eXeBlock Technology Corporation

(formerly 1040433 B.C. Ltd.)

Consolidated Financial Statements

For the year ended August 31, 2018 and

the period ended August 31, 2017

(Expressed in Canadian Dollars)

December 20, 2018

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of eXeBlock Technology Corporation ("the Company") were prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the annual consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Corporation, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) *"Jamie Davison"*
President and Chief Executive Officer
Vancouver, British Columbia

(signed) *"Robert Randall"*
Chief Financial Officer
Halifax, Nova Scotia

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Independent Auditor’s Report

To the Shareholders of
eXeBlock Technology Corporation

We have audited the accompanying consolidated financial statements of eXeBlock Technology Corporation "(formerly 1040433 B.C. Ltd.)", which comprise the consolidated statements of financial position as at August 31, 2018 and August 31, 2017, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended August 31, 2018 and the 52 day period ended August 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of eXeBlock Technology Corporation as at August 31, 2018 and August 31, 2017, and its financial performance and its cash flows for the year ended August 31, 2018 and the 52 day period ended August 31, 2017 in accordance with International Financial Reporting Standards.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 of the consolidated financial statements, which indicates the existence of material uncertainties that may cast significant doubt about eXeBlock Technology Corporation’s ability to continue as a going concern.

/s/Deloitte LLP

December 20, 2018

Chartered Professional Accountants
Halifax, Nova Scotia, Canada

eXeBlock Technology Corporation
(formerly 1040433 B.C. Ltd.)
Consolidated Statements of Financial Position
As at August 31, 2018 and 2017

Expressed in Canadian dollars	**As at August 31, 2018 $**	**As at August 31, 2017 $**
Assets		
Current assets		
Cash and cash equivalents	**2,726,440**	615,407
Accounts receivable	**76,774**	16,406
Other assets (note 4)	**21,600**	11,000
Total current assets	**2,824,814**	642,813
Property and equipment (note 5)	**4,698**	-
Total assets	**2,829,512**	642,813
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**701,697**	200,595
Total liabilities	**701,697**	200,595
Equity		
Shareholders' equity	**2,127,815**	442,218
Total liabilities and equity	**2,829,512**	642,813

Nature of operations and going concern (note 1)
Commitments and contingencies (note 10)

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

Approved on behalf of the Board of Directors on December 20, 2018.

"Paul Thomson"
Director

"*Ian Klassen*"
Director

eXeBlock Technology Corporation
(formerly 1040433 B.C. Ltd.)
Consolidated Statements of Loss and Comprehensive Loss
For the year ended August 31, 2018 and the period from incorporation on July 11, 2017 to August 31, 2017

Expressed in Canadian dollars

	Year ended August 31, 2018 $	Period ended August 31, 2017 $
Expenses		
Software development	**1,349,632**	61,898
Salaries, wages and benefits (note 8)	**1,231,820**	6,472
Listing fees (note 3)	**662,299**	-
Market development and advertising	**542,698**	100
Professional, consulting and directors fees (note 8)	**527,262**	87,877
Stock-based compensation (note 6)	**340,215**	-
Rent and administrative costs (note 8)	**71,310**	3,004
Travel	**64,445**	-
Securities and regulatory fees	**57,768**	3,094
Loss before interest income and income taxes	**4,847,449**	162,445
Interest income	**1,646**	-
Income taxes (note 7)	**-**	-
Net loss and comprehensive loss for the period	**4,845,803**	162,445
Loss per share – basic and diluted	**0.08**	0.02
Weighted-average number of common shares outstanding Basic and diluted	**59,709,518**	8,134,314

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

eXeBlock Technology Corporation
(formerly 1040433 B.C. Ltd.)
Consolidated Statements of Changes in Equity
For the year ended August 31, 2018 and the period from incorporation on July 11, 2017 to August 31, 2017

	Common Shares		Warrants				
	Number of Shares	Amount	Number of warrants	Amount	Contributed Surplus	Deficit	Total
		$		$	$	$	$
Balance, July 11, 2017	1	1	-	-	-	-	1
Common shares issued for cash pursuant to private placement (note 6)[1]	38,100,001	615,494	-	-	-	-	615,494
Share issue costs (note 6)	-	(10,832)	-	-	-	-	(10,832)
Net loss and comprehensive loss for the period	-	-	-	-	-	(162,445)	(162,445)
Balance, August 31, 2017	**38,100,002**	**604,663**	**-**	**-**	**-**	**(162,445)**	**442,218**
Common shares and warrants deemed to be issued on reverse takeover (note 3)	5,596,601	279,830	2,600,000	220,238	-	-	500,068
Common shares issued for cash (note 6)	17,707,428	6,197,600	-	-	-	-	6,197,600
Share issuance costs (note 6)	-	(508,358)	-	-	-	-	(508,358)
Share issue costs – Broker warrants (note 6)	-	(316,546)	1,328,057	316,546	-	-	-
Exercise of warrants (note 6)	37,500	5,052	(37,500)	(3,177)	-	-	1,875
Stock-based compensation (note 6)	-	-	-	-	340,215	-	340,215
Net loss and comprehensive loss for the year	-	-	-	-	-	(4,845,803)	(4,845,803)
Balance, August 31, 2018	**61,441,531**	**6,262,241**	**3,890,557**	**533,607**	**340,215**	**(5,008,248)**	**2,127,815**

[1] The amount presented as the number of common shares reflects the share capital of eXeBlock Technology Inc., adjusted by the exchange ratio.

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

eXeBlock Technology Corporation
(formerly 1040433 B.C. Ltd.)
Consolidated Statements of Cash Flows
For the year ended August 31, 2018 and the period from incorporation on July 11, 2017 to August 31, 2017

Expressed in Canadian dollars	**Year ended August 31, 2018 $**	**Period ended August 31, 2017 $**
Operating activities		
Net loss for the period	**(4,845,803)**	(162,445)
Non-cash items:		
Listing fees	**421,241**	-
Stock-based compensation	**340,215**	-
Depreciation	**522**	-
	(4,083,825)	(162,445)
Changes in non-cash working capital		
Increase in accounts receivable	**(57,649)**	(16,405)
Increase in prepaid expenses	**(10,600)**	(11,000)
Increase in accounts payable and accrued liabilities	**471,892**	200,595
Net cash provided from operating activities	**(3,680,182)**	(10,745)
Investing activities		
Acquisition of property and equipment	**(5,220)**	-
Net cash used in investing activities	**(5,220)**	-
Financing activities		
Proceeds received upon the completion of private placement (note 6)	**6,197,600**	615,494
Share issuance costs associated with private placement (note 6)	**(508,358)**	(10,832)
Cash acquired on reverse acquisition transaction (note 3)	**105,318**	-
Proceeds from common shares issued on exercise of warrants (note 6)	**1,875**	-
Net cash provided by financing activities	**5,796,435**	604,662
Increase in cash and cash equivalents during the period	**2,111,033**	615,407
Cash and cash equivalents, beginning of period	**615,407**	-
Cash and cash equivalents, end of period	**2,726,440**	615,407

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

1. NATURE OF OPERATIONS AND GOING CONCERN

eXeBlock Technology Corporation (formerly 1040433 B.C. Ltd.) (the "Company"), was incorporated pursuant to the British Columbia Business Corporations Act on June 19, 2015. On August 18, 2017, the Company and eXeBlock Technology Inc. ("eXeBlock Inc.") signed a letter of intent and on September 6, 2017, the Company and eXeBlock Inc. entered a Share Exchange Agreement (the "SEA") under which the transaction was completed and the Company effected a change in directors, management and business. The Company changed its name to eXeBlock Technology Corporation.

The Company acquired eXeBlock Inc. through a reverse acquisition transaction described in note 3. Under the terms of the SEA, the Company acquired all of the issued and outstanding common shares of eXeBlock Inc. based on two shares of the Company for each share of eXeBlock Inc. eXeBlock Inc. is engaged in the business of developing and marketing decentralized applications ("DApps"). eXeBlock Inc. was federally incorporated pursuant to the Canada Business Corporations Act on July 11, 2017. eXeBlock Inc. is deemed to be the continuing entity for financial reporting purposes and therefore its historical operations, assets and liabilities are included as the comparative figures as at and for the period ended August 31, 2017.

On November 9, 2017, the Company filed a Prospectus in association with its initial listing application on the Canadian Securities Exchange ("CSE") and its common shares commenced trading on the CSE on November 16, 2017 as a Technology Issuer under the trading symbol "XBLK".

The Company's corporate office address is Suite 280, 1090 West Georgia Street, Vancouver, BC, V6E 3V7. eXeBlock Inc.'s registered office is located at Suite 1100, 1959 Upper Water Street, Halifax, NS, Canada, B3J 3N2. The Company's technical, administrative, sales and marketing office is located at Suite 2001, 1969 Upper Water Street, Halifax, NS, Canada, B3J 3R7.

These 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 operations as they come due. For the year ended August 31, 2018, the Company incurred a net loss of $4,845,803. The Company has no revenue from operations. In addition to its working capital requirements, the Company must secure sufficient funding to develop its DApps and fund its general operating costs. The Company has a planning and budgeting process to monitor operating cash requirements, including amounts projected for capital expenditures, which are adjusted as input variables change. These variables include, but are not limited to, the ability of the Company to generate revenue from current and prospective customers, general and administrative requirements of the Company and the availability of capital markets. As these variables change, liquidity risks may necessitate the need for the Company to issue equity or obtain debt financing. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there can be no assurance that these initiatives will be successful or sufficient.

The Company's ability to continue as a going concern is dependent upon its ability to fund its working capital and operating requirements and eventually to generate positive cash flows from operations. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption determined to be inappropriate and these adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance with International Financial Reporting Standards ("IFRS")

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of Chartered Professional Accountants of Canada – Part 1 ("CPA Canada Handbook"), which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company's Board of Directors approved these financial statements for issue on December 20, 2018.

b) Basis of Measurement

These annual financial statements are presented in Canadian dollars, the Company's functional currency, and have been prepared on the historical costs basis.

These consolidated financial statements also include the effects of the reverse acquisition transaction as described in note 3 and the assets and operations of the Company since September 6, 2017. All significant inter-company transactions have been eliminated on consolidation.

c) Critical accounting judgments and estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical accounting judgments and estimates in applying accounting policies that have the most significant impact on the amounts recognized in the financial statements are outlined below.

Stock-Based Compensation

Management is required to make certain estimates when determining the fair value of stock option awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as stock-based compensation in the consolidated statements of loss and comprehensive loss based on estimates of volatility, forfeiture and expected lives of the underlying stock options.

Valuation and amortization of internally generated intangible assets

The Company will capitalize certain costs incurred for the development of its DApps. Estimates are used in order to determine the point in time whereby the recognition criteria are met and the allocation and nature of costs to capitalize in accordance with IAS 38, *Intangible Assets*. The capitalized costs may include the cost of direct labour and other costs directly attributable to preparing the intangible asset for its intended use. Management will then estimate the expected term over which the Company will receive benefits from the software application. A change in these estimates may have a significant impact on the carrying value of the intangible asset and the amortization and expenses recognized in the statements of loss and comprehensive loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Intangible assets

Expenditures on research activities undertaken with the prospect of gaining new technical knowledge and understanding is recognized in the statements of loss and comprehensive loss as an expense as incurred.

The intangible asset may consist of internally generated applications. The development costs of the applications will be capitalized as they can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the product. Expenditures capitalized may include the cost of labour and other costs that are directly attributable to preparing the asset for its intended use.

The intangible asset will be amortized based on the cost of the asset less its residual value. Amortization will be charged to the statements of loss and comprehensive loss on a straight-line basis over the estimated useful economic life, from the date the asset is available for use.

Digital assets acquired by the Company are considered indefinite life intangible assets and are recorded at cost less any impairment losses.

e) Income taxes

Current income taxes
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in the statements of changes in equity and not in the statements of loss and comprehensive loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. The Company recognizes interest and penalties, if any, related to uncertain tax positions in income tax expense.

Deferred income taxes
Deferred income taxes are calculated using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Income taxes (continued)

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, can be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted, or substantively enacted, at the reporting date. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognized outside of profit or loss is recognized outside of profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive loss or directly in equity.

f) Leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

g) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, current operating bank accounts and guaranteed investment certificates.

h) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. Financial assets and financial liabilities are initially measured at fair value.

Financial assets are classified into one of the following specified categories: fair value through profit or loss (“FVTPL”), held-to-maturity, available-for-sale (“AFS”) and loans and receivables. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified as FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in the statement of loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company's financial instruments are classified and subsequently measured as follows:

Asset / liability	**Classification**	**Subsequent measurement**
Cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

<u>Financial Assets</u>
Subsequent to initial recognition, loans and receivables are measured at amortized cost.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated fair value of the financial asset has declined.

<u>Financial Liabilities</u>
Financial liabilities are classified as other financial liabilities and are measured at amortized cost subsequent to initial measurement at fair value.

<u>Offsetting financial instruments</u>
Financial assets and financial liabilities are offset and the net amount reported on the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

i) Loss per share

Loss per share is calculated based on the weighted average number of shares outstanding during the year. The Company follows the treasury method of calculating diluted earnings per share. This method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase common shares at the average market price during the year.

j) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. There were no material provisions recorded within the financial statements as at August 31, 2018.

k) Property and equipment

Items of property and equipment are recorded at cost less accumulated depreciation. Property and equipment is amortized on a straight line basis over a five-year life.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Standards, interpretations and amendments to published standards that are not yet effective

IFRS 9, Financial Instruments ("IFRS 9")
IFRS 9, issued on July 24, 2014, is the IASB's replacement of IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting of financial instruments. IFRS 9 is mandatorily effective for periods beginning on or after January 1, 2018 with early adoption permitted. Management has assessed the impact of the adoption of IFRS 9 and has concluded that there will be no significant impact on the consolidated financial statements of the Company at this time.

IFRS 15, Revenue from contracts with customers ("IFRS 15")
In May 2014, the IASB issued IFRS 15. IFRS 15 replaces IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and some revenue related Interpretations. IFRS 15 establishes a new control-based revenue recognition model and provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. The new standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. IFRS 15 allows for early adoption, but the Company does not intend to do so at this time. Given that the Company has no revenue, management has concluded that there is no impact of the adoption of IFRS 15 on the consolidated financial statements of the Company at this time.

IFRS 16, Leases ("IFRS 16")
IFRS 16 was issued on January 13, 2016 and replaces the current guidance in IAS 17, *Leases* ("IAS 17"). IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Management is currently assessing the impact of the adoption of IFRS 16 on its consolidated financial statements.

3. REVERSE ACQUISITION TRANSACTION

On August 18, 2017, the Company entered a letter of intent with eXeBlock Inc. and on September 6, 2017, the Company and eXeBlock Inc. entered into a SEA under which the proposed reverse acquisition transaction was completed. Under the terms of the SEA, the Company acquired all of the issued and outstanding common shares of eXeBlock Inc. based on two shares of the Company for each common share of eXeBlock Inc. The Company issued 38,100,002 common shares in exchange for the 19,050,001 common shares of eXeBlock Inc. (the "Transaction").

The Boards of Directors of the Company and eXeBlock Inc. each unanimously approved the terms of the Transaction. Upon closing, eXeBlock Inc. shareholders held approximately 87.2% of the outstanding shares of the Company. In substance, the Transaction involves eXeBlock Inc. shareholders obtaining control of the Company; accordingly the Transaction is considered to be a reverse takeover transaction ("RTO") with eXeBlock Inc. acquiring control of the Company. As the Company did not meet the definition of a business under IFRS prior to the Transaction, the consolidated financial statements of the combined entity represent the continuation of eXeBlock Inc. The Transaction was accounted for as a share-based payment whereby eXeBlock Inc. acquired the net assets of the Company and the Company's status as a Reporting Issuer.

3. REVERSE ACQUISITION TRANSACTION (continued)

The Company adopted a financial year end of August 31 as a result of the closing of the Transaction.

For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 *Business Combinations* ("IFRS 3") since the Company, prior to the acquisition did not constitute a business. The transaction is accounted for in accordance with IFRS 2 *Share-based Payment* ("IFRS 2") whereby eXeBlock Inc. is deemed to have issued shares and share purchase warrants in exchange for the net assets of the Company together with its Reporting Issuer status at the fair value of the consideration received by eXeBlock Inc.

The accounting for this transaction resulted in the following:

(i) The consolidated financial statements are issued under the legal parent, eXeBlock Technology Corporation, but are considered a continuation of the financial statements of the legal subsidiary, eXeBlock Technology Inc.

(ii) Since eXeBlock Technology Inc. is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

Since the share and share-based consideration allocated to the former shareholders of the Company on closing the Transaction is considered within the scope of IFRS 2, the value in excess of the net identifiable assets or obligations of the Company acquired on closing is expensed in the consolidated statement of loss and comprehensive loss as listing fee expense.

The listing fee expense in the amount of $662,299 is comprised of the fair value of the common shares and warrants of the Company retained by the former shareholders of the Company less the net assets of the Company at September 6, 2017, as well as other direct expenses of the Transaction.

The listing fee expense is summarized as follows:

Net working capital acquired:

	$
Accounts payable and accrued liabilities	29,210
Receivables	(2,719)
Cash	(105,318)
	(78,827)
Common shares deemed to be issued re eXeBlock Corp.	279,830
Warrants deemed to be issued re eXeBlock Corp.	220,238
Legal and other transaction costs	241,058
Listing fee expense	662,299

3. REVERSE ACQUISITION TRANSACTION (continued)

The Company has estimated the fair value of the equity instruments deemed to be issued by the Company. The fair value of the notional common shares deemed to be issued amounted to $279,830, based upon a recent private placement financing of eXeBlock Inc. at $0.10 per share. The fair value of the 2,600,000 eXeBlock Corp. warrants, exercisable at $0.05 per share with an expected life of three years, amounted to $220,238. The fair value of the warrants was estimated using the Black-Scholes pricing model applying an expected volatility of 140%, a risk free interest rate of 1%, with no expected dividend yield.

4. OTHER ASSETS

	As at August 31, 2018	As at August 31, 2017
	$	$
Prepaid expenses	17,600	7,000
Deposits	4,000	4,000
Digital assets – rights to 940,000 Peerplay tokens[1]	-	-
	21,600	**11,000**

[1] On December 18, 2017, the Company entered into a non-exclusive software development agreement with Peerplays Blockchain Standards Association ("PBSA") to develop four DApps compatible with the Peerplays blockchain platform over the next 24 months (the "Agreement"). Under the Agreement, the Company received as a deposit, the rights to 940,000 Peerplays tokens ("PPY") to be earned on a pro-rated basis, when the Company develops and delivers DApps to the PBSA. PPY are digital assets that will allow holders to vote on operational modifications within the network and potentially share in revenue generated by DApps operating on the Peerplays blockchain platform. As of August 31, 2018, the Company has not delivered any DApps to the PBSA.

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated Depreciation	Carrying amount
	$	$	$
Balance at August 31, 2017	-	-	-
Additions	5,220	-	5,220
Depreciation	-	(522)	(522)
Balance at August 31, 2018	**5,220**	**(522)**	**4,698**

6. SHARE CAPITAL

a) Common shares

Authorized share capital of the Company consists of an unlimited number of fully paid common shares without par value.

6. SHARE CAPITAL (continued)

a) Common shares (continued)

12,650,002 common shares of the Company are issued and held in escrow for the directors, officers and the founder of the Company and are subject to an escrow agreement. The terms of escrow agreement stipulate that 1,265,000 (10%) of the escrowed shares were released upon listing, which occurred on November 16, 2017. The remaining escrowed shares will be released at a rate of 1,897,500 (15%) every six months thereafter. As at August 31, 2018, 9,487,502 shares remained in escrow.

b) Private Placement Financing

During the period ended August 31, 2017, eXeBlock Inc. completed a non-brokered private placement financing for aggregate gross proceeds of $615,494. The Company issued 19,050,000 common shares at prices ranging from $nil to $0.10 per share. Total costs associated with the private placement, consisting of professional fees, were $10,832.

On October 4, and 6, 2017, the Company completed a non-brokered private placement issuing a total of 17,707,428 common shares at a price of $0.35 per share for gross proceeds of $6,197,600. A 7.5% finder's fee of $464,820 was payable on the financing and the Company issued 7.5% brokers' warrants to acquire common shares at an exercise price of $0.35 which expire in two years. The finder's fee and fair value of the brokers' warrants are recorded as share issue costs. The fair value of the broker warrants were $316,546, as calculated using the Black-Scholes option pricing model. The Company also incurred other direct share issuance costs of $43,538.

The common shares issued during the October 2017 financings are subject to a voluntary pooling arrangement. This arrangement provides that the common shares will be held in trust with the Company's transfer agent, National Issuer Services Ltd., and released from the pooling arrangement as follows:

- 25% of the common shares were released on November 16, 2017, which was the date on which the common shares of the Company were listed for trading on the Canadian Stock Exchange (the "Listing Date") These released shares are subject to a four month hold as noted below;

- 25% of the common shares were released on February 16, 2018 (the date that is 3 months following the Listing Date);

- 25% of the common shares were released on May 16, 2018 (the date that is 6 months following the Listing Date); and

- 25% of the common shares were released on August 16, 2018 (the date that is 9 months following the Listing Date).

Pursuant to applicable securities laws, all of these shares were subject to a hold period expiring on February 5 or 7, 2018. After the expiry of this hold period, the shares were freely tradeable and can be sold without a prospectus exemption. After expiry of this hold period the shares were tradeable subject to the pooling arrangement noted above.

6. SHARE CAPITAL (continued)

c) Stock options

The Company has a stock option plan (the "Plan") for directors, officers, employees and consultants of the Company. The Board of Directors have the authority to issue up to 10% of the issued and outstanding common shares of the Company. The options can have up to a ten-year life and the vesting period is set by the Board of Directors. Options are granted at a price no lower than the market price of the common shares on the date issued.

On March 1, 2018, the Company granted 1,400,000 stock options to directors, officers, employees and consultants. The options are exercisable at a price of $0.45 per share and expire on February 28, 2023. The options vest at a rate of 25% of the total every three months after the grant date.

On June 21, 2018, the Company granted 500,000 stock options to eXeBlock's new Chief Executive Officer. These options are exercisable at a price of $0.15 per share and expire on June 20, 2023. The options vest at a rate of 25% of the total every three months after the grant date.

The estimated fair value of options recognized has been estimated at the grant date using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected volatility. Changes in the assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable estimate of the fair value of the Company's stock options. Weighted-average assumptions used in the pricing model for the options issued during the year ended August 31, 2018 were as follows:

Risk-free interest rate	1.0%
Expected volatility	140%
Expected dividend yield	-
Expected life	5 years
Weighted-average fair value per option – March 1, 2018 tranche	$0.281
Weighted-average fair value per option – June 21, 2018 tranche	$0.109

Based on the Black-Scholes option pricing model and the assumptions outlined above, the estimated fair value of the 1,400,000 options granted on March 1, 2018 is $393,787. Based on the same Black-Scholes option pricing model and the assumptions outlined above, the estimated fair value of the 500,000 options granted on June 21, 2018 is $54,657. These amounts are amortized over the vesting period and $340,215 has been expensed during the year ended August 31, 2018.

The options outstanding as at August 31, 2018 are:

Weighted-Average Exercise Price per Share ($)	Number of Options Outstanding	Expiry Date	Weighted-Average Remaining Contractual Life (years)	Number of Options Exercisable
$0.45	1,400,000	February 28, 2023	4.5	700,000
$0.15	500,000	June 20, 2023	4.8	nil

6. SHARE CAPITAL (continued)

d) Warrants

The following table reflects the continuity of warrants for the period ended August 31, 2018:

	Number of Warrants	Amount $
Balance – August 31, 2017	-	-
Warrants deemed to be issued in association with the Transaction (note 3)	2,600,000	220,238
Broker warrants issued in association with private placement financing	1,328,057	316,546
Warrants exercised	(37,500)	(3,177)
Balance – August 31, 2018	**3,890,557**	**533,607**

As at August 31, 2018, the Company had the following common share purchase warrants outstanding:

Expiry Date	Number of warrants outstanding	Exercise price $
November 19, 2019	1,328,057	0.35
August 20, 2020	2,562,500	0.05
	3,890,557	0.15

Warrant pricing models require the input of highly subjective assumptions, including the expected volatility. Changes in the assumptions can materially affect the fair value estimate and, therefore, the existing models may not necessarily provide a reliable estimate of the fair value of the Company's warrants. The fair values of the common share purchase warrants were estimated using Black-Scholes option pricing models using the following assumptions:

Risk free interest rate	1.0%
Expected volatility	140%
Expected dividend yield	-
Expected life	2-3 years

During the year ended August 31, 2018, the Company issued 37,500 common shares for proceeds of $1,875 on the exercise of common share purchase warrants related to the Transaction. The share price on the date the warrants were exercised was $0.71.

7. INCOME TAXES

The provision for income taxes reported differs from the amounts computed by applying the applicable income tax rates to the net loss before tax provision due to the following:

	August 31, 2018	August 31, 2017
	$	$
Loss before income taxes	(4,845,803)	(162,445)
Statutory rate	31.0%	31.0%
Tax recovery at statutory rate	(1,502,199)	(50,358)
Stock-based compensation	105,467	-
Tax recovery on losses and deductible temporary differences not recognized in the current period	1,396,732	50,358
Income tax recovery	-	-

At August 31, 2018, the Company has unused non-capital losses in Canada of $4,429,771 available for carry-forward purposes which expire from 2036 to 2038.

At August 31, 2018 the Company has $5,100,311 of deductible temporary differences for which no deferred tax asset has been recognized (2017 - $190,086) which is comprised of the following:

	August 31, 2018	August 31, 2017
	$	$
Tax losses	4,429,771	181,729
Share issuance costs	670,540	8,357

8. RELATED PARTY TRANSACTIONS

During the year ended August 31, 2018, the Company incurred rent costs from Fallout Complex Inc. (“Fallout”), a company controlled by the founder of eXeBlock Inc., in the amount of $41,516 ($2,904 during the period ended August 31, 2017) and advances for rental deposits of $nil ($4,000 during the period ended August 31, 2017). The founder previously served as President and CEO of eXeBlock Inc. during the months of September, October and November 2017 and during this time rent costs from Fallout totaled $10,398. As at August 31, 2018, an amount owing to Fallout of $12,267 was included in accounts payable and accrued liabilities ($7,804 as at August 31, 2017).

During the year ended August 31, 2018, the Company incurred cloud hosting and related fees from Data Security Node Inc. (“Data Security”), a company controlled by the founder of eXeBlock Inc., in the amount of $600 ($100 during the period ended August 31, 2017) and advances for annual cloud hosting servers in the amount of $7,000. As at August 31, 2018, an amount owing to Data Security of $nil was included in accounts payable and accrued liabilities ($8,065 as at August 31, 2017).

8. RELATED PARTY TRANSACTIONS (continued)

During the year ended August 31, 2018, the Company incurred consultancy fees of $240,000 ($76,065 for the period ended August 31, 2017) from a related party, Numus Financial Inc. ("Numus"), a company which provides services under a consultancy agreement for a fee of $20,000 per month which continues until both Numus and the Company mutually agree to terminate. Numus and its principals are significant shareholders of the Company. Numus Capital Corp. (Numus Capital), an exempt market dealer and wholly-owned subsidiary of Numus, assisted the Company with its October financing. The Company incurred financing fees with Numus Capital of $151,338 (7.5%), during the year ended August 31, 2018. Numus Capital was also issued 432,393 broker warrants, with a fair value of $103,062, to acquire common shares at an exercise price of $0.35 for two years. As at August 31, 2018, an amount owing to Numus of $32,969 was included in accounts payable and accrued liabilities ($91,073 as at August 31, 2017).

eXeBlock also incurred consulting and director fees to certain directors and officers. The following table summarizes the expenses incurred during the year ended August 31, 2018 ($nil for the period ended August 31, 2017):

Related party	Amount
	$
Randall Consulting Inc. – for services of Rob Randall, CFO and Corporate Secretary	114,788
IMK Management Services Inc. – for services of Ian Klassen, Chief Executive Officer	72,500
Strategic Concepts Inc. – director fees of Carl Sheppard, Director	65,000

On March 1, 2018 the Company issued 900,000 stock options to directors and officers. The estimated fair value of these stock options was $253,149, of which stock-based compensation of $200,409 has been recognized in the year ended August 31, 2018.

On June 21, 2018, the Company granted 500,000 stock options to eXeBlock's new Chief Executive Officer. The estimated fair value of these stock options was $54,657, of which stock-based compensation of $28,467 has been recognized in the year ended August 31, 2018.

During the period ended August 31, 2017, current directors, officers and the founder of the Company subscribed to an aggregate of 12,650,002 common shares of the non-brokered private placement financing for gross proceeds of $5,098 (note 6 a)).

9. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Capital Management

The Company manages its capital to ensure that it will be able to continue as a going-concern while maximizing the return to stakeholders through the optimization of debt and equity balances.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

a) Capital Management (continued)

The capital of the Company consists of items included in equity, net of cash and cash equivalents, as follows:

	August 31, 2018	August 31, 2017
	$	$
Equity	2,127,815	442,218
Less: cash and cash equivalents	(2,726,440)	(615,407)
	(598,625)	(173,189)

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. The Company has a planning and budgeting process to monitor operating cash requirements, including amounts projected for capital expenditures, which are adjusted as input variables change. These variables include, but are not limited to, the ability of the Company to generate revenue from current and prospective customers, general and administrative requirements of the Company and the availability of capital markets. As these variables change, liquidity risks may necessitate the need for the Company to issue equity or obtain debt financing.

b) Fair Values of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The carrying amounts reported in the statement of financial position for cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values based on the short-term maturities of these financial instruments.

c) Financial Risk Management Objectives

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk and interest rate risk. Where material, these risks are reviewed and monitored.

d) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. Cash is held with reputable banks in Canada. The long-term credit rating of these banks, as determined by Standard and Poor's, was A+.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

e) Liquidity Risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they become due. Refer to note 1 for additional details related to the ability of the Company to continue as a going concern.

The Company is currently pursuing financing alternatives. There can be no assurance that additional future financings will be available on acceptable terms or at all. If the Company is unable to obtain additional financing when required, the Company may have to substantially reduce or eliminate planned expenditures.

Accounts payables and accrued liabilities are paid in the normal course of business generally according to their payment terms. In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the remaining contractual maturities of the Company's financial liabilities as at August 31, 2018:

	Within 1 year	2-3 years	4-5 years	Over 5 years	Total
	$	$	$	$	$
Accounts payable and accrued liabilities	701,697	-	-	-	701,697

f) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk exposure arises from the Company entering into transactions which are denominated in currencies other than its functional currency.

The Company is exposed to currency risk on its accounts payable and accrued liabilities that are held in currencies that are not in the transacting entity's functional currency. As at August 31, 2018, a 5% decrease in the exchange rate between the functional currency and foreign currencies would decrease the net loss by approximately $16,000; a 5% increase would increase the net loss by approximately $16,000. The Company currently does not hedge its currency risk.

g) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. An immaterial amount of interest rate exposure exists in respect of cash balances on the statement of financial position. As a result, the Company is not exposed to material cash flow interest rate risk on its cash balances.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

h) Fair Value Measurements Recognized in the Statement of Financial Position

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. 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 (that is, as prices) or indirectly (that is, derived from prices). 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 (that is, unobservable inputs).

At August 31, 2018, the Company had no financial instruments that were measured and recognized on the statement of financial position at fair value. In addition, there were no transfers between levels during the period.

10. COMMITMENTS AND CONTINGENCIES

As at August 31, 2018, the Company has a consultancy agreement with Numus for the provision of management services at a fee of $20,000 per month, continuing until both parties mutually agree to terminate.

As at August 31, 2018, the Company has committed to spending a total of $49,045 on recruitment efforts over the next 24 months.

The Company leases its office in Debert, NS under an operating lease agreement which commenced on August 1, 2017 for a term of five and a half years. The Company's commitments under the operating lease, in the form of non-cancellable future lease payments are not reflected as a liability on its statement of financial position. Non-cancellable lease payments as at August 31, 2018 are:

Within 1 year	2-3 years	4-5 years	Over 5 years
$	$	$	$
24,000	48,000	32,088	-

The Company is from time to time involved in various claims, legal proceedings and complaints arising in the course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial conditions or future results of operations of the Company.