

BLOCK ONE CAPITAL INC.

Condensed Interim Financial Statements

Nine Months Ended May 31, 2019

(Unaudited - Expressed in Canadian dollars)

BLOCK ONE CAPITAL INC.Condensed interim statements of financial position
(Unaudited - Expressed in Canadian dollars)

	May 31, 2019 \$	August 31, 2018 \$
Assets		
Current assets		
Cash	1,283,226	2,171,471
Amounts receivable (Note 5)	164,510	116,217
Advances receivable (Note 4)	369,000	619,000
Prepaid expenses	234,669	25,248
Loans receivable (Note 5)	204,656	1,075,249
Total current assets	2,256,061	4,007,185
Non-current assets		
Investments (Note 3)	2,041,350	1,977,769
Total assets	4,297,411	5,984,954
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	233,022	265,530
Due to related party (Note 8)	3,677	26,425
Notes payable (Note 7)	169,329	169,329
Total liabilities	406,028	461,284
Shareholders' equity		
Share capital	17,819,877	17,819,877
Share-based payment reserve	1,492,522	1,492,522
Share subscriptions receivable (Note 9)	–	(200,000)
Deficit	(15,421,016)	(13,588,729)
Shareholders' equity	3,891,383	5,523,670
Total liabilities and shareholders' equity	4,297,411	5,984,954

Nature of operations and continuance of business (Note 1)
Subsequent events (Note 15)

Approved for issuance on behalf of the Board on July 30, 2019:

/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.Condensed interim statements of operations and comprehensive loss
(Unaudited - Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	May 31, 2019 \$	May 31, 2018 \$	May 31, 2019 \$	May 31, 2018 \$
Interest revenue	8,763	18,859	56,479	52,575
Expenses				
Advertising and promotion	-	463,902	44,655	463,902
Consulting	39,973	191,202	263,940	191,202
General and administrative	2,424	16,933	59,772	82,674
Professional fees (Note 7)	4,871	19,943	42,818	27,030
Share-based compensation (Note 11)	-	-	-	420,467
Travel	15,745	89,823	127,467	89,823
Total expenses	63,013	781,803	538,652	1,275,098
Loss before other income (expense)	(54,250)	(762,944)	(482,173)	(1,222,523)
Other income (expense)				
Adjustments to fair value of investments (Note 3)	(286,292)	(52,503)	(1,336,319)	610,425
Foreign exchange gain (loss)	-	-	-	13,318
Gain on sale of securities	(32,729)	539,863	(315,716)	539,863
Recapture of investment	313,114	-	313,114	-
Interest expense	(3,684)	(17,890)	(11,184)	(61,992)
Total other income (expense)	(9,591)	(469,470)	1,350,105	1,101,614
Net income (loss) and comprehensive income (loss) for the period	(63,841)	(293,474)	(1,832,278)	(120,909)
Earnings per share, basic and diluted	0.00	0.00	(0.02)	0.00
Weighted average number of shares outstanding	66,548,333	62,548,333	66,548,333	64,548,333

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

BLOCK ONE CAPITAL INC.

Condensed Interim statements of changes in equity
(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve \$	Share subscriptions received \$	Share subscriptions receivable \$	Deficit \$	Total shareholders' equity \$
	Number of shares	Amount \$					
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	–	–	(3,306,239)	15,065,120
Balance, August 31, 2018	66,548,333	17,819,877	1,492,522	–	(200,000)	(13,588,729)	5,523,670
Share subscriptions received	–	–	–	–	200,000	–	200,000
Adjustment	–	–	–	–	–	(9)	(9)
Net loss for the period	–	–	–	–	–	(1,832,278)	(1,832,278)
Balance, May 31, 2019	66,548,333	17,819,877	1,492,522	–	–	(15,421,016)	3,891,383

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

BLOCK ONE CAPITAL INC.Condensed interim statements of cash flows
(Expressed in Canadian dollars)

	Nine months ended May 31, 2019 \$	Nine months ended May 31, 2018 \$
Operating activities		
Net income (loss) for the period	(1,832,278)	(120,909)
Items not involving cash:		
Adjustments to fair value of investments	1,336,319	(610,425)
Loss on disposal of investments	315,716	–
Share-based payments	–	420,467
Changes in non-cash operating working capital:		
Amounts receivable	(48,293)	(1,500)
Prepaid expenses	(209,421)	–
Accounts payable and accrued liabilities	(32,508)	(10,954)
Due to related parties	–	–
Net cash used in operating activities	(470,465)	(323,321)
Investing activities		
Acquisition of investments	(1,023,482)	(6,686,101)
Advances for loans receivable	(250,000)	(1,439,062)
Recapture	313,114	–
Proceeds from sale of investments	342,588	–
Net cash used in investing activities	(617,780)	(8,125,163)
Financing activities		
Proceeds from issuance of common shares and share subscriptions	200,000	12,450,000
Exercise of warrants and options	–	876,000
Repayment of notes payable	–	–
Net cash provided by financing activities	200,000	13,326,000
Increase/(decrease) in cash	(888,245)	4,877,516
Cash, beginning of period	2,171,471	146,170
Cash, end of period	1,283,226	5,023,686

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

BLOCK ONE CAPITAL INC.

Notes to the condensed interim financial statements

For the nine months ended May 31, 2019

(Unaudited - Expressed in Canadian dollars)

1. Nature of Operations and Continuance of Business

Block One 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 interim 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 May 31, 2019, the Company has not generated significant revenues, has negative cash flow from operations, and has an accumulated deficit of \$15,421,016. 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.

Notes to the condensed interim financial statements

For the nine months ended May 31, 2019

(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.

Notes to the condensed interim financial statements
For the nine months ended May 31, 2019
(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
- 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, notes payable, and amounts due to related parties.

BLOCK ONE CAPITAL INC.

Notes to the condensed interim financial statements
For the nine months ended May 31, 2019
(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.

Notes to the condensed interim financial statements

For the nine months ended May 31, 2019

(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, 2019, the Company had 28,390,000 (2018 – 23,650,000) 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 May 31, 2019 and 2018, 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

Certain pronouncements have been issued by the IASB, or the IFRS Interpretations Committee that are mandatory for accounting years beginning on or after January 1, 2018, or later years.

New standard IFRS 9, “Financial Instruments”

New standard IFRS 15, “Revenue from Contracts with Customers”

New standard IFRS 16, “Leases”

The Company did not early adopt these revised standards does not believe the these standards have a material impact 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.

Notes to the condensed interim financial statements

For the nine months ended May 31, 2019

(Unaudited - Expressed in Canadian dollars)

3. Investments

	Balance August 31, 2018	Balance May 31, 2019
	\$	\$
EQUITIES		
AbraPlata Resources Corp.	92,080	46,040
Affirmative Technology Group LLC	1	1
BlockTech Ventures Inc	1	202,650
BlueBird Battery Metals Inc.	264,000	121,600
Catalina Gold Corp.	3,006	-
Columbus Energy Ltd.	48,000	40,000
Corsurex Resource Corp.	54,177	-
Cuipo OMAAT Ltd.	1	1
Everyday Financial People	-	-
Finzat Block LLC	1	1
Flurotech Ltd.	64,970	7,820
HashChain Technology Inc.	684,250	83,500
Hybrid Minerals Inc.	141,450	7,700
Integrated Cannabis Company Inc.	118,833	44,333
Karma Technologies International Ltd.	-	877,076
NRG Metals Inc.	83,265	-
Pacton Gold Inc.	17,160	3,960
Premier Health Group Inc.	-	70,400
Prospera Energy Inc.	-	38,500
Risetech Capital Corporation	-	1,000
Rosita Mining Corp.	144,760	97,808
Rockshield Capital Corp.	-	22,500
Shopin	1	1
Shoshoni Gold Ltd.	23,300	-
True North Gems Inc.	-	4,635
VBI Vaccines Inc.	17,045	-
Vinergy Resources Ltd.	3,360	-
Xander Resources Inc.	47,565	119,009
Yorkton Ventures Inc.	115,450	3,815
Zonetail	-	6,000
Total Equities	1,922,676	1,798,350
WARRANTS		
WT-Australis Cap Inc.	-	243,000
Total Warrants	-	243,000
TOTAL INVESTMENTS	1,922,676	2,041,350

BLOCK ONE CAPITAL INC.

Notes to the condensed interim financial statements

For the nine months ended May 31, 2019

(Unaudited - Expressed in Canadian dollars)

3. Investments (continued)

	Balance, August 31, 2017 \$	Acquisitions \$	Adjustments to fair value \$	Dispositions \$	Balance, August 31, 2018 \$
Equities					
AbraPlata Resource Corp.	525,000	–	(409,653)	(23,267)	92,080
Affirmative Technology Group LLC	–	520,160	(520,159)	–	1
BlockTech Ventures Inc.	–	210,000	(209,999)	–	1
BlueBird Battery Metals Inc.	–	338,712	(74,712)	–	264,000
Breathtec Biomedical Inc.	–	30,000	–	(30,000)	–
Catalina Gold Corp.	30,060	–	(27,054)	–	3,006
Columbus Energy Ltd.	66,000	–	(18,000)	–	48,000
Corsurex Resource Corp.	4,177	50,000	–	–	54,177
Cuipo OMAAT Ltd.	–	999,820	(999,819)	–	1
Finzat Block LLC	–	789,985	(789,984)	–	1
Flurotech Ltd.	–	69,435	21,239	(25,704)	64,970
HashChain Technology Inc.	–	3,204,000	(1,457,750)	(1,062,000)	684,250
Hybrid Minerals Inc.	129,150	–	12,300	–	141,450
Integrated Cannabis Company Inc.	147,583	–	(28,750)	–	118,833
Leagold Mining Corp.	9,240	–	(3,990)	(5,250)	–
LeenLife Pharma International Inc.	157,500	–	(120,544)	(36,956)	–
NRG Metals Inc.	52,500	100,000	(19,442)	(49,793)	83,265
Pacton Gold Inc.	–	181,757	2,030	(166,627)	17,160
Reliq Health Technologies Ltd.	51,600	24,659	(26,407)	(49,852)	–
Rosita Mining Corp.	94,110	136,858	(23,172)	(63,036)	144,760
Shopin	–	989,049	(989,048)	–	1
Shoshoni Gold Ltd.	17,000	9,970	(2,105)	(1,565)	23,300
TG 12 Ventures Inc.	–	4,253,737	–	(4,253,737)	–
VBI Vaccines Inc.	22,912	–	(5,867)	–	17,045
Vinergy Resources Ltd.	21,840	–	(18,480)	–	3,360
Xander Resources Inc.	–	63,911	(16,346)	–	47,565
Yorkton Ventures Inc.	4,905	165,000	(54,455)	–	115,450
Total equities	1,333,577	12,137,053	(5,780,167)	(5,767,787)	1,922,676
Warrants					
Breathtec Biomedical Inc.	8,386	–	(8,386)	–	–
Hybrid Minerals Inc.	63,187	–	(63,187)	–	–
Integrated Cannabis Company Inc.	107,103	–	(58,727)	–	48,376
NRG Metals Inc.	22,383	–	22,709	(45,092)	–
Rosita Mining Corp.	24,044	–	(24,044)	–	–
Shoshoni Gold Ltd.	16,294	–	(9,577)	–	6,717
Tangelo Games Corp.	1	–	(1)	–	–
Total warrants	241,398	–	(141,213)	(45,092)	55,093
Total investments	1,574,975	12,137,053	(5,921,380)	(5,812,879)	1,977,769

BLOCK ONE CAPITAL INC.

Notes to the condensed interim financial statements

For the nine months ended May 31, 2019

(Unaudited - Expressed in Canadian dollars)

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. During the year ended August 31, 2018, Catalina consolidated its common shares on a one-for-ten basis, where the Company's 375,750 common shares were adjusted to 37,575 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 year ended August 31, 2018, the Company sold 1,750,000 common shares of LeenLife and recognized a gain on sale of \$138,044.

(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.

During the year ended August 31, 2018, the warrants expired unexercised on January 28, 2018, resulting in a loss of \$1.

(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.

During the year ended August 31, 2017, the warrants expired unexercised on February 6, 2017, resulting in a loss of \$18,865.

BLOCK ONE CAPITAL INC.

Notes to the condensed interim financial statements

For the nine months ended May 31, 2019

(Unaudited - Expressed in Canadian dollars)

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. In the period ended the company disposed of its position in VBI Vaccines Inc.

(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 year ended August 31, 2018, the Company sold its investment in Leagold and recognized a gain on sale of \$3,115.

(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. During the year ended August 31, 2018, the Company acquired 1,340,000 common shares of Rosita for \$114,858, exercised 400,000 warrants for \$22,000, and sold 1,258,000 common shares for proceeds of \$66,110 resulting in a gain on sale of \$3,074.

During the year ended August 31, 2018, the remaining 1,600,000 warrants expired unexercised on July 19, 2018.

(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.

BLOCK ONE CAPITAL INC.

Notes to the condensed interim financial statements

For the nine months ended May 31, 2019

(Unaudited - Expressed in Canadian dollars)

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 year ended August 31, 2018, the Company acquired 30,500 common shares of Reliq for \$24,659 and sold 288,501 common shares for proceeds of \$412,081 resulting in a gain on sale of \$362,229.

(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.

During the year ended August 31, 2018, the Company acquired 200,000 common shares of Shoshoni for \$9,970 and sold 74,000 common shares for proceeds of \$3,730 resulting in a gain on sale of \$2,165.

As at May 31, 2019, the fair value of the Company's investment in the share purchase warrants of Shoshoni was \$17,000 (2017 - \$16,294). In addition, the Company sold 100,000 shares for proceeds of \$3,890 resulting in a loss of \$1,095.

(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. During the year ended August 31, 2018, the Company exercised 200,000 share purchase warrants for \$30,000 and sold the common shares for proceeds of \$55,838 resulting in a gain on sale of \$25,838.

(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.

During the year ended August 31, 2018, the Company exercised 500,000 share purchase warrants for \$100,000 and sold 603,500 common shares for proceeds of \$218,361 resulting in a gain on sale of \$168,568. During the period ended November 30, 2018, the Company sold 396,500 shares for proceeds of \$55,215 resulting in a loss of \$1,688.

BLOCK ONE CAPITAL INC.

Notes to the condensed interim financial statements

For the nine months ended May 31, 2019

(Unaudited - Expressed in Canadian dollars)

3. Investments (continued)

(p) Corsurex Resource Corp. ("Corsurex") (formerly 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.

During the year ended August 31, 2018, Corsurex consolidated its common shares on a one-for-sixteen basis, where the Company's 125,000 common shares of Corsurex were adjusted to 7,813 common shares and the Company acquired an additional 500,000 units of Corsurex for \$50,000. 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 \$0.20 per share until February 9, 2021. As at August 31, 2018, these warrants have not been valued as there is no market for Corsurex's common shares.

(q) Hybrid Minerals Inc. ("Hybrid") (formerly Savoy Ventures Inc.)

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 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 a period of one year. On March 20, 2018, the warrants expired unexercised.

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

On November 15, 2016, the Company acquired 1,000 common shares of Trenchant for \$315. During the year ended August 31, 2018, the Company sold 1,000 common shares of Trenchant and recognized a gain of \$435.

(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. During the period ended February 28, 2019 the Company sold 42,000 shares of Vinergy for proceeds of \$7,248 and recognized a loss on the sale of \$16,818.

(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) Integrated Cannabis Company Inc. ("Integrated") (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. During the period ended March 31, 2018 the Company sold 75,000 shares of Integrated for proceeds of \$28,938 and recognized a gain of \$19,861.

(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.

BLOCK ONE CAPITAL INC.

Notes to the condensed interim financial statements

For the nine months ended May 31, 2019

(Unaudited - Expressed in Canadian dollars)

3. Investments (continued)

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

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. 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.

During the year ended August 31, 2018, the Company sold 349,000 common shares of APRC for proceeds of \$49,548 resulting in a gain on sale of \$26,282.

(x) Affirmative Technology Group LLT ("Affirmative")

On June 12, 2018, the Company acquired 30% of the outstanding membership units of Affirmative for \$520,160. As at August 31, 2018, the Company recorded an impairment loss of \$520,159, resulting in a carrying value of \$1.

(y) BlockTech Ventures Inc. ("BlockTech")

On November 29, 2017, the Company acquired 600,000 common shares of BlockTech for \$210,000. As at August 31, 2018, the Company recorded an impairment loss of \$209,999 resulting in a carrying value of \$1.

(z) BlueBird Battery Metals Inc. ("BlueBird")

During the year ended August 31, 2018, the Company acquired 800,000 common shares of BlueBird for \$338,712. During the period ended November 30, 2018 the Company acquired an additional 250,000 common shares of BlueBird. During the period ended February 28, 2019 the Company acquired an additional 400,000 common shares of Bluebird and subsequently sold 364,000 shares for proceeds of \$92,453 and recognized a loss of \$40,610. During the period ended May 31, 2019 the Company sold 446,000 shares of Bluebird and recognized a loss of \$52,591.

(aa) Cuipo OMAAT Ltd. ("Cuipo")

During the year ended August 31, 2018, the Company acquired a 33% interest in the outstanding common shares of Cuipo for \$999,820. As at August 31, 2018, the Company recorded an impairment loss of \$999,819.

(bb) Finzat Block LLC. ("Finzat")

During the year ended August 31, 2018, the Company acquired 4,000,000 common shares of Finzat for \$789,985. On August 31, 2018, the Company recorded an impairment loss of \$789,984, resulting in a carrying value of \$1.

(cc) Flurotech Ltd. ("Flurotech")

During the year ended August 31, 2018, the Company acquired 140,000 common shares of Flurotech for \$69,435 and sold 51,000 common shares for proceeds of \$27,335 resulting in a gain on sale of \$1,631. During the period ended November 30, 2018 the Company sold 66,000 shares for proceeds of \$32,430 resulting in a gain on sale of \$3,962.

(dd) HashChain Technology Inc. ("HashChain")

During the year ended August 31, 2018, the Company acquired 8,900,000 common shares of HashChain in exchange for 900 common shares of TG 12 Ventures Inc. at a deemed value of \$3,204,000, and sold 2,950,000 common shares for proceeds of \$563,680 resulting in a loss on sale of \$498,320. Refer to Note 3(gg).

(ee) Pacton Gold Inc. ("Pacton")

BLOCK ONE CAPITAL INC.

Notes to the condensed interim financial statements

For the nine months ended May 31, 2019

(Unaudited - Expressed in Canadian dollars)

During the year ended August 31, 2018, the Company acquired 575,000 common shares of Pacton for \$181,757 and sold 542,000 common shares for proceeds of \$171,400 resulting in a gain on sale of \$4,773.

(ff) Shopin Coin. ("Shopin")

During the year ended August 31, 2018, the Company acquired the right to future tokens of Shopin for \$989,049. As at August 31, 2018, the Company recorded an impairment loss of \$989,048 resulting in a carrying value of \$1.

(gg) TG 12 Ventures Inc. ("TG 12")

During the year ended August 31, 2018, the Company acquired 900 common shares of TG 12 for \$4,253,737. On April 25, 2018, the Company recovered \$12,210 and sold its 900 shares of TG 12 to HashChain in exchange for 8,900,000 common shares with fair value of \$3,204,000 resulting in a loss on sale of \$1,037,527.

(hh) Xander Resources Inc. ("Xander")

During the year ended August 31, 2018, the Company acquired 528,500 common shares of Xander for \$63,911.

(ii) Risetech Capital Corporation. ("Risetech")

During the period ended November 30, 2018, the Company acquired 1,000 common shares of Risetech for \$1,000.

(jj) True North Gems Inc. ("True North")

During the period ended November 30, 2018, the Company acquired 2,000,000 common shares of True North for \$10,095. During the period ended February 28, 2019 the Company acquired an additional 203,000 common shares for \$2,170.

(kk) Australis Capital Inc. ("Australis")

During the period ended November 30, 2018, the Company acquired 600,000 warrants of Australis for \$603,020.

(ll) Karma Technologies International Ltd. ("Karma")

During the period ended February 28, 2019, the Company invested \$877,076 into a private fin-tech company based out of the UK.

(mm) Premier Health

During the period ended May 31, 2019, the Company invested \$85,244 for 160,000 shares into Premier Health Group Inc.

(nn) Prospera Energy Inc.

During the period ended May 31, 2019, the Company acquired 700,000 shares for \$46,573.

4. Advances Receivable

- (a) As at May 31, 2019, the Company advanced \$287,000 (2017 - \$287,000) to an unrelated party for subscriptions to common shares which has not been finalized.
- (b) As at May 31, 2019, the Company advanced \$82,000 (2017 - \$nil) to an unrelated party for subscriptions to common shares which has not been finalized.
- (c) During the year ended August 31, 2018, the Company advanced \$325,000 (2017 - \$nil) to an unrelated party for an investment into an asset. The investment never materialized, and the Company recorded a full write-down of \$325,000 as at August 31, 2018.

BLOCK ONE CAPITAL INC.

Notes to the condensed interim financial statements

For the nine months ended May 31, 2019

(Unaudited - Expressed in Canadian dollars)

5. Loan Receivable

- (a) As at May 31, 2019, the Company was owed \$146,050 (2017 - \$146,050) from an unrelated party. The amount owed is unsecured, bears interest at 24% per annum compounded monthly, and is due on demand. As at May 31, 2019, accrued interest of \$113,027 (2018 - \$47,561) has been recorded in amounts receivable.
- (b) As at May 31, 2019, the Company was owed \$394,593 (2018 - \$4,636) from an unrelated party. The amount owed is unsecured, bears interest at 10% per annum, and is due on demand. As at May 31, 2019, accrued interest of \$32,185 (2017 - \$4,400) has been recorded in amounts receivable. During the period May 31, the principal portion of the loan was repaid.
- (c) As May 31, 2019, the Company was owed \$32,185 (2017 - \$16,000) from an unrelated party. The amount owed is unsecured, non-interest bearing, and is due on demand.
- (d) As at May 31, 2019, the Company was owed \$42,000 (2017 - \$42,000) from a company with common officer. The amount owed is unsecured, non-interest bearing, and is due on demand.
- (e) As at May 31, 2019, the Company was owed \$16,606 (2017 - \$nil) from an unrelated party. The amount owed is unsecured, non-interest bearing, and is due on demand.

6. Accounts Payable and Accrued Liabilities

	May 31, 2019 \$	August 31, 2018 \$
Trade payables	178,597	218,605
Accrued payables	22,000	22,000
Accrued interest payable (Note 7)	32,425	24,925
	<u>233,022</u>	<u>265,530</u>

7. Notes Payable

- (a) As at May 31 28, 2019, the Company owed a note payable of \$75,000 (2018 - \$75,000) to a non-related party. The amount owing is unsecured, bears interest at 10% per annum, and is due on demand. As at May 31, 2019, accrued interest of \$16,983 (2017 - \$5,733) has been included in accounts payable and accrued liabilities.
- (b) As at May 31, 2019, the Company owed a note payable of \$75,000 (2018 - \$75,000) to a non-related party. The amount owing is unsecured, bears interest at 10% per annum, and is due on demand. As at May 31, 2019, accrued interest of \$15,441 (2018 - \$4,192) has been included in accounts payable and accrued liabilities.
- (c) As at May 31, 2019, the Company owed \$19,329 (2018 - \$nil) to a non-related party. The amount owing is unsecured, non-interest bearing, and due on demand.

8. Related Party Transactions

- (a) During the period ended May 31, 2019, the Company incurred professional fees of \$15,000 (2017 - \$19,590) 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 \$127,315 (2018 - \$nil) and reimbursed \$108,102 (2017 - \$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 (2017 - \$nil) to the Chief Technology Officer of the Company.
- (d) As at May 31, 2019, the Company owed \$3,677 (2017 - \$nil) to a director of the Company. The amount owed is non-interest bearing, unsecured, and is due on demand.

BLOCK ONE CAPITAL INC.

Notes to the condensed interim financial statements
For the nine months ended May 31, 2019
(Unaudited - Expressed in Canadian dollars)

9. Share Capital

Authorized: Unlimited common shares without par value.

10. Share Purchase Warrants

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

As at May 31, 2019, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
12,240,000	0.10	December 20, 2020
2,500,000	0.10	October 13, 2022
4,750,000	0.10	July 4, 2021
5,400,000	1.50	December 20, 2019
1,000,000	2.50	April 13, 2020
<u>25,890,000</u>		

BLOCK ONE CAPITAL INC.

Notes to the condensed interim financial statements

For the nine months ended May 31, 2019

(Unaudited - Expressed in Canadian dollars)

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, 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

Range of exercise prices \$	Stock options outstanding	Weighted average remaining contracted life (years)
0.25	2,000,000	1.19
0.70	500,000	2.25
	2,500,000	1.40

During the year ended August 31, 2018, the Company granted 2,500,000 (2017 - 400,000) stock options to directors, officers and consultants of the Company. The weighted average of the fair value per option was \$0.34 (2017 - \$0.11). The fair value of the options granted during the period is \$844,890 (2017 - \$45,234), 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 1.42%; expected life of 2.2 years; and volatility of 116%.

BLOCK ONE CAPITAL INC.

Notes to the condensed interim financial statements

For the nine months ended May 31, 2019

(Unaudited - Expressed in Canadian dollars)

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 May 31, 2019 as follows:

	Fair Value Measurements Using			Balance, May 31, 2019 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	1,283,226	–	–	1,283,226
Investments	2,041,350	–	–	2,041,350
	3,324,576	–	–	3,324,576

The fair values of other financial instruments, which include amounts receivable, advances receivable, loans receivable, accounts payable and accrued liabilities, notes payable, and amounts due to related parties 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 May 31, 2019.