

**BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**

**Condensed Consolidated Interim Financial Statements  
For the nine months ended September 30, 2018**

**(Expressed in Canadian Dollars - unaudited)**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. They include appropriate accounting principles, judgment and estimates in accordance with IFRS for unaudited consolidated interim financial statements

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

**BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**  
**Condensed Consolidated Interim Statements of Financial Position**  
*(Expressed in Canadian dollars - unaudited)*

	Note	September 30, 2018	December 31, 2017
		\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash		2,854,217	4,932,737
Receivable	4	-	15,608
Subscriptions receivable	8	-	122,500
Prepaid expenses and deposits		194,991	11,216
		<b>3,049,208</b>	<b>5,082,061</b>
<b>Non-Current</b>			
Reclamation deposits	5	60,724	60,724
Promissory note receivable	6	181,800	-
Investments	7	1,137,299	-
		<b>1,379,823</b>	<b>60,724</b>
		<b>4,429,031</b>	<b>5,142,785</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable		109,070	121,003
Accrued liabilities		12,000	12,000
		<b>121,070</b>	<b>133,003</b>
<b>Equity</b>			
Share capital	8	30,460,233	29,805,654
Shares to be issued	8	-	334,000
Warrant reserve	8	620,052	510,576
Option reserve	8	1,207,464	342,656
Deficit		(27,979,788)	(25,983,104)
		<b>4,307,961</b>	<b>5,009,782</b>
		<b>4,429,031</b>	<b>5,142,785</b>

**Nature of operations and going concern (Note 1)**

**Subsequent events (Note 12)**

These condensed consolidated interim financial statements were approved by Board of Directors on November 28, 2018 and were signed on its behalf by:

**On behalf of the Board:**

*“Emily Davis”*

Director

*“Rahim Rajwani”*

Director

**BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**  
**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**  
*(Expressed in Canadian dollars - unaudited)*

	Note	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
		\$	\$	\$	\$
Finance fees and bank charges		18	18	303	131
Consulting fees		75,000	-	110,000	5,000
Filing and transfer agent fees		5,947	3,289	37,401	20,267
Office, rent and administration		89,342	21,505	182,969	56,983
Professional fees		43,217	3,680	93,645	14,704
Marketing		191,108	-	682,086	-
Travel		4,513	-	37,047	-
Share-based payments	8,9	151,363	41,833	864,808	270,527
		<b>(560,508)</b>	<b>(70,325)</b>	<b>(2,008,259)</b>	<b>(367,612)</b>
Abandonment of exploration and evaluation assets		-	-	-	(224,448)
Finance income		6,541	44	11,575	155
		<b>6,541</b>	<b>44</b>	<b>11,575</b>	<b>(224,293)</b>
<b>Net loss and comprehensive loss for the period</b>		<b>(553,967)</b>	<b>(70,281)</b>	<b>(1,996,684)</b>	<b>(591,905)</b>
<b>Net loss per share</b>					
Basic and diluted		<b>(0.01)</b>	<b>(0.00)</b>	<b>(0.03)</b>	<b>(0.02)</b>
<b>Weighted average number of common shares outstanding</b>					
Basic and diluted		<b>48,225,756</b>	<b>25,856,201</b>	<b>47,519,822</b>	<b>25,856,201</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements

**BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**  
**Condensed Consolidated Interim Statements of Changes in Equity**  
*(Expressed in Canadian dollars - unaudited)*

	Common Shares #	Share Capital \$	Shares to be issued \$	Warrant reserve \$	Option Reserve \$	Deficit \$	Total \$
<b>Balance at December 31, 2016</b>	<b>25,856,201</b>	<b>25,953,521</b>	-	<b>283,157</b>	<b>125,958</b>	<b>(25,098,109)</b>	<b>1,264,527</b>
Share-based payments (Note 6)	-	-	-	-	270,527	-	270,527
Net loss for the period	-	-	-	-	-	(591,905)	(591,905)
<b>Balance at September 30, 2017</b>	<b>25,856,201</b>	<b>25,953,521</b>	-	<b>283,157</b>	<b>354,652</b>	<b>(25,690,014)</b>	<b>943,149</b>
<b>Balance at December 31, 2017</b>	<b>44,059,700</b>	<b>29,805,654</b>	<b>334,000</b>	<b>510,576</b>	<b>342,656</b>	<b>(25,983,104)</b>	<b>5,009,782</b>
Shares issued for cash, net share issue costs (Note 6)	1,775,000	407,524	(334,000)	109,476	-	-	183,000
Shares issued on exercise of warrants (Note 6)	2,390,556	247,055	-	-	-	-	247,055
Share-based payments (Note 6)	-	-	-	-	864,808	-	864,808
Net loss for the period	-	-	-	-	-	(1,996,684)	(1,996,684)
<b>Balance at September 30, 2018</b>	<b>48,225,756</b>	<b>30,460,233</b>	-	<b>620,052</b>	<b>1,207,464</b>	<b>(27,828,425)</b>	<b>4,307,961</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements

**BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**  
**Notes to Condensed Consolidated Interim Financial Statements**  
*(Expressed in Canadian dollars- unaudited)*

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	\$	\$
<b>Cash flows from operating activities</b>		
Net loss for the period	(1,996,684)	(591,905)
Adjustments for:		
Accretion on promissory note receivable	(11,575)	-
Impairment of exploration and evaluation assets	-	224,448
Share-based payments	864,808	270,527
Changes in non-cash working capital items:		
Receivables	15,608	5,296
Prepaid expenses	(183,903)	-
Accounts payable and accrued liabilities	(11,933)	(21,300)
Net cash used in operating activities	(1,323,679)	(112,934)
<b>Cash flows from investing activities</b>		
Mineral property interests	-	(9,493)
Purchase of investments	(1,307,396)	-
Net cash used in investing activities	(1,307,396)	(9,493)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares, net of costs	430,055	-
Proceeds from subscriptions received	122,500	-
Net cash received from financing activities	552,555	-
<b>Change in cash for the period</b>	<b>(2,078,520)</b>	<b>(122,427)</b>
<b>Cash, beginning</b>	<b>4,932,737</b>	<b>1,025,475</b>
<b>Cash, ending</b>	<b>2,854,217</b>	<b>903,048</b>
<b>Non-cash transactions:</b>		
Shares received as mineral property option payments	-	500,000
Shares paid as mineral property option payments	-	120,000
Shares issued for services	-	48,598
Shares issued for settlement of accounts payable	-	250,000

**BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**  
**Notes to Condensed Consolidated Interim Financial Statements**  
*(Expressed in Canadian dollars- unaudited)*

**1. Nature of operations and going concern**

Block X Capital Corp. (formerly Lions Gate Metals Inc.) (the “Company”) was incorporated under the Canada Business Corporations Act on March 28, 1980, and currently is in the business of acquiring and investing in companies with blockchain technology. The Company’s shares trade on the Canadian Securities Exchange (“CSE”) under the symbol “BXXX”. The Company’s registered and records office is located at 918 – 1030 West Georgia Street, Vancouver, British Columbia, Canada, V6E 2Y3.

These consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the nine months ended September 30, 2018 the Company incurred a net loss of \$1,996,684 (September 30, 2017: \$591,905) and as of that date the Company’s deficit was \$27,979,788 (December 31, 2017: \$25,983,104). As at September 30, 2018 the Company had a working capital of \$2,928,266 which should be sufficient to finance operating costs over the next twelve months. Additional financing may be required to acquire new projects. Future funding for projects may not be available or may be available but on terms that may not be suitable for the Company. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

**2. Basis of presentation and significant accounting policies**

(a) Basis of presentation and statement of compliance

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Therefore, these financial statements comply with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

The condensed consolidated interim financial statements do not include all of the information required of full annual financial statements and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2017. However, these condensed consolidated interim financial statements provide selected significant disclosures that are required in the annual financial statements under IFRS.

The condensed consolidated interim financial statements have been prepared on an accrual basis, based on historical costs. The condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company’s functional currency.

(b) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Canadian Copper & Gold Corp. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

**BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**  
**Notes to Condensed Consolidated Interim Financial Statements**  
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**2. Basis of presentation and significant accounting policies - continued**

(c) Investments

Investments consist of common shares and promissory notes. Investments are initially recorded at cost, being the fair value at the time of acquisition. Subsequent to initial recognition investments continue to be measured at cost less impairment as the fair value of investments cannot be reasonably estimated.

At the end of each financial reporting period, the Company's management evaluates potential impairment of investments based on the criteria below and records such impairment in the financial statements directly in net loss:

- There has been a significant new equity financing with arms-length investors at a valuation above or below the current fair value of the investee company, in which case the fair value of the investment is adjusted to the value at which the financing took place; or
- Based on financial information received from the investee company it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern, in which case the fair value of the investment is adjusted downward; or
- There have been significant corporate, operating, technological or economic events affecting the investee company that, in the Company's opinion, have a positive or negative impact on the investee company's prospects and, therefore, its fair value; or
- The investee company is placed into receivership or bankruptcy.

In addition to the circumstances described above, the Company will take into account general market conditions when determining if an adjustment to the fair value of an investment is warranted at the end of each reporting period. Absent the occurrence of any of these events, or any significant change in general market conditions, the fair value of the investment is left unchanged.

Application of the valuation techniques described above may involve uncertainties and determinations based on the Company's judgment, and any value estimated from these techniques may not be realized (Note 2).

The amount at which an investment could be disposed of may differ from its carrying value due to the availability and/or reliability of information available to the Company.

Transaction costs incurred in the purchase and sale of investments are recorded as an expense in the Consolidated Statements of Comprehensive Loss.

(d) Significant accounting estimates and judgments

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and judgments. Those areas requiring the use of management estimates and judgments include:

Estimates

(i) Option or sale agreements, under which the Company may receive shares as payment, require the Company to determine the fair value of the shares received. Many factors can enter into this determination, including, if public shares, the number of shares received, the trading value of the shares, and volume of shares, and if non-public shares, the underlying asset value of the shares, or value of the claims under option or sale. This determination is subjective and does not necessarily provide a reliable single measure of the fair value of the shares received.



**BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**  
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**2. Basis of presentation and significant accounting policies - continued**

(d) Significant accounting estimates and judgments - continued

Judgments

(i) Recorded costs of mineral property interests and deferred exploration and evaluation costs are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount. Management is required, at each reporting period, to review its mineral property interests for signs of impairment. This is a highly subjective process taking into consideration exploration results, metal prices, economics, financing prospects and sale or option prospects. Management makes these judgments based on information available, but there is no certainty that a property is or is not impaired. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(ii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values

(iii) These financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company's ability to continue in operation for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast substantial doubt upon the soundness of this assumption (Note 1).

**3. Future and Recently Adopted Accounting Standards**

*Recently adopted accounting standards*

The Company adopted all of the requirements of IFRS 9 *Financial Instruments* ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date. The following is the Company's new accounting policy for financial instruments under IFRS 9.

**(i) Classification**

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at VTPL.

**BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**  
**Notes to Condensed Consolidated Interim Financial Statements**  
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**3. Future and Recently Adopted Accounting Standards – continued**

*Recently adopted accounting standards - continued*

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<u>Financial Asset/Liabilities</u>	<u>Original Classification IAS 39</u>	<u>New Classification IFRS 9</u>
Cash	Loans and receivables	Amortized cost
Receivable	Loans and receivables	Amortized cost
Reclamation deposit	Loans and receivables	Amortized cost
Accounts payable	Other liabilities	Amortized cost

The Company did not restate prior periods, and there was no effect of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period.

**(ii) Measurement**

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

**(iii) Impairment of financial assets at amortized cost**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

**(iv) Derecognition**

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of net (loss) income. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

**BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**  
**Notes to Condensed Consolidated Interim Financial Statements**  
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**3. Future and Recently Adopted Accounting Standards – continued**

*Recently adopted accounting standards - continued*

The Company adopted IFRS 15 as of January 1, 2018 but there is no impact on the Company's financial statements because it does not have any revenue contracts with customers.

*Future accounting standards*

IFRS 16 will replace IAS 17 *Leases*. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Application of the standard is mandatory for annual periods beginning on or after January 1, 2019, with early application permitted. IFRS 16 will result in an increase in assets and liabilities as fewer lease payments will be expensed. Management expects an increase in depreciation expenses and also an increase in cash flow from operating activities as these lease payments will be recorded as financing outflows in the consolidated statements of cash flows. Currently, these impacts are not expected to be material.

There are no other IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's consolidated financial statements.

**4. Receivable**

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
	\$	\$
GST Recoverable	-	15,608

**5. Mineral property interests**

	Howard Lake
	\$
<b>Balance, December 31, 2016</b>	<b>214,955</b>
Claim fees	9,493
Write down of mineral property	(224,448)
<b>Balance, December 31, 2017 and September 30, 2018</b>	<b>-</b>

**BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**  
**Notes to Condensed Consolidated Interim Financial Statements**  
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**5. Mineral property interests - continued**

Howard Lake mineral property

Pursuant to the terms of an Option Agreement dated September 18, 2014 with St. Jacques Mineral Corp. and Urania Resource Corp. (the “Vendors”), the Company can earn a 100% interest in the Howard Lake Project located on the northeast shore of Howard Lake in Saskatchewan. The property is subject to a 1% Gross Overriding Royalty (“GORR”) that has been granted to the vendors relating to the claims held by each of them. The Company may purchase half of the GORR (0.5%) from each vendor for \$1,000,000.

On August 20, 2016, the Company amended its option agreement with the vendors for the Howard Lake Option Agreement. The Company can earn a 100% interest under the amended terms as follows:

- Transfer 4,500,000 common shares of CanU shares to the Vendors; (completed)
- Complete no less than \$500,000 in qualifying exploration expenditures on the Property within 36 months of signing of the agreement;
- Transfer 2,000,000 shares of Aldever to St. Jacques Mineral Corp. on or before the August 31, 2016; (completed at fair value of \$120,000)
- Make a cash payment of \$100,000 to St. Jacques Mineral Corp. on or before the date which is 30 months following the date of signing of the agreement;
- Make a cash payment of \$200,000 to Urania Resource Corp. on or before the date which is 30 months following the date of the signing of the agreement; and
- Within 5 years of the signing of the Agreement, define a NI 43-101 compliant resource of no less than 10,000,000 lbs. copper and 25,000,000 lbs. nickel on the property.

During the year ended December 31, 2017, the Company recorded a write-down of \$224,448 and abandoned the Howard Lake mineral property.

The Company has reclamation deposits of \$60,724 (December 31, 2017 - \$60,724) relating to its mineral property interests, which management expects to be refunded.

**6. Promissory Note Receivable**

On April 12, 2018, the Company acquired 238,500 common shares of Silota Research and Development Inc. for cash consideration of \$24, representing a 12.5% ownership interest. This investment is recorded at cost. As at September 30, 2018, the Company has not recorded an impairment allowance on this investment. In addition to the receipt of an equity interest in the company for cash, there are no additional significant terms or conditions to the investment.

On April 22, 2018, the Company advanced via convertible promissory note \$300,000 to Silota Research and Development Inc. The promissory note is interest free and is repayable on April 22, 2023.

As the promissory note is interest free, the note has been discounted using an estimated fair value discount rate of 12%. The Company’s determination of the current value of the promissory note receivable at grant date is \$170,225. The discount of \$129,775 shall be applied to an investment into Silota Research and Development Inc. and the Company will record accretion income until such time the note is repaid or written off.

Balance, January 1, 2018	\$	-
Addition		170,225
Accretion – interest income		11,575
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Balance, September 30, 2018	\$	181,800
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**BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**  
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**7. Investments**

On February 9, 2018, the Company purchased via private placement 500,000 common shares of Buildings Block Technology Corp., representing a 1.7% interest in the company, at \$0.30 per share for \$150,000. On June 28, 2018, the company purchased via a private transactions 150,000 common shares of Buildings Block Technology Corp., representing a 0.5% interest in the company, at \$0.05 per share for \$7,500. These investments are recorded at cost. As at September 30, 2018, the Company has not recorded an impairment allowance on this investment. In addition to the receipt of an equity interest in the company for cash, there are no additional significant terms or conditions to the investment.

On April 11, 2018, the Company purchased via private placement 625,000 common shares of Abaxx Technologies Inc. at \$0.40 per share for \$250,000. This investment is recorded at cost. As at September 30, 2018, the Company has not recorded an impairment allowance on this investment. In addition to the receipt of an equity interest in the company for cash, there are no additional significant terms or conditions to the investment.

On May 9, 2018, the Company purchased via private placement 800,000 common shares of FansUnite Entertainment Inc., representing a 1.15% ownership interest, at \$0.25 per common share for \$200,000. This investment is recorded at cost. As at September 30, 2018, the Company has not recorded an impairment allowance on this investment. In addition to the receipt of an equity interest in the company for cash, there are no additional significant terms or conditions to the investment.

On May 16, 2018, the Company purchased via private placement 428,571 unit of Fusion Agiletech Partners Inc. at \$0.35 per unit for \$150,000. Each unit consists of one common share and one-half share purchase warrant exercisable at \$0.50. This investment is recorded at cost. As at September 30, 2018, the Company has not recorded an impairment allowance on this investment. In addition to the receipt of an equity interest in the company for cash, there are no additional significant terms or conditions to the investment.

On July 9, 2018, the Company purchased via private placement 166,666 common shares of Icomply Investor Services LLC at \$1.50 per common share for \$250,000. As at September 30, 2018, the Company has not recorded an impairment allowance on this investment. In addition to the receipt of an equity interest in the company for cash, there are no additional significant terms or conditions to the investment.

**8. Share capital**

**a) Authorized**

- i) Authorized – unlimited number of common shares without par value
- ii) Issued and outstanding – 48,225,756 (December 31, 2017: 44,059,700) common shares.

**b) Share issuances**

On October 30, 2017, the Company closed a non-brokered private placement whereby it issued 10,000,000 common shares at a price of \$0.20 per share for proceeds of \$2,000,000. In addition, the Company issued 790,000 finders' shares with a fair value of \$292,300 and 790,000 finders' warrants with a fair value of \$227,419. Each warrant is exercisable to October 30, 2019 for \$0.20 per share. The fair value of the finder's warrants was determined using the Black-Scholes Option Pricing Model using the following assumptions: Risk-free rate of 1.40%; Expected life of 2 years, Expected volatility of 142% and dividend yield of nil. The Company incurred cash share issuance costs of \$17,396 in relation to this private placement.

On November 16, 2017, the Company issued 2,675,999 common shares on exercise of warrants at an exercise price of \$0.10 for proceeds of \$267,600. On December 1, 2017, the Company issued 500,000 common shares on exercise of stock options at an exercise price of \$0.165 for proceeds of \$82,500. An amount of \$69,411 was transferred from option to reserve to share capital upon exercise of the stock options. Included in subscriptions receivable is \$82,500 of proceeds from the exercise of stock options, which was received subsequent to December 31, 2017.

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*(Expressed in Canadian dollars- unaudited)*

**8. Share capital - continued**

**b) Share issuances - continued**

On December 6, 2017, the Company closed a non-brokered private placement whereby it issued 3,887,500 common shares at a price of \$0.40 per share for proceeds of \$1,555,000. The Company incurred cash share issuance costs of \$17,563 in relation to this private placement. Subsequent to the year-end, the Company issued 317,000 finders shares and 317,000 finders' warrants related to this private placement. Each warrant is exercisable to December 1, 2019 for \$0.40 per share.

On December 18, 2017, the Company issued 350,000 common shares at a price of \$0.40 per share for proceeds of \$140,000 as the first tranche of a private placement completed subsequent to December 31, 2017 (Note 13). Included in subscriptions receivable is \$40,000 of proceeds from this private placement, which was received subsequent to December 31, 2017.

On January 5, 2018, the Company issued 317,000 finders' shares and 317,000 finders' warrants related to the last private placement in 2017. , the Company issued 317,000 finders' shares with a fair value of \$126,800 and 317,000 finders' warrants with a fair value of \$86,114. Each warrant is exercisable to December 1, 2019 for \$0.40 per share. The fair value of the finder's warrants was determined using the Black-Scholes Option Pricing Model using the following assumptions: Risk-free rate of 1.60%; Expected life of 2 years, Expected volatility of 142% and dividend yield of nil.

On January 12, 2018, the Company completed a non-brokered private placement whereby it issued 1,292,500 common shares at a price of \$0.40 per share for proceeds of \$517,000. In addition, the Company issued 86,000 finders' shares with a fair value of \$34,400 and 86,000 finders' warrants with a fair value of \$23,362. Each warrant is exercisable at \$0.40 until January 8, 2020. The fair value of the finder's warrants was determined using the Black-Scholes Option Pricing Model using the following assumptions: Risk-free rate of 1.60%; Expected life of 2 years, Expected volatility of 142% and dividend yield of nil. The Company received subscriptions of \$334,000 during the year ended December 31, 2017 toward this private placement.

In March 2018, the Company issued 2,390,556 common shares upon exercise of warrants at an exercise price of \$0.10 for proceeds of \$239,056.

On April 30, 2018, the Company issued 80,000 common shares upon exercise of warrants at an exercise price of \$0.10 for proceeds of \$8,000.

**c) Share purchase warrants**

The balance of warrants outstanding and exercisable as at September 30, 2018 is as follows:

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
		\$
Balance, December 31, 2016	24,655,935	0.10
Issued	790,000	0.20
Exercised	(2,675,999)	0.10
Balance, December 31, 2017	22,769,936	0.10
Issued	403,000	0.40
Exercised	(2,470,556)	0.10
Balance, September 30, 2018	20,702,380	0.11
Weighted average remaining contractual life		0.20 years

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**8. Share capital – continued**

**c) Share purchase warrants - continued**

Expiry Date	Warrants outstanding			Warrants exercisable		
	Exercise Price	Warrants	Weighted Average Exercise Price	Weighted average remaining contractual life (years)	Warrants	Weighted Average Exercise Price
	\$		\$			\$
November 18, 2018	0.10	10,112,541	0.05	0.06	10,112,541	0.05
November 24, 2018	0.10	9,396,839	0.04	0.05	9,396,839	0.04
October 30, 2019	0.20	790,000	0.01	0.04	790,000	0.01
December 1, 2019	0.40	317,000	0.01	0.01	317,000	0.01
January 8, 2020	0.40	86,000	0.00	0.00	86,000	0.00
		20,702,380	0.11	0.20	20,702,380	0.11

**d) Stock options**

The Company has a Rolling Incentive Stock Option Plan (“the Plan”) under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or consultants of the Company. A maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of stock options. Terms of the Plan, considered to be the most significant, provide that the Directors have the right to grant options to acquire common shares of the Company at a price not less than the closing market price of the shares on the date the Company grants the option, less any discount permitted by the CSE, at terms of up to ten years. The majority of stock options vest immediately on the date of grant unless otherwise required by the CSE or the Board of Directors.

On December 8, 2016, the Company granted 2,375,000 stock options to directors and consultants of the Company at an exercise price of \$0.165 per common share for a period of five years ending December 8, 2021. The stock options vest as at 25% every three months after the grant date. The fair value of the options granted was determined to be \$329,703 using the following assumptions: Risk-free rate of 1.07%; Expected life of 5 years, Expected volatility of 125% and dividend yield of nil. During the year ended December 31, 2017, the Company recognized share-based payment of \$286,109 (2016: \$43,594) in net loss.

On January 11, 2018, the Company granted 2,640,000 stock options to directors and consultants of the Company at an exercise price of \$0.43 per common share for a period of five years ending January 11, 2023. The stock options vest as at 25% every three months after the grant date. The fair value of the options granted was determined to be \$938,400 using the following assumptions: Risk-free rate of 1.60%; Expected life of 5 years, Expected volatility of 142% and dividend yield of nil. During the nine months ended September 30, 2018, the Company recognized share-based payment of \$864,808 in net loss.

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**8. Share capital – continued**

**d) Stock options – continued**

The balance of stock options outstanding and exercisable for the period ended September 30, 2018 and the years ended December 31, 2017 and 2016 is as follows:

	Number of options	Weighted average exercise price
		\$
Balance, December 31, 2016	2,381,313	3.030
Cancelled/expired	(6,313)	10.560
Exercised	(500,000)	0.165
Balance, December 31, 2017	1,875,000	0.165
Granted	2,640,000	0.430
<b>Balance, September 30, 2018</b>	<b>4,515,000</b>	<b>0.320</b>
<b>Weighted average remaining contractual life</b>		<b>3.83 years</b>

Expiry Date	Options outstanding			Remaining contractual life (years)	Options exercisable	
	Exercise Price	Options	Exercise Price		Options	Exercise Price
	\$		\$			\$
December 8, 2021	0.165	1,875,000	0.165	3.19	1,875,000	0.165
January 11, 2023	0.430	2,640,000	0.430	4.29	660,000	0.430

**e) Reserves**

Warrant reserve records fair value of the warrants issued as part of the units in private placement and issued for finders until such time that the warrants are exercised or expired, at which time the corresponding amount will be transferred to share capital. The reserve also records fair value of the warrant issued for services other than finders until such time that the warrants are exercised or expired, at which time the corresponding amount will be transferred to share capital or charged to deficit, respectively.

Option reserve records fair value of the stock options issued for services until such time that the options are exercised or expired, at which time the corresponding amount will be transferred to share capital or charged to deficit, respectively.

**9. Related party transactions**

Related party transactions for the periods ended September 30, 2018 include stock based compensation related to the grant of stock options on January 12, 2018 and vesting quarterly over a period of 12 months. For the nine months ended September 30, 2018, the amount of stock based compensation to related parties was \$414,911 (2017 - \$116,751).

During the nine months ended September 30, 2018, the Company paid \$75,000 (2017 - \$Nil) to the interim CEO and CFO of the Company for consulting services.

As at September 30, 2018 and December 31, 2017 there were no balances owing to related parties included in accounts payable.



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**10. Financial instruments and risk management**

Financial instrument risk

The Company's financial instruments are exposed in varying degrees to a variety of financial risks. The Board approves and monitors the risk management processes:

*Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with a major bank in Canada. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk is assessed low.

*Liquidity risk*

Liquidity risk is the risk that the Company cannot meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to settle liabilities and obligations when they become due. As at September 30, 2018 the Company had cash of \$2,854,217 to settle current liabilities of \$121,070. Liquidity risk was assessed as low.

*Market risk*

Market risk consists of currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

*Foreign currency risk*

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company has no foreign exchange rate risk.

*Interest rate and commodity price risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company is not significantly exposed to interest rate or commodity price risk.

**11. Capital management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure to finance its corporate administration and working capital for projects.

In order to maintain or adjust its capital structure the Company may issue new equity if it is available on favorable terms or finance through debt.

The Company is dependent on capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the markets, by the status of the Company's projects in relation to these markets and by its ability to compete for investor support of its projects. The Company is not subject to externally imposed capital requirements and there were no changes in the Company's management of capital during the nine months ended September 30, 2018. The Company's capital structure consists of cash and shareholders' equity, which is comprised of share capital net of accumulated deficit. In order for the Company to carry out operations and pay for administrative costs, the Company will spend its working capital and intends to raise additional amounts externally as needed. There were no changes in the Company's approach to capital management during the year.

**12. Subsequent event**

Subsequent to September 30, 2018, a total of 19,509,380 warrants with an exercise price of \$0.10 expired.