
**FOCUSED CAPITAL II CORP.
(A CAPITAL POOL COMPANY)
FINANCIAL STATEMENTS
YEARS ENDED
JUNE 30 2018 AND 2017
(EXPRESSED IN CANADIAN DOLLARS)**

Independent Auditors' Report

To the Shareholders of Focused Capital II Corp.:

We have audited the accompanying financial statements of Focused Capital II Corp., which comprise the statements of financial position as at June 30, 2018 and June 30, 2017, and the statements of net loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Focused Capital II Corp. as at June 30, 2018 and June 30, 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Toronto, Ontario
October 11, 2018

Chartered Professional Accountants
Licensed Public Accountants

Focused Capital II Corp.
Statements of Financial Position
(Expressed in Canadian Dollars)

As at June 30,	2018	2017
ASSETS		
Current assets		
Cash (note 4)	\$ 470,673	\$ 423,122
Deposit	71,237	-
Prepaid expense	1,413	1,413
Total assets	\$ 543,323	\$ 424,535
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and other liabilities	\$ 20,979	\$ 9,658
Equity		
Share capital (note 6)	837,629	643,779
Contributed surplus	125,001	125,001
Deficit	(440,286)	(353,903)
Total equity	522,344	414,877
Total equity and liabilities	\$ 543,323	\$ 424,535

Nature of operations (note 1)
Subsequent event (note 11)

The accompanying notes to the financial statements are an integral part of these financial statements.

Approved on behalf of the Board of Directors:

/s/ "Aydin Kilic"

Aydin Kilic
Director

/s/ "David Jaques"

David Jaques
Director

Focused Capital II Corp.**Statements of Net Loss and Comprehensive Loss****(Expressed in Canadian Dollars)**

	Year Ended June 30,	
	2018	2017
Expenses		
General and administrative (note 9)	\$ 86,383	\$ 26,517
Investigation costs	-	28,752
Net loss and comprehensive loss for the year	\$ (86,383)	\$ (55,269)
Basic and diluted net comprehensive loss per share		
- basic and diluted (note 8)	\$ (0.05)	\$ (0.04)
Weighted average number of common shares outstanding	1,681,910	1,250,000

The accompanying notes to the financial statements are an integral part of these financial statements.

Focused Capital II Corp.
Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share capital	Contributed Surplus	Deficit	Total
Balance, June 30, 2016	\$ 643,779	\$ 125,001	\$ (298,634)	\$ 470,146
Net loss and comprehensive loss for the year	-	-	(55,269)	(55,269)
Balance, June 30, 2017	643,779	125,001	(353,903)	414,877
Private placement	200,000	-	-	200,000
Share issue costs	(6,150)	-	-	(6,150)
Net loss and comprehensive loss for the year	-	-	(86,383)	(86,383)
Balance, June 30, 2018	\$ 837,629	\$ 125,001	\$ (440,286)	\$ 522,344

The accompanying notes to the financial statements are an integral part of these financial statements.

Focused Capital II Corp.
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended June 30,	
	2018	2017
Operating activities		
Net loss for the year	\$ (86,383)	\$ (55,269)
Non-cash working capital items:		
Deposit	(71,237)	-
Accounts payable and other liabilities	11,321	(75)
Net cash used in operating activities	(146,299)	(55,344)
Financing activities		
Private placement	200,000	-
Share issue costs	(6,150)	-
Net cash provided by financing activities	193,850	-
Net change in cash	47,551	(55,344)
Cash, beginning of the year	423,122	478,466
Cash, end of the year	\$ 470,673	\$ 423,122

The accompanying notes to the financial statements are an integral part of these financial statements.

Focused Capital II Corp.

Notes to Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian Dollars)

1. Nature of operations

Focused Capital II Corp. (the "Company") (a Capital Pool Company) was incorporated pursuant to the provisions of the Business Corporations Act of Ontario on July 13, 2011.

The Company is classified as a Capital Pool Company as defined pursuant to Policy 2.4 ("Policy 2.4") of the TSX Venture Exchange (the "Exchange"). The Company's principal purpose is the identification and evaluation of assets or businesses with a view to acquisition or participation therein subject to acceptance by the Exchange and in certain cases shareholders' approval.

On December 31, 2013, the common shares of the Company were suspended from trading on the Exchange for failure to complete a Qualifying Transaction within 24 months from the date of its listing on the Exchange pursuant to Policy 2.4. The Exchange gave the Company until April 2, 2014 (90 days) to complete a Qualifying Transaction or receive the necessary shareholder approvals to transfer to the NEX trading board of the Exchange. On March 26, 2014, the Company received shareholder approval to (i) cancel one-half of its seed shares (being 1,250,000 common shares) purchased by Non-Arm's Length Parties (as such term is defined by the Exchange), and (ii) apply to transfer the listing of the Company's common shares from the Exchange to the NEX trading board of the Exchange. On March 31, 2014, 1,250,000 seed shares held by Non-Arm's Length Parties were cancelled and on April 9, 2014, the Company's listing was transferred to the NEX trading board, and the Company's stock symbol changed from FAV.P to FAV.H.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The Company's head office and registered and records office address is 1 Adelaide Street East, 21st Floor, Toronto, Ontario, Canada M5C 2V9. These audited annual financial statements were authorized for issue by the Board of Directors on October 11, 2018.

2. Significant accounting policies

(a) *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), adopted by the International Accounting Standards Board ("IASB") and the interpretations issued by the IFRS Interpretations Committee ("IFRIC").

(b) *Basis of presentation*

These financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss ("FVTPL"), which are stated at fair value. The accounting policies have been applied consistently throughout the entire period presented in these financial statements. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(c) *Functional and presentation currency*

These financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

(d) *Cash*

Cash includes cash on hand with a Canadian chartered bank.

Focused Capital II Corp.
Notes to Financial Statements
June 30, 2018 and 2017
(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(e) *Financial instruments*

Financial assets classified as FVTPL are measured at fair value with any resultant gain or loss recognized in profit or loss. Financial assets classified as available-for-sale are measured at fair value with any resultant gain or loss being recognized directly under other comprehensive income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. When available-for-sale financial assets are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Financial assets classified as loans and receivables and held to maturity, are measured at amortized cost using the effective interest rate method.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. Financial liabilities classified as other financial liabilities, and are subsequently measured at amortized cost using effective interest rate method.

The Company's financial assets include cash while the Company's financial liabilities include accounts payable and other liabilities. Classification of these financial instruments is as follows:

Financial assets:	Classification:
Cash	Loans and receivables
Financial liabilities:	Classification:
Accounts payable and other liabilities	Other financial liabilities

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company carries no amounts measured at fair value. The carrying values of cash and accounts payable and other liabilities approximate fair value.

Focused Capital II Corp.

Notes to Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(f) *Share-based payment transactions*

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

For equity-settled share-based payment transactions, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless the fair value cannot be estimated reliably, in which case, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

(g) *Income taxes*

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

(h) *Loss per share*

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

Focused Capital II Corp.

Notes to Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(i) Share issuance costs

Professional fees, consulting fees and other costs that are directly attributable to financing transactions are charged to share capital when the related shares are issued.

(j) Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after June 30, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the table below. The following has not yet been adopted and are being evaluated to determine its impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in July 2014 and will replace IAS 39 - Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released in July 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

3. Capital risk management

The Company includes share capital in the definition of capital.

The Company’s primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its activities relating to identifying and evaluating qualifying transactions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and completion of the Qualifying Transaction.

There has been no change with respect to the overall capital risk management strategy during the years ended June 30, 2018 and June 30, 2017. The Company is not subject to externally imposed capital requirements other than the cash restriction disclosed in note 4.

Focused Capital II Corp.
Notes to Financial Statements
June 30, 2018 and 2017
(Expressed in Canadian Dollars)

4. Cash restrictions

Pursuant to the policies of the Exchange, the proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of the Qualifying Transaction by the Company as defined under the policies of the Exchange. The Company has exceeded this limit. The impact of this violation is not known and is ultimately dependent on the Exchange.

5. Financial instruments and risk factors

The Company's financial instruments, consisting of cash and accounts payable and other liabilities, approximate fair values due to the relatively short term maturities of the instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

As at June 30, 2018, the Company had working capital of \$522,344 (2017 - \$414,877). As a result, the Company is not exposed to any liquidity risk, and has sufficient funds to meet its ongoing obligations and meet its objective of completing a Qualifying Transaction.

6. Share capital

a) Authorized share capital

At June 30, 2018 and 2017, the authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid. At June 30, 2018, 3,750,000 shares were held in escrow.

b) Common shares issued

The change in issued share capital for the years presented was as follows:

	Number of common shares	Amount
Balance, June 30, 2016 and June 30, 2017	5,000,000	\$ 643,779
Private placement ⁽¹⁾	1,176,470	200,000
Share issue costs	-	(6,150)
Balance, June 30, 2018	6,176,470	\$ 837,629

⁽¹⁾ On February 16, 2018, the Company closed a non-brokered private placement raising gross proceeds of \$200,000 through the issuance of 1,176,470 common shares at a price of \$0.17 per share. All securities issued pursuant to the financing are subject to a four-month hold period. The Company received a subscription from Robert Leckie, a director of the Company, for \$25,000.

Focused Capital II Corp.

Notes to Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian Dollars)

7. Stock options

The stock option plan of the Company provides that the directors of the Company may from time to time, in its discretion and in accordance with the Exchange requirements, grant to directors, officers and employees of the Company as well as Management Company Employees and Consultants (as such terms are defined by the Exchange), non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the total issued and outstanding common shares of the Company, exercisable for a period of up to ten (10) years from the date of the grant.

The Company issued stock options to acquire common shares as follows:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, June 30, 2016	625,000	0.20
Expired	(175,000)	0.20
Balance, June 30, 2017 and June 30, 2018	450,000	0.20

The following table reflects the actual stock options issued and outstanding as of June 30, 2018:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (Exercisable)	Number of Options Unvested
December 20, 2021	0.20	3.48	450,000	450,000	-

8. Net loss per share

The calculation of basic and diluted loss per share for the year ended June 30, 2018 was based on the loss attributable to common shareholders of \$86,383 (2017 - \$55,269) and the weighted average number of common shares outstanding of 1,681,910 (2017 - 1,250,000).

Diluted loss per share did not include the effect of 450,000 stock options (2017- 450,000) as they are anti-dilutive.

The seed common shares are considered contingently returnable until the Company completes a Qualifying Transaction and accordingly, they are not considered to be outstanding shares for the purposes of loss per share calculations.

9. General and administrative

	Year Ended December 31,	
	2018	2017
Administrative	\$ 1,976	\$ 2,098
Professional fees and disbursements	53,921	14,494
Transfer agent, listing and filing fees	30,486	9,925
	\$ 86,383	\$ 26,517

Focused Capital II Corp.**Notes to Financial Statements****June 30, 2018 and 2017****(Expressed in Canadian Dollars)**

10. Income tax**Provision for income taxes**

The Company's effective income tax rate differs from the amount that would be computed by applying the combined federal and provincial statutory rate of 26.50% (2017 - 26.50%) to the net loss for the year. The reason for the difference is as follows:

Year Ended June 30,	2018	2017
Recovery of income taxes based on statutory rate	\$ (22,891)	\$ (14,646)
Change in deferred tax assets not recognized	22,891	14,646
	\$ -	\$ -

Deferred income tax balances

The components of the Company's deferred income tax assets are a result of the origination and reversal of temporary differences and are comprised of the following:

June 30,	2018	2017
Non-capital loss carryforwards	\$ 402,326	\$ 315,943

Tax loss

As at June 30, 2018, the Company has non-capital losses for income tax purposes of \$402,326 (2017 - \$315,943) to offset future taxable income. If not utilized, the non-capital losses will expire as follows:

2032	\$ 51,870
2033	71,400
2034	50,110
2035	56,300
2036	30,994
2037	55,269
2038	86,383
	\$ 402,326

Focused Capital II Corp.

Notes to Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian Dollars)

11. Subsequent event

On August 16, 2018, the Company announced the closing of its Qualifying Transaction, as defined under the policies of the Exchange pursuant to the business combination agreement between the Company and Fortress Blockchain Corp. (“Fortress”) dated March 21, 2018, as amended (the “Transaction”).

The Transaction involved the acquisition of all of the issued and outstanding shares of Fortress by way of a three-cornered amalgamation. As part of the Transaction, Fortress amalgamated with 1171054 B.C. Ltd. to form “Fortress Blockchain Capital Holdings Corp.”, a wholly-owned subsidiary of the Company.