Tangelo Games Corp.	2,329	–	(1,695)	–	–	634
Total warrants	12,288	30,671	185,298	–	–	228,257
Total investments	689,541	249,665	207,354	(133,731)	(10,304)	1,002,525

The Company's investments are comprised of the following debt and equity instruments:

(a) Zivo Bioscience Inc. (formerly Health Enhancement Products Inc.) ("Zivo")

During the year ended August 31, 2016, the Company sold its investment in Zivo and recognized a loss on sale of \$67,137.

(b) Targeted Microwave Solutions Inc. (formerly Microcoal Technologies Inc.) ("TMS")

On November 8, 2013, the Company acquired 400,000 common shares of TMS for \$100,000, which was settled with the issuance of a note payable. In December 2015, TMS completed a five-for-one share consolidation which decreased the Company's holdings in TMS from 400,000 common shares to 80,000 common shares. During the year ended August 31, 2017, the Company gifted its investment in TMS as additional consideration in settling a note payable of \$133,200 and recognized a loss on sale of \$95,200.

BLOCK ONE CAPITAL INC.

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Notes to the financial statements

August 31, 2017

(Expressed in Canadian dollars)

3. Investments (continued)

(c) Catalina Gold Corp. (formerly Valparaiso Technologies Inc.) ("Catalina")

On February 19, 2014, the Company acquired a convertible debenture of Catalina for \$25,050, where the debenture is convertible into common shares of Catalina at \$0.033 per common share. As consideration for investing in the convertible debenture of Catalina, the Company received an additional 751,500 common shares of Catalina. On March 18, 2014, the Company exercised its right to convert the debenture into 751,500 common shares of Catalina. During the year ended August 31, 2015, Catalina consolidated its common shares on a one-for-four basis, where the Company's 1,503,000 common shares of Catalina were adjusted to 375,750 common shares.

(d) LeenLife Pharma International Inc. (formerly SPT Sulphur Polymer Technologies Inc.) ("LeenLife")

On August 19, 2014, the Company acquired 1,750,000 common shares in LeenLife for \$35,000. During the year ended August 31, 2016, the Company acquired 4,500 common shares in LeenLife for \$705. During the year ended August 31, 2017, the Company acquired 12,500 common shares of LeenLife for \$1,610. During the year ended August 31, 2017, the Company sold 17,000 common shares of LeenLife and recognized a gain on sale of \$2,336.

(e) Tangelo Games Corp. (formerly Imperus Technology Corp.) ("Tangelo")

On January 26, 2015, the Company acquired 100,000 units of Tangelo for \$35,000. Each unit consisted of one common share and one-half of a share purchase warrant. Each whole share purchase warrant is exercisable into one common share at a price of \$0.55 per share until January 28, 2018. On April 27, 2015, the Company sold 3,000 common shares of Tangelo and recognized a gain on sale of \$390. On November 23, 2016, the Company sold 97,000 common shares of Tangelo and recognized a loss on sale of \$13,424.

As at August 31, 2017, the fair value of the Company's investment in the share purchase warrants of Tangelo was \$1 (2016 - \$634), calculated using the Black-Scholes pricing model using the following assumptions: expected life of 0.41 years, expected volatility of 129%, and a risk-free interest rate of 0.94%.

(f) Callitas Health Inc. (formerly "M Pharmaceuticals Inc.") ("Callitas")

On February 6, 2015, the Company acquired 1,000,000 units of Callitas for \$20,000, which was subsequently consolidated on a one-for-ten basis to 100,000 units. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at a price of \$0.50 per share until February 6, 2017. On January 26, 2017, the Company sold 100,000 common shares of Callitas and recognized a gain on sale of \$3,771.

As at August 31, 2017, the fair value of the Company's investment in the share purchase warrants of Callitas was \$nil (2016 - \$4,021) and the share purchase warrants expired unexercised on February 6, 2017, resulting in a loss of \$18,865.

(g) VBI Vaccines Inc. (formerly SciVac Therapeutics Inc.) ("VBI")

In February 2015, the Company acquired 250,000 common shares of Levon Resources Inc. ("Levon") for proceeds of \$71,193. In May 2015, the Company sold 34,000 common shares of Levon for proceeds of \$14,308. On July 9, 2015, pursuant to a plan of arrangement between Levon and VBI, each common share of Levon was exchanged for one common share of VBI and one-half of a common share of Levon ("New Levon"). As a result of the plan of arrangement, the Company exchanged 216,000 common shares of Levon for 216,000 common shares of VBI and 108,000 common shares of New Levon. On July 14, 2015, the Company sold 108,000 common shares of New Levon for proceeds of \$19,235. On July 15, 2015, the Company acquired 40,000 common shares of VBI for \$18,548. In April 2016, VBI completed a 40-for-1 share consolidation which decreased the Company's holdings to 6,400 common shares.

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3. Investments (continued)

(h) Blueocean Nutrasciences Inc. ("Blueocean")

In April 2015, the Company acquired 260,000 common shares in Blueocean for \$48,243. In May 2015, the Company sold 83,500 common shares of Blueocean for proceeds of \$14,595. During the year ended August 31, 2016, the Company sold its investment in Blueocean and recognized a loss on sale of \$6,272.

(i) Leagold Mining Corporation ("Leagold")

On August 29, 2016, the Company acquired 15,000 common shares in Leagold for \$5,250. On March 13, 2017, Leagold completed a 5-for-1 share consolidation which decreased the Company's holdings to 3,000 common shares.

(j) U308 Corp. ("U308")

On July 29, 2016, the Company acquired 500,000 common shares in U308 for \$17,615. During the year ended August 31, 2017, the Company sold its investment in U308 and recognized a loss on sale of \$5,305.

(k) Rosita Mining Corp. ("Rosita")

On June 27, 2016, the Company acquired 487,000 common shares of Rosita for \$31,850. On July 19, 2016, the Company acquired 2,000,000 units of Rosita for \$100,000. Each unit consisted of one common share and one share purchase warrant. Each whole share purchase warrant is exercisable into one common share at a price of \$0.055 per share for two years. In June 2017, the Company acquired 650,000 common shares of Rosita for \$19,605.

As at August 31, 2017, the fair value of the Company's investment in the share purchase warrants of Rosita was \$24,044 (2016 - \$177,795), calculated using the Black-Scholes pricing model using the following assumptions: expected life of 0.88 years, expected volatility of 157%, and a risk-free interest rate of 1.09%.

(l) Arena Minerals Inc. ("Arena")

On June 30, 2016, the Company acquired 100,000 common shares of Arena for \$25,140. During the year ended August 31, 2017, the Company sold its investment in Arena and recognized a loss on sale of \$8,770.

(m) Columbus Energy Ltd. ("Columbus")

On November 2, 2015, the Company acquired 200,000 units of Columbus, a company controlled by the Chief Financial Officer of the Company, for \$12,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at a price of \$0.08 per share for one year. On January 4, 2017, the Company exercised the share purchase warrants of Columbus into 200,000 common shares of Columbus for \$16,000.

As at August 31, 2017, the fair value of the Company's investment in the share purchase warrants of Columbus was \$nil (2016 - \$1,993) and was exercised on January 4, 2017 into common shares of Columbus.

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3. Investments (continued)

(n) Reliq Health Technologies Ltd. (formerly Moseda Technologies Inc.) (“Reliq”)

On September 24, 2015, the Company acquired 100,000 units of Reliq for \$15,105. Each unit consisted of one common share and one-half of a share purchase warrant. Each whole share purchase warrant is exercisable into one common share at a price of \$0.25 per share for one year. On September 22, 2016, the share purchase warrants expired unexercised.

On October 20, 2016, the Company acquired 285,334 units of Reliq for \$21,400. Each unit consisted of one common share and one-half of a share purchase warrant. Each whole share purchase warrant is exercisable into one common share at a price of \$0.10 per share for two years. On March 8, 2017, the Company exercised the share purchase warrants of Reliq into 142,667 common shares of Reliq for \$14,267.

During the year ended August 31, 2017, the Company sold 270,000 common shares of Reliq and recognized a gain on sale of \$11,831.

(o) Shoshoni Gold (“Shoshoni”)

During the year ended August 31, 2016, the Company acquired 3,400,000 units of Shoshoni for \$17,000, which was subsequently consolidated on a one-for-ten basis to 340,000 units. Each unit consisted of one common share and one share purchase warrant. Each whole share purchase warrant is exercisable into one common share at a price of \$0.05 per share for three years.

As at August 31, 2017, the fair value of the Company’s investment in the share purchase warrants of Columbus was \$16,294 (2016 - \$26,695), calculated using the Black-Scholes pricing model using the following assumptions: expected life of 1.76 years, expected volatility of 306%, and a risk-free interest rate of 1.25%.

(p) Breathtec Biomedical, Inc. (“Breathtec”)

On November 25, 2016, the Company acquired 200,000 units of Breathtec for \$15,100. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable at a price of \$0.15 per share for three years. During the year ended August 31, 2017, the Company sold 200,000 common shares of Breathtec and recognized a gain on sale of \$4,755.

As at August 31, 2017, the fair value of the Company’s investment in the share purchase warrants of Breathtec was \$8,386 (2016 - \$nil), calculated using the Black-Scholes pricing model using the following assumptions: expected life of 2.23 years, expected volatility of 106%, and a risk-free interest rate of 0.70%.

(q) NRG Metals Inc. (“NRG”)

On November 24, 2016, the Company acquired 500,000 units of NRG for \$50,100. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable at a price of \$0.20 per share for two years. In January 2017, NRG completed a plan of arrangement (the “Plan of Arrangement”) under the provision of the Business Corporations Act (British Columbia) pursuant to which certain assets of NRG were spun-out to Gold Port Resources Ltd. (“Gold Port”). Under the Plan of Arrangement, NRG’s shareholders exchanged each existing common share of NRG for one “new” NRG common share and 0.25 common shares of Gold Port.

As at August 31, 2017, the fair value of the Company’s investment in the share purchase warrants of NRG was \$22,383 (2016 - \$nil), calculated using the Black-Scholes pricing model using the following assumptions: expected life of 1.23 years, expected volatility of 134%, and a risk-free interest rate of 1.20%.

(r) Gold Port Resources Ltd. (“Gold Port”)

In January 2017, the Company acquired 125,000 common shares of Gold Port as part of the Plan of Arrangement of NRG. Refer to Note 3(q).

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3. Investments (continued)

(s) Savoy Ventures Inc. ("Savoy")

On February 6, 2017, the Company acquired 140,000 common shares of Savoy for \$22,515. On April 4, 2017, the Company acquired 475,000 units of Savoy for \$28,500. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable at a price of \$0.08 per share for one year.

As at August 31, 2017, the fair value of the Company's investment in the share purchase warrants of Savoy was \$63,187 (2016 - \$nil), calculated using the Black-Scholes pricing model using the following assumptions: expected life of 0.58 years, expected volatility of 87%, and a risk-free interest rate of 0.94%.

(t) Trenchant Capital Corp. ("Trenchant")

On November 15, 2016, the Company acquired 1,000 common shares of Trenchant for \$315.

(u) Vinergy Resources Ltd. ("Vinergy")

In January 2017, the Company acquired 62,000 common shares of Vinergy for \$35,525. On January 26, 2017, the Company sold 20,000 common shares of Vinergy and recognized a gain on sale of \$1,795.

(v) Yorkton Ventures Inc. ("Yorkton")

In November 2016, the Company acquired 44,500 common shares of Yorkton for \$4,185. On December 8, 2016, the Company acquired 10,000 common shares in Yorkton for \$1,200.

(w) CNRP Mining Inc. ("CNRP")

On June 13, 2017, the Company acquired 191,666 units of CNRP for \$57,500. Each unit consisted of one common share and three-quarters of a share purchase warrant. Each whole share purchase warrant is exercisable at a price of \$0.30 per share for one year.

As at August 31, 2017, the fair value of the Company's investment in the share purchase warrants of CNRP was \$107,103 (2016 - \$nil), calculated using the Black-Scholes pricing model using the following assumptions: expected life of 0.78 years, expected volatility of 437%, and a risk-free interest rate of 0.45%.

(x) AbraPlata Resource Corp. (formerly Angel Bioventures Inc.) ("APRC")

On August 5, 2016, the Company acquired 500,000 units of Huayra Minerals Corporation ("Huayra") for \$25,000. Each unit consisted of one common share and one share purchase warrant. Each whole share purchase warrant is exercisable into one common share at a price of \$0.10 per share for two years.

On March 17, 2017, the Company acquired 100,000 common shares of APRC for \$25,000. On March 30, 2017, APRC completed a 1-for-5 share split which increased the Company's holdings to 500,000 common shares.

On April 24, 2017, APRC and its wholly-owned subsidiary, 1096494 BC Ltd., completed a merger with Huayra pursuant to which Huayra and 1096494 BC Ltd. amalgamated and the amalgamated company became a wholly-owned subsidiary of APRC.

Pursuant to the merger, APRC acquired all of the issued and outstanding Class A common shares of Huayra in exchange for a like number of common shares of APRC. All share purchase warrants of Huayra outstanding were subject to an acceleration of the expiry date to the closing of the merger.

As a result of the acceleration of the expiry date of the share purchase warrants of Huayra, the Company exercised the share purchase warrants of Huayra with a carrying value of \$15,119 into 500,000 common shares of Huayra for \$50,000, which was recorded as advance receivable as at August 31, 2016. Refer to Note 4(a).

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3. Investments (continued)

- (x) AbraPlata Resource Corp. (formerly Angel Bioventures Inc.) ("APRC") (continued)

As part of the completion of the merger, the 1,000,000 common shares of Huayra were exchanged for 1,000,000 common shares of APRC.

As at August 31, 2017, the fair value of the Company's investment in the share purchase warrants of Huayra was \$nil (2016 - \$15,119) and was exercised on April 15, 2017 into common shares of Huayra.

4. Advances Receivable

- (a) During the year ended August 31, 2016, the Company advanced \$50,000 to acquire common shares of a publicly traded company. In April 2017, the Company exercised the share purchase warrants of Huayra with a carrying value of \$15,119 into 500,000 common shares of Huayra for \$50,000. Refer to Note 3(x).
- (b) On June 1, 2017 the Company advanced \$287,000 to a non-related public company for subscriptions to common shares. As at August 31, 2017, the share subscriptions have not been finalized.

5. Loans Receivable

- (a) On August 9, 2016, the Company provided a loan to an unrelated party for \$15,000. Under the terms of the loan, the amount is unsecured, bears interest at 15% per annum compounded monthly, and is due on August 9, 2017. As at August 31, 2017, accrued interest of \$2,386 (2016 - \$nil) has been recorded in amounts receivable.
- (b) On June 24, 2016, the Company provided a loan to an unrelated party for \$146,050. Under the terms of the loan, the amount is unsecured, bears interest at 24% per annum compounded monthly, and is due on June 30, 2017. As at August 31, 2017, accrued interest of \$47,561 (2016 - \$6,929) has been recorded in amounts receivable.
- (c) On October 28, 2016, the Company entered into a one year promissory note to provide a \$75,000 loan to a third party. During the year ended August 31, 2017, the Company repaid \$70,364. Pursuant to the agreement, the loan is unsecured, and bears interest at 24% per annum, compounded monthly. As at August 31, 2017, accrued interest of \$4,400 (2016 - \$nil) has been recorded in amounts receivable.
- (d) On February 17, 2017, the Company provided a loan to an unrelated party for \$162,500. Under the terms of the loan, the amount is unsecured, bears interest at 10% per annum, and is due on February 17, 2019. As at August 31, 2017, accrued interest of \$8,682 (2016 - \$nil) has been recorded in amounts receivable.
- (e) On April 7, 2017, the Company provided a loan to an unrelated party for \$16,000. The amounts due are unsecured, non-interest bearing, and is due on demand.
- (f) On May 11, 2017, the Company provided a loan to an unrelated party for \$38,000. The amounts due are unsecured, non-interest bearing, and is due on demand.
- (g) On May 11, 2017, the Company provided a loan of \$42,000 to a company with common management. The amounts due are unsecured, non-interest bearing, and is due on demand.

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6. Accounts Payable and Accrued Liabilities

	2017	2016
	\$	\$
Trade payables	187,352	142,105
Accrued payables	13,500	8,000
Accrued interest payable	9,925	40,179
	210,777	190,284

7. Notes Payable

- As at August 31, 2017, the Company owed \$nil (2016 - \$133,200) to a non-related party. The amount owing is unsecured, bears interest at 10% per annum, and is due on demand. During the year ended August 31, 2017, the Company repaid principal balance of \$133,200 and accrued interest of \$53,499.
- On August 31, 2017, the Company issued a promissory note payable for \$106,699 (2016 - \$nil) to a non-related party. The amount owing is unsecured, bears interest at 20% per annum, and is due on demand.
- On November 25, 2016, the Company issued a note payable for \$75,000. The amount owing is unsecured, bears interest at 10% per annum, and is due on November 25, 2018. As at August 31, 2017, accrued interest of \$5,733 (2016 - \$nil) has been included in accounts payable and accrued liabilities.
- On February 8, 2017, the Company issued a note payable for \$75,000. The amount owing is unsecured, bears interest at 10% per annum, and is due on February 8, 2018. As at August 31, 2017, accrued interest of \$4,192 (2016 - \$nil) has been included in accounts payable and accrued liabilities.
- As at August 31, 2017, the Company owed \$275,704 (2016 - \$nil) to a non-related party. The amount owing is unsecured, non-interest bearing, and due on demand.

8. Related Party Transactions

- During the year ended August 31, 2017, the Company incurred professional fees of \$19,590 (2016 - \$12,731) to the Chief Financial Officer of the Company.
- During the year ended August 31, 2016, the Company issued 3,500,000 units at \$0.02 per unit for proceeds of \$70,000 to the Chief Executive Officer of the Company and his family.

9. Share Capital

Authorized: Unlimited common shares without par value.

- On July 4, 2016, the Company issued 25,000,000 units at \$0.02 per unit for total proceeds of \$500,000. Each unit consisted of one common share and one share purchase warrant to purchase an additional common share at an exercise price of \$0.10 per share until July 4, 2021. As part of the issuance, the Company paid a finder's fee of \$1,300. Refer to Note 8(b).
- During the year ended August 31, 2017, the Company issued 1,750,000 common shares for proceeds of \$175,000 pursuant to the exercise of share purchase warrants.
- As at August 31, 2017, the Company received \$290,000 of share subscriptions for a private placement that closed on October 13, 2017. Refer to Note 15(a).

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10. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Outstanding, August 31, 2015	8,761,333	0.10
Issued	25,000,000	0.10
Outstanding, August 31, 2016	33,761,333	0.10
Exercised	(1,750,000)	0.10
Expired	(8,761,333)	0.10
Outstanding, August 31, 2017	23,250,000	0.10

As at August 31, 2017, the Company had 23,250,000 warrants outstanding to July 4, 2021 at an exercise price of \$0.10 per common share.

11. Stock Options

The Company has adopted an incentive stock option plan in accordance with policies of TSX-V (the "Stock Option Plan") whereby the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed 10% of the issued and outstanding common shares exercisable for the period of up to ten years. In addition, the number of common shares reserved for issuance to any one person shall not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed 2% of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee, and consultant and all other terms and conditions of the option, subject to the rules of the TSX-V.

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price \$
Outstanding, August 31, 2015 and 2016	–	–
Granted	400,000	0.25
Outstanding, August 31, 2017	400,000	0.25

As at August 31, 2017, the Company had 400,000 stock options exercisable at \$0.25 per share until October 26, 2019.

During the year ended August 31, 2017, the Company granted 400,000 (2016 – nil) stock options to directors, officers and consultants of the Company. The weighted average of the fair value per option was \$0.11 (2016 - \$nil). The fair value of the options granted during the period is \$45,234 (2016 - \$nil), based on the Black-Scholes option pricing model using the following weighted average assumptions, assuming no expected forfeitures and no dividend yields: risk-free interest rate of 0.58%; expected life of 3 years; and volatility of 150%.

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12. Financial Instruments and Risks

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at August 31, 2017 as follows:

	Fair Value Measurements Using			Balance, August 31, 2017 \$
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	\$	\$	\$	
Cash	146,170	–	–	146,170
Investments	1,574,975	–	–	1,574,975
	1,721,145	–	–	1,721,145

The fair values of other financial instruments, which include amounts receivable, advances receivable, loans receivable, accounts payable and accrued liabilities, and notes payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable is comprised of interest receivable from investments. Advances receivable is comprised of amounts to third party companies for share subscriptions or future investments. Loans receivable is comprised of loans to third party companies. All investments are monitored closely by management and credit loss is limited to the amount of the investments.

(c) Foreign Exchange and Interest Rate Risk

The Company is not exposed to any significant foreign exchange or interest rate risk.

(d) Market Risk

The Company's investments are in the form of publicly traded shares and share purchase warrants of publicly traded companies, of which the market values may fluctuate.

(e) Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Management maintains sufficient cash and cash equivalents to satisfy short-term liabilities in highly liquid investments.

13. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and share-based payment reserve, and share subscriptions received.

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.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remained unchanged from the year ended August 31, 2016.

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14. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2017 \$	2016 \$
Canadian statutory income tax rate	26.5%	26.5%
Expected income tax payable at statutory rate	69,656	251
Tax effect of:		
Permanent differences and other	3,726	(344)
Change in unrecognized deferred income tax assets	(73,382)	93
Income tax provision	–	–

The significant components of deferred income tax assets and liabilities are as follows:

	August 31, 2017 \$	August 31, 2016 \$
Deferred income tax assets (liabilities)		
Non-capital losses carried forward	1,093,024	1,056,517
Capital losses carried forward	73,396	58,560
Share issuance costs	3,220	7,532
Fair value adjustments on investments	(245,292)	(124,909)
Other	403	433
Total gross deferred income tax assets	924,751	998,133
Unrecognized deferred income tax assets	(924,751)	(998,133)
Net deferred income tax asset	–	–

As at August 31, 2017, the Company has capital losses carried forward of \$553,933 and non-capital losses carried forward of \$4,124,618, which are available to offset future years' taxable income. The non-capital losses expire as follows:

	\$
2031	551,000
2032	596,094
2033	1,678,634
2034	632,258
2035	245,381
2036	283,489
2037	137,762
	4,124,618

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15. Subsequent Events

- (a) On October 13, 2017, the Company issued 6,000,000 units at a price of \$0.075 per unit for proceeds of \$450,000, of which \$290,000 was received as of August 31, 2017. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one additional common share of Company at a price of \$0.10 per common share for a period of five years from the closing date.
- (b) In November 2017, the Company granted 2,000,000 incentive stock options to certain directors, officers and consultants. The stock options are exercisable at \$0.25 per share and expire in November 2019. The Company also issued 500,000 stock options exercisable at \$0.70 per share that expire in November 2020.
- (c) On November 30, 2017, the Company signed a binding term sheet to acquire 90% of the equity of TG12 Ventures Inc. ("TG12"), a private company engaged in cryptocurrency mining. Under the binding term sheet, the Company is to invest up to US\$2,300,000 to acquire up to 90% of TG12. The investment is to be made over a one-year period and will be based on various milestones. The first investment is scheduled to be made immediately, pursuant to which the Company will acquire a 40% interest in TG12 for a US\$250,000 investment.
- (d) On December 6, 2017, the Company signed a binding term sheet (the "Term Sheet") to acquire 40% of the equity of New York based Finzat LLC ("Finzat"), a private company engaged in creating a blockchain system to create a streamlined, digitized mortgage process that is more compliant and SAFE: simpler, auditable, fault tolerant, and efficient. Pursuant to the Term Sheet, the Company is to invest US\$600,000 to acquire up to a 40% interest of Finzat. The Company shall make an additional milestone payment of US\$80,000 upon Finzat meeting certain conditions set forth in the Term Sheet. The Company and Finzat intend to enter into a definitive agreement to set out the terms and conditions of the acquisition. In the event that no agreement is entered into, the Term Sheet will act as the definitive agreement.
- (e) On December 22, 2017, the Company issued 10,000,000 units at a price of \$1.00 per unit for proceeds of \$10,000,000. Each unit consisted of one common share of the Company and one-half of one share purchase warrant. Each whole share purchase warrant is exercisable at \$1.50 per common shares for a period of two years from the closing date. In the event that the Company's common shares trade at a closing price greater than \$2.50 per share for ten consecutive trading days, the Company may accelerate the expiry date of the share purchase warrants to 30 days from the date of notice of acceleration. As part of the private placement, the Company issued 800,000 units as a finder's fee, with each unit comprising the same terms as the private placement.
- (f) Subsequent to August 31, 2017, the Company issued 7,750,000 common shares at \$0.10 per share for proceeds of \$775,000 pursuant to the exercise of share purchase warrants, and issued 400,000 common shares at \$0.25 per share for proceeds of \$50,000 pursuant to the exercise of stock options.