

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

**Consolidated Financial Statements
For the year ended December 31, 2018**

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Block X Capital Corp. (formerly Lions Gate Metals Inc.)

Opinion

We have audited the consolidated financial statements of Block X Capital Corp (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company incurred a net loss of \$3,241,935 during the year ended December 31, 2018. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Otto Ehinger.

DML

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 29, 2019

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

	Note	December 31, 2018	December 31, 2017
		\$	\$
Assets			
Current			
Cash and cash equivalents		2,753,143	4,932,737
Receivables	4,8	11,651	15,608
Subscriptions receivable	7	-	122,500
Prepaid expenses and deposits		-	11,216
		2,764,794	5,082,061
Non-Current			
Reclamation deposits	11	60,724	60,724
Investments	6	507,071	-
		567,795	60,724
		3,332,589	5,142,785
Liabilities			
Current			
Accounts payable		-	121,003
Accrued liabilities		12,000	12,000
		12,000	133,003
Equity			
Share capital	7	30,449,956	29,805,654
Shares to be issued	7	-	334,000
Warrant reserve	7	347,173	510,576
Option reserve	7	1,416,754	342,656
Deficit		(28,893,294)	(25,983,104)
		3,320,589	5,009,782
		3,332,589	5,142,785

Nature of operations and going concern (Note 1)

Subsequent events (Note 13)

These consolidated financial statements were approved by Board of Directors on April 29, 2019 and were signed on its behalf by:

On behalf of the Board:

“Emily Davis”

Director

“Hani Zabaneh”

Director

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

	Note	Year Ended December 31 2018	Year Ended December 31 2017
		\$	\$
Finance fees and bank charges		457	601
Consulting fees	8	140,000	48,600
Filing and transfer agent fees		41,400	26,191
Office, rent and administration		269,931	115,251
Professional fees		98,231	73,498
Marketing		777,201	110,452
Share-based payments	7,8	1,122,686	286,109
		(2,449,906)	(660,702)
Write down of mineral property interests	11	-	(224,448)
Write down of convertible note receivable	5	(300,000)	-
Impairment on investments	6	(250,023)	-
Change in fair value of investments	6	(250,429)	-
Finance income		8,423	155
		(792,029)	(224,293)
Net loss and comprehensive loss		(3,241,935)	(884,995)
Net loss per share			
Basic and diluted		(0.07)	(0.03)
Weighted average number of common shares outstanding			
Basic and diluted		47,709,170	28,264,489

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

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

	Common Shares #	Share Capital \$	Shares to be issued \$	Warrant Reserve \$	Option Reserve \$	Deficit \$	Total \$
Balance at December 31, 2016	25,856,201	25,953,521	-	283,157	125,958	(25,098,109)	1,264,527
Share-based payments (Note 7)	-	-	-	-	286,109	-	286,109
Shares issued for cash, net share issue costs (Note 7)	15,027,500	3,432,622	-	227,419	-	-	3,660,041
Shares issued on exercise of warrants (Note 7)	2,675,999	267,600	-	-	-	-	267,600
Shares issued on exercise of options (Note 7)	500,000	151,911	-	-	(69,411)	-	82,500
Cash for received for future placements	-	-	334,000	-	-	-	334,000
Net loss for the year	-	-	-	-	-	(884,995)	(884,995)
Balance at December 31, 2017	44,059,700	29,805,654	334,000	510,576	342,656	(25,983,104)	5,009,782
Shares issued for cash, net share issue costs (Note 7)	1,695,500	517,000	(334,000)	-	-	-	183,000
Shares issued on exercise of warrants (Note 7)	2,470,556	247,056	-	-	-	-	247,056
Share-based payments (Note 7)	-	-	-	-	1,122,686	-	1,122,686
Warrant reserve on finders' warrants (Note 7)	-	(119,754)	-	119,754	-	-	-
Warrant expired (Note 7)	-	-	-	(283,157)	-	283,157	-
Option cancelled (Note 7)	-	-	-	-	(48,588)	48,588	-
Net loss for the year	-	-	-	-	-	(3,241,935)	(3,241,935)
Balance at December 31, 2018	48,225,756	30,449,956	-	347,173	1,416,754	(28,893,294)	3,320,589

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

BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)
Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

	Year ended December 31, 2018	Year-ended December 31, 2017
	\$	\$
Cash flows from operating activities		
Net loss for the year	(3,241,935)	(884,995)
Adjustments for:		
Write down of convertible note receivable	300,000	-
Write down of mineral property investments	-	224,448
Impairment on investments	250,023	-
Share-based payments	1,122,686	286,109
Change in fair value of investments	250,429	-
Changes in non-cash working capital items:		
Receivables	3,957	(6,989)
Prepaid expenses	11,216	(11,216)
Accounts payable and accrued liabilities	(121,003)	87,757
Net cash used in operating activities	(1,424,627)	(304,886)
Cash flows from investing activities		
Mineral property interests	-	(9,493)
Purchase of investments	(1,007,523)	-
Advance on notes receivable	(300,000)	-
Net cash used in investing activities	(1,307,523)	(9,493)
Cash flows from financing activities		
Proceeds from issuance of shares, net of costs	430,056	3,887,641
Proceeds from subscriptions received	122,500	334,000
Net cash generated by financing activities	552,556	4,221,641
Change in cash and cash equivalents	(2,179,594)	3,907,262
Cash and cash equivalents, beginning	4,932,737	1,025,475
Cash and cash equivalents, ending	2,753,143	4,932,737
Cash and cash equivalents is comprised of:		
Cash	\$ 753,143	\$ 4,932,737
Guaranteed Investment Certificate	2,000,000	-
	\$ 2,753,143	\$ 4,932,737

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

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

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

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 year ended December 31, 2018 the Company incurred a net loss of \$3,241,935 (December 31, 2017: \$884,995) and as of that date the Company’s deficit was \$28,893,294 (December 31, 2017: \$25,983,104). As at December 31, 2018 the Company had a working capital of \$2,752,794 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 statements of financial position.

2. Basis of presentation and significant accounting policies

(a) Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, “IFRS”), as issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements have been prepared on an historical cost basis, except for certain financial instruments which are classified as fair value through profit or loss. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts on the financial statements are presented in Canadian dollars which is the functional currency of the Company.

(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. Canadian Copper & Gold Corp. was inactive for the years ended December 31, 2018 and 2017.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid short-term investments with original maturities of 12 months or less.

BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**Notes to Consolidated Financial Statements***(Expressed in Canadian dollars)***2. Basis of presentation and significant accounting policies - continued****(d) Financial Instruments**

The Company adopted all of the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking “expected loss” impairment model.

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 if the Company has opted to measure them at FVTPL.

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:

Financial assets/liabilities	Original Classification IAS 39	New Classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Receivable	Amortized cost	Amortized cost
Reclamation deposit	Amortized cost	Amortized cost
Accounts payable	Amortized cost	Amortized cost
Investments	NA in prior year	FVTPL

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

(ii) Measurement**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 statements of loss and comprehensive loss. 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 statements of loss and comprehensive loss in the year in which they arise.

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

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

2. Basis of presentation and significant accounting policies - continued

(d) Financial Instruments - continued

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income which is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income (“OCI”). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or 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 statements of loss and comprehensive loss, 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.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

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

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

2. Basis of presentation and significant accounting policies - continued

(e) Investments

Investments consist of common shares. Investments are initially recorded at cost, being the fair value at the time of acquisition. Transaction costs incurred in the purchase and sale of investments are recorded as an expense in the consolidated statements of loss. Subsequent to initial recognition investments continue to be measured at the fair value.

At the end of each financial reporting period, the Company's management evaluates the fair value and potential impairment of investments based on the criteria below and records such impairment in the consolidated 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.

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 fair value estimated from these techniques may not be realized.

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.

(f) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their trading value at the date the shares are issued.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Share capital is reduced by the average per-common-share carrying amount, with the difference between this amount and the consideration paid, added to or deducted from reserve.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded in the warrant reserve.

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

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

2. Basis of presentation and significant accounting policies – continued

(g) Share-based payment transactions

Options granted to employees and others providing similar services are measured on grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. On vesting, share-based payments are recorded as an operating expense and as option reserve. When options are exercised the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as option reserve are transferred to share capital. When an option is cancelled or expires, the initial recorded value is reversed and charged to deficit.

(h) Income taxes

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in consolidated loss and comprehensive loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

(i) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all potentially dilutive common shares related to outstanding stock options and warrants issued by the Company.

(j) Significant accounting estimates and judgments

The preparation of consolidated 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:

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

2. Basis of presentation and significant accounting policies – continued

(j) Significant accounting estimates and judgments - continued

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.

(ii) The Company is required to determine the fair value of unquoted equity investments.

Judgments

(i) The determination of whether the investments are impaired. The Company makes these judgements based on information available, but there is no certainty that an investment or the convertible note receivable is impaired or not.

(ii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax loss 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 consolidated 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. Accounting Standards Not Yet Effective

The following standard will be adopted by the Company effective January 1, 2019:

- IFRS 16 Leases will be effective for accounting periods beginning on or after January 1, 2019. This standard sets out a new model for lease accounting. The Company does not expect the adoption of this standard will have a material impact on its financial statements.

4. Receivables

	December 31, 2018	December 31, 2017
	\$	\$
GST Recoverable	46	15,608
Interest receivable	8,104	-
Other receivable	3,501	-
Total	11,651	15,608

5. Promissory Note Receivable

On April 22, 2018, the Company advanced via convertible promissory note \$300,000 to Silota Research and Development Inc. ("Silota"). The promissory note is interest free and is repayable on April 22, 2023. There is significant doubt about Silota's ability to repay the promissory note receivable thus management recorded an impairment of \$300,000 related to the note receivable as at December 31, 2018.

BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**Notes to Consolidated Financial Statements***(Expressed in Canadian dollars)***6. Investments**

Investments consist of common shares purchased and are classified as FVTPL. The summary of investments are as follows:

		Percentage of Ownership	Cost	Fair value adjustment	Impairment*	Fair value at December 31, 2018
		%	\$	\$	\$	\$
Building Technologies Corp.	(i)	1.88	157,500	-	-	157,500
Abaxx Technology Inc.	(ii)	1.64	250,000	-	-	250,000
Silota Research and Development Inc.	(iii)	12.50	24	-	(24)	-
Fusion Agiletech Partners Inc.	(iv)	0.57	150,000	(66,429)	-	83,571
FansUnite Entertainment Inc.	(v)	1.15	200,000	(184,000)	-	16,000
Icomply Investor Services Inc.	(vi)	3.10	249,999	-	(249,999)	-
Total			1,007,523	(250,429)	(250,023)	507,071

*During the year ended December 31, 2018, based on available information about the company's performance, the Company has recorded impairment allowances of \$24 and \$249,999 on investment of Silota Research and Development Inc. and Icomply Investor services Inc. respectively.

- (i) During the year ended December 31, 2018, the Company purchased via a private placement 650,000 common shares of Buildings Block Technology Corp. for \$157,500.
- (ii) 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.
- (iii) On April 12, 2018, the Company acquired 238,500 common shares of Silota for cash consideration of \$24.
- (iv) On May 9, 2018, the Company purchased via a private placement 800,000 common shares of FansUnite Entertainment Inc. at \$0.25 per common share for \$200,000.
- (v) On May 16, 2018, the Company purchased via private placement 428,571 units of Fusion Agiletech Partners Inc. at \$0.35 per unit for \$150,000.
- (vi) On July 9, 2018, the Company purchased via a private placement 166,666 common shares of Icomply Investor Services LLC at \$1.50 per common share for \$249,999.

There are no additional significant terms or conditions related to the investments.

7. 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.

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

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

7. Share capital - continued

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 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.

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.

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. 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 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 64,000 finders' shares with a fair value of \$27,520 and 64,000 finders' warrants with a fair value of \$19,018. Each finders' 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 1.59%; expected life of 2 years, expected volatility of 139% and dividend yield of nil. The Company received subscriptions of \$334,000 during the year ended December 31, 2017 toward this private placement.

On January 8, 2018, the Company issued 339,000 finders' shares and 339,000 finders' warrants related to the last private placement in 2017. Finders' shares were issued with a fair value of \$145,770 and the finders' warrants were issued with a fair value of \$100,736. Each warrant is exercisable to January 8, 2020 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 1.59%; expected life of 2 years, expected volatility of 139% and dividend yield of nil.

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.

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Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

7. Share capital - continued

c) Share purchase warrants

The balance of warrants outstanding and exercisable as at December 31, 2018 is as follows:

	Number of warrants	Weighted average exercise price
		\$
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
Expired	(19,509,380)	0.10
Balance, December 31, 2018	1,193,000	0.27
Weighted average remaining contractual life		0.89 years

Expiry Date	Warrants outstanding			Warrants exercisable		
	Exercise Price	Warrants	Weighted Average Exercise Price	Weighted average remaining contractual life (years)	Warrants	Weighted Average Exercise Price
	\$		\$			\$
October 30, 2019	0.20	790,000	0.13	0.55	790,000	0.13
January 8, 2020	0.40	403,000	0.14	0.34	403,000	0.14
		1,193,000	0.27	0.89	1,193,000	0.27

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 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 \$1,128,923 using the following assumptions: Risk-free rate of 1.59%; Expected life of 5 years, Expected volatility of 247% and dividend yield of nil. During year ended December 31, 2018, the Company recognized share-based payment of \$1,122,686 (2017 - \$286,109) on vested options.

BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)
Notes to Consolidated Financial Statements
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7. Share capital – continued

d) Stock options – continued

The balance of stock options outstanding and exercisable for the years ended December 31, 2018 and December 31, 2017 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
Cancelled	(350,000)	0.165
Balance, December 31, 2018	4,165,000	0.330
Weighted average remaining contractual life		3.63 years

Expiry Date	Options outstanding			Remaining contractual life (years)	Options exercisable	
	Exercise Price	Options	Exercise Price		Options	Exercise Price
	\$		\$			\$
December 8, 2021	0.165	1,525,000	0.165	2.94	1,525,000	0.165
January 11, 2023	0.430	2,640,000	0.430	4.03	1,980,000	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.

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

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

8. Related party transactions

Related party transactions for the year ended December 31, 2018 include stock based compensation related to the grant of stock options on January 11, 2018 and vesting quarterly over a period of 12 months. For the year ended December 31, 2018, the amount of stock based compensation to related parties was \$510,312 (2017 - \$116,751).

During the year ended December 31, 2018, the Company paid \$105,000 (2017 - \$Nil) to the interim CEO and CFO of the Company for consulting services.

As at December 31, 2018, \$5,375 (2017:\$Nil) was due from the interim CEO and CFO which was included in receivables.

9. 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 December 31, 2018 the Company had cash of \$2,753,143 to settle current liabilities of \$12,000. 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.

BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**Notes to Consolidated Financial Statements***(Expressed in Canadian dollars)***9. Financial instruments and risk management – continued****Fair value hierarchy**

The consolidated statements of financial position carrying amounts for cash and cash equivalents, deposits, receivables and accounts payables, approximate fair value due to their short-term nature.

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and certain investment fall under Level 1, and certain investments fall under Level 3.

There were no transfers between levels during the year.

10. 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 year ended December 31, 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.

11. Mineral property interests

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

BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**Notes to Consolidated Financial Statements***(Expressed in Canadian dollars)***11. 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 (2017: \$60,724) relating to its mineral property interests, which management expects to be refunded.

12. Income taxes

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2018 and 2017:

	Year ended December 31 2018	Year ended December 31 2017
	\$	\$
Loss before taxes	(3,241,935)	(884,995)
Statutory tax rate	27%	26%
Expected income tax recovery	(875,322)	(230,099)
Non-deductible items	392,068	67,924
Change in estimates	(67,560)	8,515
Effect of change in tax rates	(156,360)	-
Change in deferred tax asset not recognized	707,175	153,660
Total income tax recovery	-	-

BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**Notes to Consolidated Financial Statements***(Expressed in Canadian dollars)***12. Income taxes - continued**

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets for financial reporting purposes and their tax values. Deferred tax assets (liabilities) at December 31, 2018 and 2017 are comprised of the following:

	December 31, 2018	December 31, 2017
	\$	\$
Non capital loss carry forwards	2,600,597	2,067,534
Capital losses	85,247	82,090
Exploration and evaluation assets	1,949,233	1,877,039
Property and equipment	15,144	14,583
Financing costs	54,755	24,116
Investments	67,561	-
Deferred tax asset not recognized	(4,772,537)	(4,065,362)
Deferred tax asset	-	-

As at December 31, 2018, the Company has the following losses available to reduce taxes in future years: non-capital losses of approximately \$9,632,000 (December 31, 2017 - \$7,950,000), financing costs of \$202,798 (2017: \$92,753), resource pool of approximately \$7,300,000 (December 31, 2017: \$7,300,000), capital losses of approximately \$1,130,000 (December 31, 2017: \$630,000), and equipment of \$56,000 (December 31, 2017: \$57,000).

13. Subsequent events

On January 16, 2019, the Company invested \$350,000 in Canivate Growing Systems Ltd. ("Canivate") by purchasing 1,000,000 units of Canivate.

On March 22, 2019, the Company invested an additional \$500,000 in Canivate by the way of convertible debentures, bearing interest at 12% per annum and maturing in 5 years.

On April 4, 2019, the Company invested \$250,000 in MineHub Technologies Inc. by purchasing 1,000,000 shares.

Subsequent to year ended December 31, 2018, 550,000 options granted on January 11, 2018 were cancelled.