

**BLOCK ONE CAPITAL INC.**

(formerly Essex Angel Capital Inc.)

Condensed Interim Financial Statements

Nine-month period ended

May 31, 2018 and 2017

(Unaudited - Expressed in Canadian dollars)

## **NOTICE TO READER**

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

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of the condensed interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Canadian Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

**BLOCK ONE CAPITAL INC.**

(formerly Essex Angel Capital Inc.)

Condensed Interim statements of financial position

(Unaudited - Expressed in Canadian dollars)

	May 31, 2018 \$	August 31, 2017 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	5,023,686	146,170
Amounts receivable (Note 5)	64,528	63,028
Advance receivable (Note 4)	684,720	287,000
Loans receivable (Note 5)	1,290,016	424,186
<b>Total current assets</b>	<b>7,062,950</b>	<b>920,384</b>
<b>Non-current assets</b>		
Investments (Note 3)	8,558,884	1,574,975
<b>Total assets</b>	<b>15,621,834</b>	<b>2,495,359</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	199,823	210,777
Notes payable (Note 7)	281,891	457,403
<b>Total current liabilities</b>	<b>481,714</b>	<b>668,180</b>
<b>Non-current liabilities</b>		
Note payable (Note 7)	75,000	75,000
<b>Total liabilities</b>	<b>556,714</b>	<b>743,180</b>
<b>Shareholders' equity</b>		
Share capital	17,574,642	4,248,642
Share-based payment reserve	1,090,717	692,867
Share subscriptions received (Note 9)	-	290,000
Deficit	(3,600,239)	(3,479,330)
<b>Shareholders' equity</b>	<b>15,065,120</b>	<b>1,752,179</b>
<b>Total liabilities and shareholders' equity</b>	<b>15,621,834</b>	<b>2,495,359</b>

Nature of operations and continuance of business (Note 1)

Approved for issuance on behalf of the Board on July 30, 2018:

/s/ 'Sothi Thillairajah'

Sothi Thillairajah, Director

/s/ 'Christopher Cherry'

Christopher Cherry, Director

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

**BLOCK ONE CAPITAL INC.**

(formerly Essex Angel Capital Inc.)

Condensed interim statements of operations and comprehensive loss

For the periods:

(Unaudited - Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	May 31, 2018 \$	May 31, 2017 \$	May 31, 2018 \$	May 31, 2017 \$
Interest revenue	18,859	13,826	52,575	38,853
<b>Expenses</b>				
Consulting fees	191,202	-	191,202	-
Filing fees	10,890	5,950	54,054	7,863
General and administrative	6,043	5,575	28,620	19,208
Marketing	463,902	-	463,902	-
Professional fees (Note 7)	19,943	4,650	27,030	11,061
Stock-based compensation (Note 11)	-	-	420,467	42,418
Travel	89,823	-	89,823	42,418
<b>Total expenses</b>	<b>781,803</b>	<b>16,175</b>	<b>1,275,098</b>	<b>80,550</b>
<b>Loss before other income (expense)</b>	<b>(762,944)</b>	<b>(2,349)</b>	<b>(1,222,523)</b>	<b>(41,697)</b>
<b>Other income (expense)</b>				
Adjustments to fair value of investments (Note 3)	(52,503)	(146,834)	610,425	(235,867)
Foreign exchange gain (loss)	-	-	13,318	-
Gain on sale of securities	539,863	-	539,863	-
Interest expense	(17,890)	(3,321)	(61,992)	(9,963)
<b>Total other income (expense)</b>	<b>469,470</b>	<b>(150,155)</b>	<b>1,101,614</b>	<b>(245,830)</b>
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<b>(293,474)</b>	<b>(152,504)</b>	<b>(120,909)</b>	<b>(287,527)</b>
<b>Earnings per share, basic and diluted</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(0.01)</b>
<b>Weighted average number of shares outstanding</b>	<b>62,548,333</b>	<b>37,588,333</b>	<b>64,548,333</b>	<b>36,146,025</b>

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

**BLOCK ONE CAPITAL INC.**

(formerly Essex Angel Capital Inc.)

Condensed interim statements of changes in equity

For the six months ended May 31, 2018 and May 31, 2017

(Unaudited - Expressed in Canadian dollars)

	Share capital		Share-based payment reserve \$	Share subscriptions received \$	Deficit \$	Total shareholders' equity \$
	Number of shares	Amount \$				
Balance, August 31, 2016	35,838,333	4,073,642	647,632	–	(3,743,130)	479,444
Share-based payments	–	–	42,418	–	–	42,418
Exercise of warrants	1,750,000	175,000	–	–	–	175,000
Loss for the period	–	–	–	–	(287,527)	(135,023)
Balance, May 31, 2017	37,588,333	4,248,642	690,050	–	(4,029,709)	908,983
Balance, August 31, 2017	37,588,333	4,248,642	692,867	290,000	(3,479,330)	1,752,179
Private placement	6,000,000	450,000	–	(290,000)	–	160,000
Share-based payments	–	–	439,801	–	–	439,801
Warrants exercised	7,760,000	776,000	–	–	–	776,000
Options exercised	400,000	100,000	(41,951)	–	–	58,049
Private placement	10,000,000	10,000,000	–	–	–	10,000,000
Share issuance warrants	800,000	–	–	–	–	–
Private Placement	2,000,000	2,000,000	–	–	–	2,000,000
Net income for the period	–	–	–	–	(120,909)	(120,909)
Balance, May 31, 2018	64,548,333	17,574,642	1,090,717	–	(3,600,239)	15,065,120

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

**BLOCK ONE CAPITAL INC.**  
(formerly Essex Angel Capital Inc.)  
Condensed interim statements of cash flows  
(Unaudited - Expressed in Canadian dollars)

	Nine months ended	
	May 31, 2018 \$	May 31, 2017 \$
<b>Operating activities</b>		
Net income (loss) for the period	(120,909)	(287,527)
Items not involving cash:		
Adjustments to fair value of investments	(610,425)	235,867
Share-based payments	420,467	42,418
Debenture interest	-	9,963
Changes in non-cash operating working capital:		
Amounts receivable	(1,500)	(38,853)
Accounts payable and accrued liabilities	(10,954)	(5,372)
<b>Net cash used in operating activities</b>	<b>(323,321)</b>	<b>(43,504)</b>
<b>Investing activities</b>		
Acquisition of investments	(6,686,101)	(115,000)
Advances for loans receivable	(1,439,062)	(75,000)
<b>Net cash used in investing activities</b>	<b>(8,125,163)</b>	<b>(190,000)</b>
<b>Financing activities</b>		
Proceeds from issuance of common shares and share subscriptions	12,450,000	-
Exercise of warrants and options	876,000	175,000
<b>Net cash provided by financing activities</b>	<b>13,326,000</b>	<b>175,000</b>
Increase in cash	4,877,516	(58,504)
Cash, beginning of period	146,170	82,072
<b>Cash, end of period</b>	<b>5,023,686</b>	<b>23,568</b>

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

## **BLOCK ONE CAPITAL INC.**

(formerly Essex Angel Capital Inc.)

Notes to the condensed interim financial statements

For the nine months ended May 31, 2018 and May 31, 2017

(Unaudited - Expressed in Canadian dollars)

### **1. Nature of Operations and Continuance of Business**

Block One Capital Inc. (formerly 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 "BLOK". 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 November 30, 2017, the Company has not generated significant revenues, has negative cash flow from operations, and has an accumulated deficit of \$3,600,239. 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**

These unaudited condensed interim financial statements have been prepared in accordance with International Accounts Standards 34, *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

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 condensed interim financial statements

For the nine months ended May 31, 2018 and May 31, 2017

(Unaudited - 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.**

(formerly Essex Angel Capital Inc.)

Notes to the condensed interim financial statements

For the nine months ended May 31, 2018 and May 31, 2017

(Unaudited - 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
- its 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.**

(formerly Essex Angel Capital Inc.)

Notes to the condensed interim financial statements

For the nine months ended May 31, 2018 and May 31, 2017

(Unaudited - 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.**

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Notes to the condensed interim financial statements

For the nine months ended May 31, 2018 and May 31, 2017

(Unaudited - 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 May 31, 2018, the Company had 64,648,333, (2017 – 36,146,025) 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.

#### (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 condensed interim financial statements

For the nine months ended May 31, 2018 and May 31, 2017

(Unaudited - Expressed in Canadian dollars)

**3. Investments**

	Balance, August 31, 2017	Acquisitions	Adjustments to fair value	Dispositions	Balance, May 31, 2018
	\$	\$	\$	\$	\$
<b>Equities</b>					
AbraPlata Resource Corp.	525,000	–	(265,000)	–	210,000
Breathtec BioMedical Inc.	–	30,000	–	(30,000)	–
BlocTec Ventures Inc.	–	210,000	(7,350)	–	202,650
Catalina Gold Corp.	30,060	–	–	–	30,060
CNRP Mining Inc.	147,583	–	(99,667)	–	47,916
Columbus Energy Limited	66,000	–	(14,000)	–	52,000
Gold Port Resources Ltd.	4,177	50,000	3,636	–	57,813
Hashchain Technology Inc.					1,404,000
Leagold Mining Corporation	9,240	–	–	(9,240)	–
LeenLife International Inc.	157,500	–	–	(157,500)	–
NRG Metals Inc.	52,500	–	70,415		122,915
Pacton Gold Inc.	–	101,000	–	(101,000)	–
Reliq Health Technologies Ltd.	51,600	–	–	(51,600)	–
Rosita Mining Corp.	94,110	101,170	52,995	(53,699)	147,105
Hybrid Minerals Inc. (formerly Savoy Ventures Inc.)	129,150	–	(92,750)	–	36,400
Shoshoni Gold Ltd.	17,000	9,970	(6,000)	–	11,000
VBI Vaccines Inc.	22,912	–	2,811	–	25,723
Vinergy Resources Ltd.	21,840	–	(2,520)	–	19,320
Yorkton Ventures Inc.	4,905	–	(4,632)	–	273
<b>Total equities</b>	<b>1,333,577</b>	<b>502,140</b>	<b>(362,062)</b>	<b>(403,039)</b>	<b>2,367,175</b>
<b>Warrants</b>					
Breathtec Biomedical Inc.	8,386	–	–	(8,386)	–
CNRP Mining Inc.	107,103	–	–	–	107,103
NRG Metals Inc.	22,383	–	–	(22,383)	–
Rosita Mining Corp.	24,044	–	–	(4,809)	19,235
Hybrid Minerals Inc. (formerly Savoy Ventures Inc.)	63,187	–	–	(63,187)	–
Shoshoni Gold Ltd.	16,294	–	–	(16,294)	–
Tangelo Games Corp.	1	–	–	(1)	–
<b>Total warrants</b>	<b>241,398</b>	<b>–</b>	<b>–</b>	<b>(92,677)</b>	<b>126,338</b>
<b>Total investments</b>	<b>1,574,975</b>	<b>502,140</b>	<b>(362,062)</b>	<b>(495,716)</b>	<b>2,493,513)</b>

**BLOCK ONE CAPITAL INC.**

(formerly Essex Angel Capital Inc.)

Notes to the condensed interim financial statements

For the nine months ended May 31, 2018 and May 31, 2017

(Unaudited - Expressed in Canadian dollars)

**3. Investments** (continued)

	Balance, August 31, 2016 \$	Acquisitions \$	Adjustments to fair value \$	Dispositions \$	Balance, August 31, 2017 \$
<b>Equities</b>					
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
<b>Total equities</b>	<b>774,268</b>	<b>373,228</b>	<b>379,376</b>	<b>(193,295)</b>	<b>1,333,577</b>
<b>Warrants</b>					
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
<b>Total warrants</b>	<b>228,257</b>	<b>79,398</b>	<b>(51,138)</b>	<b>(15,119)</b>	<b>241,398</b>
<b>Total investments</b>	<b>1,002,525</b>	<b>452,626</b>	<b>328,238</b>	<b>(208,414)</b>	<b>1,574,975</b>

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### **3. Investments** (continued)

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

(a) 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.

(b) 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.

(c) 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. During the nine month period the company has disposed of its Leenlife shares.

(d) 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 May 31, 2018, the fair value of the Company's investment in the share purchase warrants of Tangelo was \$Nil (2017 - \$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%.

(e) 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.

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### **3. Investments** (continued)

(f) 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.

(g) 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. During the nine-month period the company disposed of its Leagold Mining Shares for a \$3,115 gain.

(h) 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.

(i) 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 May 31, 2018, the fair value of the Company's investment in the share purchase warrants of Rosita was \$19,235 (2017 - \$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%.

(j) 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.

(k) 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.

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### **3. Investments (continued)**

#### **(l) 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. During the nine-month period the Company sold its holdings in Reliq for a gain on sale of \$386,888

#### **(m) 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 May 31, 2018, the fair value of the Company's investment in the share purchase warrants of Columbus was \$Nil (2017 - \$1,993), 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%.

#### **(n) 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 May 31, 2018, the fair value of the Company's investment in the share purchase warrants of Breathtec was \$Nil (2017 - \$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%.

#### **(o) 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 May 31, 2018, the fair value of the Company's investment in the share purchase warrants of NRG was \$Nil (2017 - \$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%.

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### **3. Investments (continued)**

(p) Gold Port Resources Ltd. ("Gold Port")

(q) 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). During the period the Company acquired an additional 500,000 common shares of Gold Port Hybrid Minerals Inc. (formerly Savoy Ventures Inc.) ("Hybrid")

On February 6, 2017, the Company acquired 140,000 common shares of Hybrid for \$22,515. On April 4, 2017, the Company acquired 475,000 units of Hybrid 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 May 31, 2018, the fair value of the Company's investment in the share purchase warrants of Hybrid was \$Nil (2017 - \$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%.

(r) Trenchant Capital Corp. ("Trenchant")

On November 15, 2016, the Company acquired 1,000 common shares of Trenchant for \$315. During the period the Company sold its holdings for a \$120 gain.

(s) 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.

(t) 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.

(u) 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 May 31, 2018, the fair value of the Company's investment in the share purchase warrants of CNRP was \$107,103 (2017 - \$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%.

(v) 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)**

- (v) 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.

- (w) On November 30, 2017, the Company announced it had signed a binding term sheet to acquire 90% of the equity of TG12 Ventures Inc., a private company engaged in cryptocurrency mining. On January 3, 2018, the Company announced it had entered into a definitive agreement with TG12 Ventures Inc. to acquire up to 90% of the equity for US\$2,910,000. During the period the Company sold its 90% interest in TG12 Ventures Inc. to HashChain Technologies for 8,900,000 HashChain Shares.
- (x) On December 6, 2017, the Company announced it had signed a binding term sheet to acquire 40% of the equity of New York based Finzat LLC, 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 will invest US\$600,000 to acquire 40% of Finzat.
- (y) On January 18, 2018, the Company announced it had entered into a binding term sheet to acquire up to 40% of London, UK based OMAAT Ltd., which is a blockchain based, patented fintech solution aimed at democratizing the purchase and protection of natural capital such as rainforests. Pursuant to the term sheet, the Company is to invest US\$500,000 into operations of OMAAT.

### **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(v).
- (b) On June 1, 2017 the Company advanced \$287,000 to a non-related public company for subscriptions to common shares. As at November 30, 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 May 31, 2018, accrued interest of \$3,046 (August 31, 2017 - \$2,386) 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 May 31, 2018, accrued interest of \$59,412 (August 31, 2017 - \$47,561) 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 May 31, 2018, accrued interest of \$4,684 (August 31, 2017 - \$4,400) 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 May 31, 2018, accrued interest of \$12,745 (2016 - \$8,682) 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.

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### 5. Loans Receivable (continued)

- (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.
- (h) On September 7, 2017, the Company provided a loan of \$10,500 to a company with common management. The amounts due are unsecured, non-interest bearing, and is due on demand.
- (i) On October 6, 2017, the Company provided a loan of \$15,000 to a company with common management. The amounts due are unsecured, non-interest bearing, and is due on demand.

### 6. Accounts Payable and Accrued Liabilities

	May 31, 2018 \$	August 31, 2017 \$
Trade payables	183,879	187,352
Accrued payables	12,531	13,500
Accrued interest payable	3,413	9,925
	199,823	210,777

### 7. Notes Payable

- (a) 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.
- (b) 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. During the period ended May 31, 2017, this loan was repaid in full with interests of \$18,301.
- (c) 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 May 31, 2018, accrued interest of \$7,608 (August 31, 2017 - \$5,733) has been included in accounts payable and accrued liabilities.
- (d) 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 May 31, 2018, accrued interest of \$6,067 (August 31, 2017 - \$4,192) has been included in accounts payable and accrued liabilities.
- (e) 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 six months ended February 28, 2018, the Company incurred professional fees of \$13,933 (2016 - \$6,411) to the Chief Financial Officer of the Company.

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### 9. Share Capital

Authorized: Unlimited common shares without par value.

- (a) 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).
- (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.
- (c) 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
- (d) 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 and one-half of one common share purchase warrant. Each share purchase warrant is exercisable into one additional common share of the Company at a price of \$1.50 per common share for a period of two years from the date of closing. In the event the Shares trade at a closing price of greater than \$2.50 per share for ten consecutive days, the Company may accelerate the expiry date of the warrants to the 30<sup>th</sup> day after the date on which it provides notice of acceleration.
- (e) On April 25, 2018, the Company issued 2,000,000 at a price of \$1.00 per unit for proceeds of \$10,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each share purchase warrant is exercisable into one additional common share of the Company at a price of \$1.50 per common share for a period of two years from the date of closing. In the event the Shares trade at a closing price of greater than \$2.50 per share for ten consecutive days, the Company may accelerate the expiry date of the warrants to the 30<sup>th</sup> day after the date on which it provides notice of acceleration.

### 10. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
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
Issued	6,000,000	0.10
Issued	6,400,000	1.50
Exercised	(7,760,000)	0.10
Outstanding, May 31, 2018	27,890,000	0.38

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### 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
Granted	2,000,000	0.25
Granted	500,000	0.70
Exercised	(400,000)	0.25
Outstanding, May 31, 2018	2,500,000	0.34

As at February 28, 2018, the Company had 400,000 stock options exercisable at \$0.25 per share until October 26, 2019, there were 2,000,000 stock options exercisable at \$0.25 per share until November 7, 2019 and 500,000 stock options exercisable at \$0.70 per share until November 30, 2020.

During the period ended May 31, 2018, the Company granted 2,500,000 (2016 – 400,000) stock options to directors, officers and consultants of the Company. The weighted average of the fair value per option was \$439,801. The fair value of the options granted during the period is \$397,850 (2016 - \$42,418), 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 1.64%; expected life of 2 years; and volatility of 81% and 101%.

#### (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 May 31, 2018 as follows:

	Fair Value Measurements Using			Balance, February 28, 2018 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	5,023,686	–	–	5,023,686
Investments	8,558,884	–	–	8,558,884
	13,582,570	–	–	13,582,570

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### **11. Stock Options (continued)**

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.

### **12. 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 period ended May 31, 2018.

### **13. Significant and subsequent Events**

- a) On June 15, 2018, the Company announced that it has entered into a definitive agreement with Affirmation Technology Group LLC to acquire 30% of the New York, USA based developer of decentralized anti-money laundering ("AML"), know your customer ("KYC") and Accredited Investor solutions. Under the terms of the definitive agreement, the Company has acquired 30% of the blockchain technology company, with an option to acquire an additional 10% for \$400,000USD..