



**BLOX**Labs

**Condensed Interim Consolidated Financial Statements**

**Three Month Period Ended**

**June 30, 2018**

(Expressed in Canadian Dollars)

(Unaudited)

## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the 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 consolidated financial statements have been prepared by and are the responsibility of the management. The Company's independent auditor has not performed a review of these interim financial statements.

## **Blox Labs Inc.**

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	<b>June 30, 2018</b>	<b>March 31, 2018</b>
	(\$)	(\$)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	588,526	387,233
HST and other receivables	69,255	14,179
Prepaid expenses	650,086	-
Short-term investment (Note 4)	168,976	148,976
	<b>1,476,843</b>	<b>550,388</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	71,233	40,418
Deferred revenue	62,500	-
	<b>133,733</b>	<b>40,418</b>
<b>Shareholders' equity</b>		
Share capital (Note 7)	2,243,739	1,106,495
Contributed surplus (Note 7)	725,994	436,494
Warrants (Note 7)	518,233	524,830
Deficit	(2,144,856)	(1,557,849)
	<b>1,343,110</b>	<b>509,970</b>
	<b>1,476,843</b>	<b>550,388</b>

### **Nature of Operations and Going Concern (Note 1)**

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 23, 2018. They were signed on the Board's behalf by:

"Jeff Zanini"

Jeff Zanini - Director

"Jerry Habuda"

Jerry Habuda - Director

See accompanying notes to the condensed interim consolidated financial statements

## **Blox Labs Inc.**

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	<b>Three Month Period Ended June 30, 2018</b>	<b>Three Month Period Ended June 30, 2017</b>
	<b>(\$)</b>	<b>(\$)</b>
<b>Expenses</b>		
General and administrative	6,337	1,818
Management fees (Note 6)	54,000	-
Marketing and promotion	25,153	-
Professional and consulting fees (Note 6)	206,531	29,759
Rent	6,330	-
Research and development	14,943	-
Stock-based compensation	289,500	-
Transfer and filing fees	5,390	1,500
	<b>608,184</b>	<b>33,077</b>
<b>Loss before other items</b>	<b>(608,184)</b>	<b>(33,077)</b>
<b>Other items</b>		
Change in fair value of short-term investments (Note 4)	20,000	-
Interest income	477	153
Other income	700	-
	<b>(587,007)</b>	<b>(32,924)</b>
<b>Loss and comprehensive loss for the period</b>	<b>(587,007)</b>	<b>(32,924)</b>
<b>Basic and diluted loss per common share:</b>	<b>(0.01)</b>	<b>(0.00)</b>

See accompanying notes to the condensed interim consolidated financial statements

## Blox Labs Inc.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Share capital		Contributed Surplus	Warrants	Deficit	Total
	Number of Shares	Amount (\$)				
<b>Balance at March 31, 2017</b>	30,345,003	640,562	436,494	293,967	(1,281,636)	89,387
Loss and comprehensive loss for the period	-	-	-	-	(32,924)	(32,924)
<b>Balance at June 30, 2017</b>	30,345,003	640,562	436,494	293,967	(1,314,560)	56,463
Share issuance - private placement	42,000,000	465,800	-	230,896	-	696,696
Share issuance - warrant exercise	3,000	133	-	(33)	-	100
Loss and comprehensive loss for the period	-	-	-	-	(243,289)	(243,289)
<b>Balance at March 31, 2018</b>	72,348,003	1,106,495	436,494	524,830	(1,557,849)	509,970
Share issuance - private placement	44,465,994	1,110,647	-	-	-	1,110,647
Share issuance - warrant exercise	600,000	26,597	-	(6,597)	-	20,000
Vesting of stock options	-	-	289,500	-	-	289,500
Loss and comprehensive loss for the period	-	-	-	-	(587,007)	(587,007)
<b>Balance at June 30, 2018</b>	117,413,997	2,243,739	725,994	518,233	(2,144,856)	1,343,110

See accompanying notes to the condensed interim consolidated financial statements

## **Blox Labs Inc.**

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	<b>Three Month Period Ended June 30, 2018</b>	<b>Three Month Period Ended June 30, 2017</b>
	(\$)	(\$)
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net income for the period	(587,007)	(32,924)
Items not affecting cash		
Change in fair value of short-term investment	(20,000)	-
Stock-based compensation	289,500	-
Changes in non-cash working capital items:		
HST and other receivables	(55,076)	(1,541)
Prepaid expenses	(650,086)	-
Accounts payable and accrued liabilities	30,815	506
Deferred revenue	62,500	-
	<u>(929,354)</u>	<u>(33,959)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from private placement	1,111,650	-
Proceeds from exercise of share purchase warrants	20,000	-
Share issuance costs	(1,003)	-
	<u>1,130,647</u>	<u>-</u>
Change in cash during the period	201,293	(33,959)
<b>Cash - beginning of period</b>	<u>387,233</u>	<u>110,049</u>
<b>Cash - end of period</b>	<u>588,526</u>	<u>76,090</u>

### **Supplemental Cash Flow Information (Note 10)**

See accompanying notes to the condensed interim consolidated financial statements

**Blox Labs Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

Three Month Period Ended June 30, 2018

(Expressed in Canadian dollars)

**1. Nature of Operations and Going Concern**

Blox Labs Inc. (the “Company” or “Blox”) was incorporated on April 4, 2014 under the laws of the province of British Columbia. The Company changed its name from Big Rock Labs Inc. to Blox Labs Inc. on November 16, 2017. The Company’s offices are located at Suite 206, 213 Sterling Road, Toronto, Ontario, Canada, M6R 2B2. Blox is a technology development company focused on creating best-in-class software solutions driven by emerging trends in Blockchain, Smart Contracts and Decentralized Applications (DApps). The Company’s shares are traded on the Canadian Securities Exchange (“CSE”) under the symbol “BLOX”.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company had cash of \$588,526, working capital of \$1,343,110 and a cumulative deficit of \$2,144,856 as at June 30, 2018.

The above conditions cast significant doubt on the Company’s ability to continue as a going concern. The Company’s continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. If for any reason, the Company is unable to maintain cash flows and continue as a going concern, then this could result in adjustments to the amounts and classifications of assets and liabilities in the Company’s consolidated financial statements and such adjustments could be material.

**2. Basis of Preparation**

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounts Standards (“IAS”) 34, “Condensed Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The accounting policies applied in these condensed interim financial statements are consistent with those stated in the Company’s most recent annual audited financial statements, except for any new standards and amendments adopted (Note 3). Accordingly, these condensed interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended March 31, 2018.

On November 22, 2017, the Company completed a consolidation of its common shares at a ratio of one new share for every two old shares. On July 4, 2018, the Company completed a share split of its common shares at a ratio of three new shares for every one old share. Consequently, all share and per share amounts in these condensed interim consolidated financial statements have been restated to reflect these adjustments to share capital.

**Blox Labs Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

Three Month Period Ended June 30, 2018

(Expressed in Canadian dollars)

**3. Summary of Significant Accounting Policies**

During the period ended June 30, 2018, the Company adopted the following accounting standards:

*IFRS 9, Financial Instruments – Classification and Measurement*

IFRS 9 is a new standard on financial instruments that will replace IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

*IFRS 15, Revenue from Contracts with Customers*

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*.

The adoption of these standards did not have a material impact on the Company's financial statements.

**4. Short-term Investment**

Short-term investment is recorded at fair value and consists of 2,000,000 units held in Sonoro Energy Ltd., a Canadian publicly traded corporation, with an acquisition cost of \$100,000. Each unit consists of a common share and a share purchase warrant wherein each share purchase warrant is exercisable into an additional common share at \$0.10 for a period of two years from the date of closing.

The Company has classified its short-term investment as fair value through profit or loss and recorded an unrealized gain of \$20,000 (2017 – \$Nil) during the three month period ended June 30, 2018.

**5. Accounts Payables and Accrued Liabilities**

	<b>June 30, 2018</b>	<b>March 31, 2018</b>
	(\$)	(\$)
Trade payables	44,785	14,716
Related party payables	1,928	13,760
Accrued liabilities	24,520	19,520
	<u>71,233</u>	<u>47,996</u>



**Blox Labs Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

Three Month Period Ended June 30, 2018

(Expressed in Canadian dollars)

**6. Related Party Transactions**

The following summarizes the Company's related party transactions during the three month periods ended June 30, 2018 and 2017. Key management personnel included the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and directors and officers and companies controlled or significantly influenced by them:

	<b>June 30, 2018</b>	<b>June 30, 2017</b>
	(\$)	(\$)
Management and consulting fees paid or accrued to officers and directors of the Company	106,944	3,000
Share-based compensation vested for incentive stock options issued to directors and officers of the Company	188,235	-
	<u>295,179</u>	<u>3,000</u>

As at June 30, 2018, a total of \$1,928 (March 31, 2018 - \$13,760) was included in accounts payable and accrued liabilities owing to the directors and officers or corporations controlled by directors and officers of the Company for management fees and reimbursable expenses. These liabilities are non-interest bearing and payable on demand.

**7. Share Capital***Authorized share capital*

The Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preference shares without par value.

*Issued share capital*

There are no preferred shares issued or outstanding.

Three month period ended June 30, 2018

- a) the Company issued 600,000 common shares pursuant to the exercise of share purchase warrants for gross proceeds of \$20,000. The value of the warrants was determined to be \$6,597 which has been recorded as a transfer from warrants to share capital on the statement of financial position.
- b) the Company issued 44,465,994 common shares pursuant to a non-brokered private placement for gross proceeds of \$1,111,650. Transaction costs totaling \$1,003 were paid in connection with the financing. As at June 30, 2018, a total of \$7,500 in subscription proceeds had not been received.

**Blox Labs Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

Three Month Period Ended June 30, 2018

(Expressed in Canadian dollars)

**7. Share Capital** (continued)*Issued share capital* (continued)Year ended March 31, 2018

- a) The Company issued 42,000,000 common shares pursuant to a non-brokered private placement of units for gross proceeds of \$700,000.
- b) The Company issued 3,000 common shares pursuant to the exercise of share purchase warrants for gross proceeds of \$100.

*Restricted Shares*

In May 2018, certain shareholders of the Company entered into voluntary pooling agreements, representing 18,600,000 common shares of the Company. Pursuant to the terms of the pooling agreement, these shares are restricted from resale until November 8, 2019.

*Stock options*

Under the Company's current Stock Option Plan (the "Plan"), the Company may grant stock options to the Company's directors, officers, employees and consultants, or a corporation wholly owned by such directors, officers, employees and consultants. The aggregate number of shares reserved for issuance under the Plan is up to 10% of the number of outstanding common shares. The exercise price of options granted are subject to a minimum price of \$0.10 per share and must exceed the closing market price of the shares on the trading day immediately preceding the grant of the option.

The continuity of the Company's stock options is as follows:

	<b>Number of Stock Options</b>	<b>Weighted Average Exercise Price</b>
		(\$)
Balance, March 31, 2017	900,000	0.20
Cancelled	(450,000)	0.20
Balance, March 31, 2018	450,000	0.20
Cancelled	(450,000)	0.20
Granted	7,290,000	0.04
Balance, June 30, 2018	7,290,000	0.04

On May 25, 2018, the Company granted 7,290,000 stock options exercisable at \$0.04 per share with a fair value of \$289,500. The options were fully vested on the grant date, and the Company expensed \$289,500 as share-based compensation.

**Blox Labs Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

Three Month Period Ended June 30, 2018

(Expressed in Canadian dollars)

**7. Share Capital** (continued)*Stock options (continued)*

The options granted during the three month period ended June 30, 2018 were valued using the Black-Scholes option pricing model under the following assumptions:

	<b>2018</b>
Risk-free interest rate	2.07%
Expected life of options	5 yrs
Volatility	239%
Expected Dividend yield	Nil
Forfeiture rate	Nil
Weighted average fair value	\$0.04

The following table summarizes the stock options outstanding and exercisable as at June 30, 2018:

<b>Number of Options Outstanding</b>	<b>Number of Options Exercisable</b>	<b>Weighted Average Exercise Price (\$)</b>	<b>Expiry Date</b>	<b>Weighted Average Remaining Contractual Life (yrs)</b>
7,290,000	7,290,000	0.04	May 25, 2023	4.90

*Warrants*

The continuity of the Company's share purchase warrants is as follows:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price (\$)</b>
Balance, March 31, 2017	2,250,000	0.17
Issued	21,000,000	0.03
Exercised	(3,000)	0.03
Balance, March 31, 2018	23,247,000	0.05
Exercised	(600,000)	0.03
Balance, June 30, 2018	22,647,000	0.05

**Blox Labs Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

Three Month Period Ended June 30, 2018

(Expressed in Canadian dollars)

**7. Share Capital** (continued)*Warrants (continued)*

The Company issued 21,000,000 share purchase warrants in connection with a non-brokered private placement completed on November 27, 2017. Each warrant entitles the holder to acquire a common share of the Company at \$0.033 until November 27, 2019.

The following table summarizes the share purchase warrants outstanding as at June 30, 2018:

<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>	<b>Expiry Date</b>	<b>Weighted Average Remaining Contractual Life</b>
	<b>(\$)</b>		<b>(yrs)</b>
2,250,000	0.17	October 9, 2020	2.28
20,397,000	0.03	November 27, 2019	1.41
23,647,000	0.05		1.50

**8. Financial Risk Management**

The Company is exposed to varying degrees to a variety of financial instrument related risks:

*Credit risk*

The Company's cash and cash equivalents are held in large Canadian financial institutions. The Company maintains cash deposits with Schedule A financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

*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 is not currently exposed to foreign exchange risk.

**Blox Labs Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

Three Month Period Ended June 30, 2018

(Expressed in Canadian dollars)

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**8. Financial Risk Management** (continued)*Interest rate risk*

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

*Liquidity risk*

The Company's ability to continue as a going concern is dependent on management's ability to raise additional funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

*Fair value*

The carrying value of the cash and cash equivalents and accounts payable and accrued liabilities approximates their fair value, due to the short-term maturities of these instruments. The fair value of short-term investment is measured using both level 1 and level 2 of the fair value hierarchy.

*Price risk*

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes to market prices (other than those arising from interest rate or currency risk) whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or segment. The Company's short-term investment consists of common shares in Sonoro Energy Ltd. which is a publicly traded corporation on the Canadian Securities Exchange. Consequently, there is a risk that the fair value of this investment will fluctuate due to future price changes.

**9. Segmented Information**

The Company operates in one segment being software development driven by emerging trends in Blockchain.

**Blox Labs Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

Three Month Period Ended June 30, 2018

(Expressed in Canadian dollars)

**10. Supplemental Cash Flow Information**

	<b>June 30, 2018</b>	<b>June 30, 2017</b>
	(\$)	(\$)
<b>Non-cash investing and financing activities:</b>		
Value of exercised share purchase warrants transferred to share capital.	6,597	-
<b>Interest paid during the period</b>	-	-
<b>Income taxes paid during the period</b>	-	-

**11. Subsequent Events**

Subsequent to June 30, 2018, the Company received the remaining \$7,500 in subscriptions receivable that were owing in connection with the private placement completed in June 2018.