

# **BLOX LABS INC.**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Month Period Ended June 30, 2019

(Expressed in Canadian Dollars)

## **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, 2019</b>	<b>March 31, 2019</b>
	(\$)	(\$)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	<b>1,925,189</b>	372,367
HST and other receivables	<b>6,458</b>	9,509
Prepaid expenses (Notes 3 and 11)	<b>10,369</b>	22,942
Loan receivable (Note 4)	<b>51,271</b>	50,274
Short-term investment (Note 5)	<b>158,976</b>	78,976
	<b>2,152,263</b>	534,068
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 11)	<b>64,954</b>	67,765
Share subscriptions (Note 6)	<b>1,815,805</b>	193,500
	<b>1,880,759</b>	261,265
<b>Shareholders' equity</b>		
Share capital (Note 7)	<b>2,247,985</b>	2,247,985
Contributed surplus (Note 7)	<b>949,248</b>	949,248
Warrants (Note 7)	<b>517,408</b>	517,408
Deficit	<b>(3,443,137)</b>	(3,441,838)
	<b>271,504</b>	272,803
	<b>2,152,263</b>	534,068

Nature of Operations and Going Concern (Note 1)

Subsequent Events (Note 12)

On behalf of the Board:

***"Jeff Zanini"***

Jeff Zanini - Director

***"Jerry Habuda"***

Jerry Habuda - Director

See accompanying notes to the 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, 2019</b>	<b>Three Month Period Ended June 30, 2018</b>
	(\$)	(\$)
<b>Expenses</b>		
Administration	3,063	6,337
Management fees (Note 11)	32,286	54,000
Marketing and promotion	475	25,153
Professional and consulting fees (Note 11)	37,835	206,531
Rent	6,330	6,330
Research and development	-	14,943
Share-based compensation (Note 8)	-	289,500
Transfer and filing fees	2,577	5,390
	<b>82,566</b>	<b>608,184</b>
<b>Loss before other items</b>	<b>(82,566)</b>	<b>(608,184)</b>
<b>Other items</b>		
Change in fair value of short-term investment (Note 6)	80,000	20,000
Interest income	1,267	477
Other income	-	700
	<b>(1,299)</b>	<b>(587,007)</b>
<b>Loss and comprehensive loss for the period</b>	<b>(1,299)</b>	<b>(587,007)</b>
<b>Basic and diluted loss per common share:</b>	<b>(0.00)</b>	<b>(0.01)</b>
<b>Weighted average common shares outstanding:</b>		
Basic	117,498,997	80,660,705
Diluted	117,498,997	80,660,705

See accompanying notes to the consolidated financial statements.

## Blox Labs Inc.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited)

	<b>Share capital</b>		<b>Contributed Surplus</b>	<b>Warrants</b>	<b>Deficit</b>	<b>Total</b>
	<b>Number of Shares</b>	<b>Amount (\$)</b>				
<b>Balance at March 31, 2018</b>	<b>72,348,003</b>	<b>1,106,495</b>	<b>436,494</b>	<b>524,830</b>	<b>(1,557,849)</b>	<b>509,970</b>
Share issuance - private placement	44,465,994	1,111,650	-	-	-	1,111,650
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>	<b>117,413,997</b>	<b>2,244,742</b>	<b>725,994</b>	<b>518,233</b>	<b>(2,144,856)</b>	<b>1,344,113</b>
Share issuance - warrant exercise	75,000	3,325	-	(825)	-	2,500
Share issuance - option exercise	10,000	1,146	(546)	-	-	600
Share issuance costs	-	(1,228)	-	-	-	(1,228)
Vesting of stock options	-	-	223,800	-	-	223,800
Loss and comprehensive loss for the period	-	-	-	-	(1,296,982)	(1,296,982)
<b>Balance at March 31, 2019</b>	<b>117,498,997</b>	<b>2,247,985</b>	<b>949,248</b>	<b>517,408</b>	<b>(3,441,838)</b>	<b>272,803</b>
Loss and comprehensive loss for the period	-	-	-	-	(1,299)	(1,299)
<b>Balance at June 30, 2019</b>	<b>117,498,997</b>	<b>2,247,985</b>	<b>949,248</b>	<b>517,408</b>	<b>(3,443,137)</b>	<b>271,504</b>

See accompanying notes to the 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, 2019</b>	<b>Three Month Period Ended June 30, 2018</b>
	(\$)	(\$)
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	<b>(1,299)</b>	(587,007)
Items not affecting cash		
Change in fair value of short-term investment	<b>(80,000)</b>	(20,000)
Accrued interest	<b>(997)</b>	-
Share-based compensation	-	289,500
Changes in non-cash working capital items:		
HST and other receivables	<b>3,051</b>	(55,076)
Prepaid expenses	<b>12,573</b>	(650,086)
Accounts payable and accrued liabilities	<b>(2,811)</b>	30,815
Deferred revenue	-	62,500
	<b>(69,483)</b>	(929,354)
<b>FINANCING ACTIVITIES</b>		
Proceeds from private placement	-	1,111,650
Proceeds from exercise of options and warrants	-	20,000
Share subscriptions received	<b>1,622,305</b>	-
Share issuance costs	-	(1,003)
	<b>1,622,305</b>	1,130,647
Change in cash during the period	<b>1,552,822</b>	201,293
<b>Cash - beginning of period</b>	<b>372,367</b>	387,233
<b>Cash - end of period</b>	<b>1,925,189</b>	588,526

There were no non-cash investing or financing activities during the three month periods ended June 30, 2019 and 2018.

See accompanying notes to the consolidated financial statements.

## **BLOX LABS INC.**

Notes to the Consolidated Financial Statements  
For the three month period ended June 30, 2019  
(Expressed in Canadian Dollars)  
(Unaudited)

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

Blox Labs Inc. (“BLOX” or the “Company”) was incorporated on April 4, 2014 under the Business Corporations Act of British Columbia. Effective November 16, 2017, the Company changed its name from Big Rock Labs Inc. to Blox Labs Inc. The head office of the Company is located at 213 Sterling Road, Suite 206; Toronto, Ontario M6R 2B2.

Blox Labs Inc. was a technology development company focused on creating software solutions driven by emerging trends in Blockchain, Smart Contracts and Decentralized Applications. On August 22, 2019, the Company received conditional approval for a proposed reverse takeover of Best Cannabis Products Inc. (Note 12).

#### ***Going Concern***

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. For the three month period ended June 30, 2019, the Company had working capital of \$271,504 (March 31, 2019 - \$272,803), had a net loss of \$1,299 (2018 - \$587,007) and an accumulated deficit of \$3,443,137 (March 31, 2019 - \$3,441,838). The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. These condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments, if required, 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, 2019.

**BLOX LABS INC.**

Notes to the Consolidated Financial Statements  
For the three month period ended June 30, 2019  
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(Unaudited)

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**2. Basis of Preparation (continued)**

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 this adjustment to share capital.

These condensed interim consolidated financial statements were approved by the Board of Directors of the Company on August 29, 2019.

**3. Prepaid Expenses**

	<b>June 30, 2019</b>	<b>March 31, 2019</b>
	(\$)	(\$)
Management fees (Note 11)	-	<b>14,286</b>
Other	<b>10,369</b>	<b>8,656</b>
	<b>10,369</b>	<b>22,942</b>

**4. Loan Receivable**

On March 6, 2019 the Company advanced \$50,000 to BCP under an unsecured promissory note that bears interest at a rate of 8% per annum. The principal and all accrued interest is due and payable on June 30, 2019. The loan was not repaid at June 30, 2019 and has therefore gone into default.

During the three month period ended June 30, 2019, the Company recorded \$997 (2018 - \$Nil) in interest income. At June 30, 2019 a total of \$51,271 (March 31, 2019 - \$50,274) in loan principal and accrued interest remained outstanding. There has been no significant increase in credit risk for the loan receivable at June 30, 2019 and expected credit loss is immaterial at June 30, 2019.



## **BLOX LABS INC.**

Notes to the Consolidated Financial Statements  
For the three month period ended June 30, 2019  
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### **5. 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 until March 28, 2020.

The Company has classified its short-term investment as fair value through profit or loss and recorded an unrealized gain of \$80,000 (2018 – \$48,976) during the three month period ended June 30, 2019.

### **6. Share Subscriptions**

On February 28, 2019, the Company entered into a definitive share exchange agreement wherein it will acquire 100% of the outstanding shares of Best Cannabis Products Inc. in exchange for the issuance of 234,800,000 common shares of the Company (the “Transaction”). In connection with the Transaction, the Company announced a non-brokered private placement to issue up to 100,000,000 common shares at \$0.05 per share for gross proceeds of \$5,000,000. As at June 30, 2019, the Company has received \$1,815,805 in share subscriptions from investors for which it has not yet issued shares.

### **7. Equity Instruments**

#### a) Share capital

Authorized: An unlimited number of common shares without par value.  
Issued: 117,498,997 common shares

#### *Transactions*

On February 11, 2019, the Company issued 75,000 common shares pursuant to the exercise of share purchase warrants for gross proceeds of \$2,500. The value of the warrants was determined to be \$825 which has been recorded as a transfer from warrants to share capital on the statement of financial position.

**BLOX LABS INC.**

Notes to the Consolidated Financial Statements  
 For the three month period ended June 30, 2019  
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 (Unaudited)

**7. Equity Instruments (continued)**

On November 12, 2018, the Company issued 10,000 common shares pursuant to the exercise of stock options for gross proceeds of \$600. The value of the options was determined to be \$546 which has been recorded as a transfer from contributed surplus to share capital on the statement of financial position.

On June 15, 2018, the Company completed a non-brokered private placement financing wherein it issued 44,465,994 common shares for gross proceeds of \$1,111,650. In connection with the private placement, the Company incurred \$1,228 of transaction costs which have been allocated to share capital.

On April 17, 2018, 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) Stock option plan and stock-based compensation

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, which was 117,498,997 as at June 30, 2019. The exercise price of options granted is subject to a minimum price of \$0.10 per share and must meet or 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, April 1, 2018	450,000	0.20
Issued	11,390,000	0.05
Exercised *	(10,000)	0.06
Cancelled	(450,000)	0.20
Balance, March 31, 2019	11,380,000	0.05
Cancelled	(500,000)	0.06
Balance, June 30, 2019	10,880,000	0.05

\* The share price on the date of exercise was \$0.045

**BLOX LABS INC.**

Notes to the Consolidated Financial Statements  
 For the three month period ended June 30, 2019  
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**8. Equity Instruments (continued)**

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.

On October 17, 2018, the Company granted 4,100,000 stock options exercisable at \$0.06 per share with a fair value of \$223,800. The options were fully vested on the grant date, and the Company expensed \$223,800 as share-based compensation.

The options granted during the year ended March 31, 2019 were valued using the Black-Scholes option pricing model under the following assumptions:

	May 25, 2018	October 17, 2018
Risk-free interest rate	2.07%	2.41%
Expected volatility <sup>1</sup>	239%	239%
Dividend yield	Nil	Nil
Expected life	5 years	5 years
Forfeiture rate	Nil	Nil
Exercise price	\$0.04	\$0.06
Share price	\$0.04	\$0.06

<sup>1</sup> Expected volatility is based on historical volatility.

The following table summarizes the stock options outstanding and exercisable as at June 30, 2019:

<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	3.90
3,590,000	3,590,000	0.06	October 17, 2023	4.30

**BLOX LABS INC.**

Notes to the Consolidated Financial Statements  
 For the three month period ended June 30, 2019  
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**8. Equity Instruments (continued)**

## c) Warrants

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

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, April 1, 2018	23,247,000	0.05
Exercised	(675,000)	0.03
Balance, March 31 and June 30, 2019	22,572,000	0.05

The following table summarizes the share purchase warrants outstanding as at June 30, 2019:

Number of Warrants	Weighted Average Exercise Price (\$)	Expiry Date	Weighted Average Remaining Contractual Life (yrs)
2,250,000	0.17	October 9, 2020	1.28
20,322,000	0.03	November 27, 2019	0.41
22,572,000	0.05		0.50

For the year ended March 31, 2019, 675,000 shares were issued upon the exercise of warrants for proceeds of \$22,500. The Company recognized the fair value of the warrants of \$7,422 in the value of the shares issued.

**9. Financial Instruments**

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

***Credit risk***

The Company's cash is 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 Consolidated Financial Statements  
For the three month period ended June 30, 2019  
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### **9. Financial Instruments (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 cash, loan receivable, share subscriptions 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.

### **10. Capital Risk Management**

The Company defines its capital as shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to explore all strategic options and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash. The Company expects its capital resources will be sufficient to carry its operations through the current operating period. The Company is not subject to externally imposed capital requirements.

## **BLOX LABS INC.**

Notes to the Consolidated Financial Statements  
For the three month period ended June 30, 2019  
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(Unaudited)

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### **11. Related Party Transactions**

The following summarizes the Company's related party transactions during the three month periods ended June 30, 2019 and 2018. Key management personnel included the Chief Executive Officer, Chief Financial Officer, and directors and officers and companies controlled or significantly influenced by them:

#### Key management compensation

	<b>June 30, 2019</b>	June 30, 2018
	(\$)	(\$)
Consulting fees	<b>50,286</b>	106,944
Share-based compensation	-	188,235
	<b>50,286</b>	295,179

As at June 30, 2019, \$249 (March 31, 2019 – \$Nil), was owing to the CFO of the Company for reimbursable expenses.

As at June 30, 2019, \$18,683 (March 31, 2019 - \$18,683) was owing to a corporation that shares a director in common with the Company for reimbursable expenses.

As at June 30, 2019, \$3,889 (March 31, 2019 - \$15,987) was prepaid to the CEO of the Company for future corporate expenses and management fees.

### **12. Subsequent Events**

Subsequent to June 30, 2019, the Company:

- a) advanced an additional \$25,000 to BCP pursuant to an unsecured promissory note bearing interest at 8% per annum and maturing on September 30, 2019.
- b) received conditional approval from the CSE in connection with its proposed merger with BCP. Pursuant to a definitive share exchange agreement executed on February 28, 2019, the Company issued 234,800,000 common shares to the shareholders of BCP to acquire all of the issued and outstanding shares of BCP. The result of this reverse takeover transaction is a change of business into the Hemp industry. The Company awaits final approval of this transaction from the CSE.
- c) completed a non-brokered private placement wherein it issued 47,923,330 common shares at \$0.05 per share for gross proceeds of \$2,396,167.