

**BLOCK ONE CAPITAL INC.**  
**Form 51-102F1**

**Management's Discussion & Analysis**  
For the nine-month period ended May 31, 2019

**1.1 Introduction**

***Corporate structure and background***

The following management's discussion and analysis ("MD&A"), prepared as of July 30, 2019, is a review of operations, current financial position and outlook for Block One Capital Inc. (the "Company"). Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com). This MD&A should be read in conjunction with the Company's audited financial statements for the years ended August 31, 2018, August 31, 2017 and the condensed interim statements ended May 31, 2019. Those financial statements were prepared in accordance with IFRS. Amounts are reported in Canadian dollars, unless otherwise specified.

The Company was incorporated on February 10, 2010 pursuant to the *Canada Business Corporation Act* and on February 17, 2017, the Company was continued into British Columbia under the British Columbia Business Corporation Act. The Company completed its initial public offering on December 7, 2010. On November 9, 2017 the Company changed its name to "Block One Capital Inc.", 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.

***Forward-Looking Statements***

Certain statements contained in the following MD&A constitute forward-looking statements. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", used by any of the Company's management, are intended to identify forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward- looking statements. Readers are cautioned not to place undue reliance on these forward- looking statements. The Company does not intend and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments, except as required by law.

***IAS 36 – Impairment of Assets***

IAS 36 Impairment of Assets seeks to ensure that an entity's assets are not carried at more than their recoverable amount. The core principle is that an asset must not be carried in the financial statements at more than the highest amount to be recovered through its use or sale. If the carrying amount exceeds the recoverable amount, the asset is described as impaired. The entity must reduce the carrying amount of the asset to its recoverable amount and recognise an impairment loss. IAS 36 also applies to groups of assets that do not generate cash flows individually (known as cash-generating units).

As at August 31, 2018, management assessed that investments in the following companies: Affirmative Technology Group LLC (\$520,159), BlockTech Ventures Inc. (\$209,999), Cuipo OMAAT Ltd. (\$999,819), Finzat Block LLC (\$789,984), and Shopin Coin (\$989,048) did not support its carrying value, and the amounts invested were not expected to be recovered, and management has fully impaired those investments to a carrying value of \$1.

## ***Risks and Uncertainties***

### ***Liquidity Risk***

Due to market conditions beyond its control, including investor demand, resale restrictions, general market trends and regulatory restrictions, the Company may not be able to liquidate investments without a listed market for their securities, when it would otherwise desire to do so in order to operate in accordance with its investment policy and strategy. Such lack of liquidity could have a material adverse effect on the value of the Resulting Issuer's investments and, consequently, the value of the shares of the Resulting Issuer.

### **Diversification Risk**

The aggregate returns realized by the Company may be substantially and adversely affected by the unfavourable performance of even a single investment. Accordingly, there can be no assurance that the Resulting Issuer will be able to reduce its investment risk by diversifying its portfolio. The resulting lack of diversification may adversely impact the ability of the Resulting Issuer to achieve its desired investment returns.

### **Capital Risk**

If the Company is unable to raise additional investment capital either through investment returns or new financing through securities offerings, then it will be limited in its ability to fulfill its investment objectives. This may adversely affect its long-term viability. To raise additional capital, the Resulting Issuer may have to issue additional shares which may dilute the interests of existing shareholders

### **Volatility Risk**

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many junior companies have experienced wide fluctuations in price. The market price of the Shares may be volatile and could be subject to wide fluctuations due to a number of factors. Broad market fluctuations, as well as economic conditions generally and in the technology industry specifically, may adversely affect the market price of the Shares.

### **Minority Interest Risk**

The Company will hold a minority interest in each of the Target Companies and will have a limited ability to influence management of the Target Companies with respect to: business and financial decisions; the issuance of additional securities; and the issue price for additional securities.

### **Additional Risk Factors**

As described in the notes to the audited financial statements, although the Company's active investments are comprised mostly of publicly traded shares, there is no guarantee that the market would be able to absorb sale of the number of shares held by the Company without a drop in the share price, should the Company attempt to realize its investments within a very short timeframe. The reported fair value does not necessarily reflect the value that would be obtained should the Company sell its investments in an arm's-length transaction.

Readers should refer to the risk factors disclosed in the Company's Filing Statement dated July 6, 2011 filed on SEDAR.

## 1.2 Overall Performance

The Company was incorporated under the *Canada Business Corporations Act* on February 10, 2010. On December 7, 2010, the common shares of the Company began trading on the TSX-V under the ticker symbol "EXC.P". On July 15, 2011, the Company completed its Qualifying Transaction and is now listed on the TSX-V as a Tier 2 Investment Issuer. Pursuant to the Qualifying Transaction, the Company entered into agreements to acquire debt and equity securities of various companies. On November 9, 2017 the company changed its name to "Block One Capital Inc." and is listed on the TSX-V under the symbol "BLOK".

During the period ended May 31, 2019, the Company has continued to make strategic investments on behalf of the shareholders of the Company.

## 1.3 Selected Annual Information

The following provides a summary of selected financial information, derived from the Company's audited financial statements for the years ended August 31, 2018, 2017 and 2016:

	Years ended August 31		
	2018	2017	2016
	\$	\$	\$
Total revenues	69,288	56,599	6,929
Net Income (loss) and comprehensive income (loss) – total	(10,109,399)	262,852	948
Net income (loss) and comprehensive income (loss) – per share	(0.17)	0.01	0.00
Total assets	5,984,954	2,495,359	1,302,576
Total liabilities	461,284	743,180	323,484

The financial information presented in the table above for the years ended August 31, 2018, 2017 and 2016 are from the Company's financial statements prepared in accordance with International Financial Reporting Standards. The reporting currency for all periods is Canadian dollars.

## 1.4 Summary of Quarterly Results

The following table summarizes information derived from the Company's financial statements for each of the Company's most recently completed eight quarters:

Quarter ended:	Total revenue	Total net income (loss)	Earnings (loss) per share (actual and fully-diluted)
August 31, 2017	\$17,746	\$550,379	\$0.02
November 30, 2017	\$16,858	\$341,389	\$0.01
February 28, 2018	\$16,858	\$(168,824)	\$0.00
May 31, 2018	\$18,859	\$(293,474)	\$(0.00)
August 31, 2018	\$16,713	\$(9,988,490)	\$(0.17)
November 30, 2018	\$25,554	\$(1,604,570)	\$(0.02)
February 28, 2019	\$22,162	\$(1,050,027)	\$(0.03)
May 31, 2019	\$8,763	\$(63,841)	\$(0.00)

## 1.5 Results of Operations

### ***Discussion of Operating Results - nine months ended May 31, 2019***

Operating expenses in the current period decreased to \$63,013 from \$781,803 during the comparative period.

- In the Comparative period the Company issued share-based payments which was the major expense incurred in the period.
- General and administrative expenses for the nine-month period included late filing fees for the annual audited statements that were filed late. In addition, the company incurred its annual listing fee on the OTCQB
- The Company incurred expenditures relating to advertising, marketing, and investor relations of \$nil (2018 - \$463,902) to help build brand awareness.
- The Company incurred \$39,973 in consulting fees (2018 - \$191,202) as the Company hired a new Chief Executive Office and Chief Technology Officer. In addition, the Company hired consultants to help source new deals for the Company. The Company did incur consulting costs in US dollars as the CEO is based out of the US.
- The Company incurred travel expense of \$15,745 (2018 - \$89,823) as the Company's management team continued to do due diligence on new investment opportunities.

During the period ended May 31, 2019, the Company recorded a net loss of \$1,832,278 compared to net loss of \$120,909 during the period ended May 31, 2018. The primary reason for the loss was due to the company incurring a decrease in the fair value of its investment portfolio of \$1,336,319 due to poor performing markets and the loss on sale of securities of (\$315,716) (2018 - \$\$539,863).

### **1.6 and 1.7 Liquidity and Capital Resources**

At May 31, 2019, the Company had working capital of \$1,850,033 with a cash balance of \$1,283,226. At May 31, 2018, the Company had working capital \$3,545,901 with a cash balance of \$2,171,471. The decrease in working capital relative to the prior period is due the Company completing two private placements in the prior period resulting in increased cash balance.

In addition to the above, the Company also has holdings of investments in publicly traded shares and share purchase warrants, that are accounted for as fair value through profit and loss basis, which had a market value of \$2,041,350 (2018 - \$1,977,769). The decrease in the investment portfolio is due the poor market conditions in the crypto currency sector, resulting in the impairment of several assets.

Ongoing working capital requirements are limited to those necessary to maintain the Company's ongoing public reporting obligations and support the Company in its identification and completion of further potential investment and fund-raising opportunities. Should the Company not be able to attract additional debt or equity financing, management of the Company is able to raise funds as needed through sales from its investment portfolio.

The Company has not pledged any of its assets as security for loans or otherwise and is not subject to any debt covenants.

### **Cash Used in Operating Activities**

During the period ended May 31, 2019, the Company used \$470,465 of cash for operating activities compared to the use of \$323,321 during the period ended May 31, 2018. The increase in cash used for operating activities was due to the fact that the Company incurred more operating costs in the current year upon the loss on disposal of investments .

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### Cash Used in Investing Activities

During the period ended May 31, 2019, the Company used \$617,780 of cash for investing activities compared to \$8,125,163 during the period ended May 31, 2018.

### Cash Provided by Financing Activities

During the period ended May 31, 2019, the Company received \$200,000 of cash from financing activities as compared to \$13,326,000 during the period ended May 31, 2018. The decrease in cash from financing activities was due to receipt of funds from the issuance of private placements during the comparative period.

## **1.8 Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

## **1.9 Transactions with Related Parties**

During the period ended May 31, 2019, the Company:

- (a) During the period ended May 31, 2019, the Company incurred professional fees of \$15,000 (2018 - \$27,030) to a company controlled by the Chief Financial Officer ("CFO") of the Company.
- (b) During the period ended May 31, 2019, the Company incurred consulting fees of \$100,132 (2018 - \$nil) and reimbursed \$92,357 (2018 - \$nil) of travel expenses to the Chief Executive Officer ("CEO") of the Company.
- (c) During the period ended May 31, 2019, the Company incurred consulting fees of \$13,161 (2018 - \$nil) to the Chief Technology Officer of the Company.
- (d) As at May 31, 2019, the Company owed \$3,677 (2018 - \$nil) to a director of the Company. The amount owed is non-interest bearing, unsecured, and is due on demand.

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount agreed upon by the transacting parties.

## **1.10 Other Events**

None during the period.

## **1.11 Changes in Accounting Policies**

See Note 2 to the Company's condensed interim financial statements for the period ended February 28, 2019 for a description of the Company's accounting policies and new accounting standards that have been issued but are not yet effective with respect to the Company's financial statements.

## **1.12 Financial Instruments and Other Instruments**

At May 31, 2019, the Company's financial instruments consist of cash and cash equivalents, investments, accounts payable and accrued liabilities, and note payable. See the notes to the unaudited financial statements for the period ended May 31, 2019 for more information.

## **1.13 Additional Information Outstanding Share Data as at May 31, 2019 and the Report Date**

### *Authorized*

The Company is authorized to issue an unlimited number of Common Shares.

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Outstanding, August 31, 2017	23,250,000	0.10
Issued	6,000,000	0.10
Issued	5,400,000	1.50
Exercised	(7,760,000)	0.10
Outstanding, February 28, 2018	26,890,000	0.38
Exercised	(1,000,000)	0.10
Outstanding, August 31, 2018	25,890,000	0.48
Outstanding, May 31, 2019	25,890,000	0.48

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

	Number of options	Weighted average exercise price \$
Outstanding, August 31, 2017	400,000	0.25
Granted	2,500,000	0.34
Exercised	(400,000)	0.25
Outstanding, August 31, 2018	2,500,000	0.34
Outstanding, May 31, 2019	2,500,000	0.34

#### 1.14 Officers and Directors

Sothi Thillairajah, CEO  
Christopher Cherry, CFO, Director  
David Berg, CEO, Director  
Julie Zhu, Director  
Arnold Spangler, Director  
Aman Thindal, Director