eXeBlock Technology Corporation

Unaudited Condensed Interim Consolidated Financial Statements

For the period ended November 30, 2018

(Expressed in Canadian Dollars)

January 28, 2018

Management's Responsibility for Financial Reporting

The accompanying unaudited condensed interim consolidated financial statements of **eXeBlock Technology Corporation** (the "Company") are the responsibility of management and have been approved by the Board of Directors. The unaudited condensed interim consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The unaudited condensed interim consolidated financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for the preparation of the financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's unaudited condensed interim consolidated financial statements and recommended their approval by the Board of Directors.

These unaudited condensed interim consolidated financial statements have not been reviewed by the external auditors of the Company.

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

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

eXeBlock Technology Corporation
Unaudited Condensed Interim Consolidated Statements of Financial Position
As at November 30, 2018 and August 31, 2018

Expressed in Canadian dollars	**As at November 30, 2018 $**	**As at August 31, 2018 $**
Assets		
Current assets		
Cash and cash equivalents	**2,098,550**	2,726,440
Accounts receivable	**112,126**	76,774
Other assets (note 5)	**18,648**	21,600
Total current assets	**2,229,324**	2,824,814
Property and equipment (note 6)	**8,941**	4,698
Total assets	**2,238,265**	2,829,512
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**657,873**	701,697
Total liabilities	**657,873**	701,697
Equity		
Shareholders' equity	**1,580,392**	2,127,815
Total liabilities and equity	**2,238,265**	2,829,512

Nature of operations and going concern (note 1)
Commitments and contingencies (note 11)

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

Approved on behalf of the Board of Directors on January 28, 2018.

"Paul Thomson"	"*Ian Klassen*"
Director	Director

eXeBlock Technology Corporation
Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three months ended November 30, 2018 and 2017

Expressed in Canadian dollars

	Three months ended November 30, 2018 $	**Three months ended November 30, 2017 $**
Expenses		
Salaries, wages and benefits (note 9)	**369,721**	100,246
Professional, consulting and directors fees (note 9)	**97,630**	86,597
Stock-based compensation (note 7)	**72,230**	-
Rent and administrative costs (note 9)	**39,075**	14,027
Market development and advertising	**36,738**	67,456
Travel	**6,167**	22,501
Securities and regulatory fees	**3,860**	31,056
Software development	**3,015**	188,776
Listing fees (note 4)	**-**	662,299
Loss before interest income and income taxes	**628,436**	1,172,958
Interest income	**8,783**	-
Income taxes (note 8)	**-**	-
Net loss and comprehensive loss for the period	**619,653**	1,172,958
Loss per share – basic and diluted	**0.01**	0.02
Weighted-average number of common shares outstanding		
Basic and diluted	**61,441,531**	54,527,036

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

eXeBlock Technology Corporation
(formerly 1040433 B.C. Ltd.)
Unaudited Condensed Interim Consolidated Statements of Changes in Equity
For the three months ended November 30, 2018 and the year ended August 31, 2018

	Common Shares		Warrants				
	Number of Shares	Amount	Number of warrants	Amount	Contributed Surplus	Deficit	Total
		$		$	$	$	$
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 4)	5,596,601	279,830	2,600,000	220,238	-	-	500,068
Common shares issued for cash (note 7)	17,707,428	6,197,600	-	-	-	-	6,197,600
Share issuance costs (note 7)	-	(508,358)	-	-	-	-	(508,358)
Share issue costs – Broker warrants (note 7)	-	(316,546)	1,328,057	316,546	-	-	-
Net loss and comprehensive loss for the period	-	-	-	-	-	(1,172,958)	(1,172,958)
Balance, November 30, 2017	**61,404,031**	**6,257,189**	**3,928,057**	**536,784**	**-**	**(1,335,403)**	**5,458,570**
Exercise of warrants (note 7)	37,500	5,052	(37,500)	(3,177)	-	-	1,875
Stock-based compensation (note 7)	-	-	-	-	340,215	-	340,215
Net loss and comprehensive loss for the period	-	-	-	-	-	(3,672,845)	(3,672,845)
Balance, August 31, 2018	**61,441,531**	**6,262,241**	**3,890,557**	**533,607**	**340,215**	**(5,008,248)**	**2,127,815**
Stock-based compensation (note 7)	-	-	-	-	72,230	-	72,230
Net loss and comprehensive loss for the period	-	-	-	-	-	(619,653)	(619,653)
Balance, November 30, 2018	**61,441,531**	**6,262,241**	**3,890,557**	**533,607**	**412,445**	**(5,627,901)**	**1,580,392**

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

eXeBlock Technology Corporation
Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the three months ended November 30, 2018 and 2017

Expressed in Canadian dollars	**Three months ended November 30, 2018 $**	**Three months ended November 30, 2017 $**
Operating activities		
Net loss for the period	**(619,653)**	(1,172,958)
Non-cash items:		
Listing fees	**-**	421,241
Stock-based compensation	**72,230**	-
Depreciation	**376**	-
	(547,047)	(751,717)
Changes in non-cash working capital		
Increase in accounts receivable	**(35,352)**	(40,512)
Decrease (increase) in prepaid expenses	**2,952**	(122,083)
Increase (decrease) in accounts payable and accrued liabilities	**(43,824)**	235,136
Net cash provided from operating activities	**(623,271)**	(679,176)
Investing activities		
Acquisition of property and equipment	**(4,619)**	-
Net cash used in investing activities	**(4,619)**	-
Financing activities		
Proceeds received upon the completion of private placement (note 7)	**-**	6,197,600
Share issuance costs associated with private placement (note 7)	**-**	(508,358)
Cash acquired on reverse acquisition transaction (note 4)	**-**	105,318
Net cash provided by financing activities	**-**	5,794,560
Increase (decrease) in cash and cash equivalents during the period	**(627,890)**	5,115,384
Cash and cash equivalents, beginning of period	**2,726,440**	615,407
Cash and cash equivalents, end of period	**2,098,550**	5,730,791

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. 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 unaudited condensed consolidated interim 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 three months ended November 30, 2018, the Company incurred a net loss of $619,653. 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 unaudited condensed consolidated interim 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. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The Company prepares its unaudited condensed consolidated interim 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").

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), as issued by the IASB. Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, have been omitted or condensed. The unaudited condensed interim consolidated financial statements should be read in conjunction with the audited financial statements of eXeBlock Technology Corporation for the year ended August 31, 2018.

Approval of the consolidated financial statements

These unaudited condensed interim consolidated financial statements for the period ended November 30, 2018 were reviewed by the Company's Audit Committee and approved and authorized for issue by the Company's Board of Directors on January 28, 2019.

The policies applied in these unaudited condensed interim consolidated financial statements are based on the IFRS as of January 28, 2019, the date the Board approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year-ended August 31, 2018 could result in the restatement of these unaudited condensed interim consolidated financial statements.

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 4. All significant inter-company transactions have been eliminated on consolidation.

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.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (continued)

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 unaudited condensed interim consolidated statement 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.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements have been prepared using the same policies and methods of computation as the annual consolidated financial statements of eXeBlock Technology Corporation for the year ended August 31, 2018. Refer to note 2, *Significant Accounting Policies*, of the annual financial statements of eXeBlock Technology Corporation for the year ended August 31, 2018 for information on the accounting policies as well as new accounting standards not yet effective.

4. 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.

4. 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

4. 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.

5. OTHER ASSETS

	As at November 30, 2018	As at August 31, 2018
	$	$
Prepaid expenses	**14,648**	17,600
Deposits	**4,000**	4,000
Digital assets – rights to 940,000 Peerplay tokens[1]	**-**	-
	18,648	21,600

[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 November 30, 2018, the Company has not delivered any DApps to the PBSA.

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated Depreciation	Carrying amount
	$	$	$
Balance at August 31, 2018	5,220	(522)	**4,698**
Additions	4,619	-	**4,619**
Depreciation	-	(376)	**(376)**
Balance at November 30, 2018	9,839	(898)	**8,941**

7. SHARE CAPITAL

a) Common shares

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

12,650,002 common shares of the Company were issued to 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 November 30, 2018, 7,590,002 shares remained in escrow.

b) Private Placement Financing

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.

7. SHARE CAPITAL (continued)

b) 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 $72,230 has been expensed during the three month period ended November 30, 2018 ($340,215 was expensed during the year ended August 31, 2018).

The options outstanding as at November 30, 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	4.2	1,050,000
$0.15	500,000	June 20, 2023	4.6	125,000
	1,900,000		4.3	1,175,000

7. SHARE CAPITAL (continued)

b) Warrants

The following table reflects the continuity of warrants for three months ended November 30, 2018:

	Number of Warrants	Amount $
Balance – August 31, 2017	-	-
Warrants deemed to be issued in association with the Transaction (note 4)	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 and November 30, 2018	**3,890,557**	**533,607**

As at November 30, 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

8. 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

9. RELATED PARTY TRANSACTIONS

During the three month period ended November 30, 2018, the Company incurred rent costs from Fallout Complex Inc. ("Fallout"), a company controlled by the founder of eXeBlock Inc., in the amount of $14,910 ($10,516 during the period ended November 30, 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 November 30, 2018, an amount owing to Fallout of $15,560 was included in accounts payable and accrued liabilities ($11,569 as at November 30, 2017).

During the three months ended November 30, 2018, the Company incurred consultancy fees of $60,000 ($60,000 for the three months ended November 30, 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. The Company also incurred office rental charges of $12,750 from Numus for the three months ended November 30, 2018 ($nil for the three months ended November 30, 2017). 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 2017 financing. The Company incurred financing fees with Numus Capital of $151,338 (7.5%), during the three months ended November 30, 2017. 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 November 30, 2018, an amount owing to Numus of $nil was included in accounts payable and accrued liabilities ($56,988 as at November 30, 2017).

9. RELATED PARTY TRANSACTIONS (continued)

eXeBlock also incurred consulting and director fees to certain directors and officers. The following table summarizes the expenses incurred during the three months ended November 30, 2018 and 2017:

Related party	**Three months ended November 30, 2018**	**Three months ended November 30, 2017**
	$	**$**
Randall Consulting Inc. – for services of Rob Randall, CFO and Corporate Secretary	9,938	32,588
Strategic Concepts Inc. – director fees of Carl Sheppard, Director	22,500	-

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 $36,917 has been recognized in the three months ended November 30, 2018 ($200,409 was 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 $14,803 has been recognized in the three months ended November 30, 2018 ($28,467 was 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)).

10. 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.

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

	November 30, 2018	**August 31, 2018**
	$	$
Equity	1,580,392	2,127,815
Less: cash and cash equivalents	(2,098,550)	(2,726,440)
	(518,158)	(598,625)

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.

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

a) 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.

b) 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.

c) 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+.

d) 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 November 30, 2018:

	Within 1 year	2-3 years	4-5 years	Over 5 years	Total
	$	$	$	$	$
Accounts payable and accrued liabilities	657,873	-	-	-	657,873

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

e) 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 November 30, 2018, a 5% decrease in the exchange rate between the functional currency and foreign currencies would decrease the net loss by approximately $15,000; a 5% increase would increase the net loss by approximately $15,000. The Company currently does not hedge its currency risk.

f) 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.

g) 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 November 30, 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.

11. COMMITMENTS AND CONTINGENCIES

As at November 30, 2018, the Company has a consultancy agreement with Numus for the provision of management and accounting services at a fee of $24,250 per month, continuing until both parties mutually agree to terminate.

As at November 30, 2018, the Company has committed to spending a total of $49,045 on recruitment efforts over the next 21 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 November 30, 2018 are:

Within 1 year	2-3 years	4-5 years	Over 5 years
$	$	$	$
24,000	48,000	26,104	-

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.