

BLOCKCHAINK2 CORP.
(FORMERLY AFRICA HYDROCARBONS INC.)

Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

BLOCKCHAINK2 CORP. (FORMERLY AFRICA HYDROCARBONS INC.)

August 23, 2019

Management's Report to the Shareholders

Management is responsible for the reliability and integrity of these financial statements. The accompanying interim consolidated financial statements have been prepared by management in accordance with International Accounting Standards ("IAS") 34 - Interim Financial Reporting and are in accordance with International Financial Reporting Standards ("IFRS"). The interim consolidated financial statements are presented in Canadian Dollars.

The accompanying interim consolidated financial statements have been prepared using policies and procedures established by management and reflect fairly the Corporation's financial position, results of operations and changes in financial position, within reasonable limits of materiality and within the framework of the accounting policies outlined in the notes to the financial statements. Management has established and maintains a system of internal controls which is designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed of a majority of non-management directors. The Audit Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged.

The following interim consolidated financial statements are unaudited and have not been reviewed by the Corporation's auditor.

BLOCKCHAINK2 CORP. (FORMERLY AFRICA HYDROCARBONS INC.)

Interim Consolidated Statements of Financial Position

As at June 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

	June 30, 2019	September 30, 2018
	(Unaudited)	(Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,266,624	\$ 3,656,732
Trade and other receivables	6,521	32,407
Prepaid expenses and deposits	106,109	96,930
	<u>2,379,254</u>	<u>3,786,069</u>
Equipment (note 6)	131,091	131,091
Investment in Envexergy Inc. (note 7)	654,350	-
	<u>\$ 3,164,695</u>	<u>\$ 3,917,160</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables	\$ 21,598	\$ 368,142
	<u>21,598</u>	<u>368,142</u>
Shareholders' Equity		
Share capital (note 8)	47,039,893	46,938,868
Obligation to issue shares	-	42,000
Warrants (note 8)	-	708,770
Contributed surplus	12,207,252	11,527,087
Accumulated foreign currency translation	1,457,188	1,456,710
Deficit	(57,561,236)	(57,124,417)
	<u>3,143,097</u>	<u>3,549,018</u>
	<u>\$ 3,164,695</u>	<u>\$ 3,917,160</u>

Going concern (note 2)

Commitments and contingencies (note 13)

Subsequent events (note 14)

See accompanying notes to the interim consolidated financial statements.

Approved for issuance by the Board of Directors on August 23, 2019

Signed "Douglas Wu"
Douglas Wu, Director

Signed "Sergei Stetsenko"
Sergei Stetsenko, Director

BLOCKCHAINK2 CORP. (FORMERLY AFRICA HYDROCARBONS INC.)

Interim Consolidated Statements of Comprehensive Loss

For the three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Expenses				
Consulting fees (note 10)	\$ 9,000	\$ 169,537	\$ 27,000	\$ 210,796
Directors' fees (note 10)	99,060	85,730	296,157	245,946
Finance income (note 11)	-	(15,383)	-	(13,529)
Foreign exchange loss	2,990	11,401	7,271	12,346
General and administrative	23,466	126,195	87,331	166,655
Professional fees (recovery)	-	222,954	(8,221)	493,774
Share-based payments (note 8)	-	808,778	-	1,203,348
Travel	1,617	-	29,217	58,269
	(136,133)	(1,409,212)	(438,755)	(2,377,605)
Other item				
Gain on debt settlement	1,936	-	1,936	-
Net loss for the period	(134,197)	(1,409,212)	(436,819)	(2,377,605)
Other comprehensive income (loss)				
Item that will be recognized in profit or loss:				
Exchange gain (loss) on translation	(929)	2,653	478	2,653
Comprehensive loss for the period	\$ (135,126)	\$ (1,406,559)	\$ (436,341)	\$ (2,374,952)
Loss per share for the period:				
Basic and diluted	\$ (0.01)	\$ (0.10)	\$ (0.03)	\$ (0.18)

See accompanying notes to the interim consolidated financial statements.

BLOCKCHAINK2 CORP. (FORMERLY AFRICA HYDROCARBONS INC.)

Interim Consolidated Statements of Changes in Shareholders' Equity

For the nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

	2019	2018
Share capital		
Balance, beginning of period	\$ 46,938,868	\$ 43,981,389
Issued pursuant to private placement (note 8)	-	3,663,157
Share issue costs, including broker warrants	-	(697,216)
Issued pursuant to warrants exercised (note 8)	72,420	-
Fair value of exercised warrants transferred from contributed surplus	28,605	-
Balance, end of period	47,039,893	46,947,300
Obligation to issue shares		
Balance, beginning of period	42,000	-
Issued pursuant to warrants exercised	(42,000)	-
Balance, end of period	-	-
Warrants		
Balance, beginning of period	708,770	104,449
Warrants issued (note 8)	-	1,066,890
Fair value of expired warrants transferred to contributed surplus	(708,770)	-
Balance, end of period	-	1,171,339
Contributed surplus		
Balance, beginning of period	11,527,087	9,959,641
Share-based payments (note 8)	-	1,203,348
Fair value of exercised warrants transferred to share capital	(28,605)	-
Fair value of expired warrants transferred from warrants reserve	708,770	-
Balance, end of period	12,207,252	11,162,989
Accumulated foreign currency translation		
Balance, beginning of period	1,456,710	1,455,146
Gain on translation	478	2,653
Balance, end of period	1,457,188	1,457,799
Deficit		
Balance, beginning of period	(57,124,417)	(54,551,254)
Net loss for the period	(436,819)	(2,377,605)
Balance, end of period	(57,561,236)	(56,928,859)
Shareholders' equity	\$ 3,143,097	\$ 3,810,568

See accompanying notes to the interim consolidated financial statements.

BLOCKCHAINK2 CORP. (FORMERLY AFRICA HYDROCARBONS INC.)

Interim Consolidated Statements of Cash Flows

For the three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Cash provided by (used in):				
Operating activities:				
Loss from continuing operations	\$ (134,197)	\$ (1,409,212)	\$ (436,819)	\$ (2,377,605)
Item not affecting cash:				
Gain on debt settlement	(1,936)	-	(1,936)	-
Share-based payments	-	808,778	-	1,203,348
Cash flows before non-cash operating working capital	(136,133)	(600,434)	(438,755)	(1,174,257)
Change in non-cash operating working capital:				
(Increase) decrease in trade and other receivables	36,559	(15,454)	25,886	(18,244)
Increase in prepaid expenses and deposits	(7,049)	(26,391)	(9,179)	(33,765)
Increase (decrease) in trade and other payables	(65,268)	105,508	(344,608)	249,850
Cash flows from non-cash operating working capital	(35,758)	63,663	(327,901)	197,841
Cash flows used in operating activities	(171,891)	(536,771)	(766,656)	(976,416)
Investing activities:				
Purchase of equipment	-	(238,296)	-	(238,296)
Investment in Envexergy Inc.	(654,350)	-	(654,350)	-
Cash flows used in investing activities	(654,350)	(238,296)	(654,350)	(238,296)
Financing activities:				
Proceeds received from private placement	-	587,500	-	4,444,168
Share issue costs	-	(1,199,358)	-	(1,218,608)
Proceeds received from warrants exercised	-	807,241	30,420	807,241
Cash flows provided by financing activities	-	195,383	30,420	4,032,801
Effect of foreign exchange on cash and cash equivalents				
	(929)	1,257	478	2,653
Net change in cash and cash equivalents	(827,170)	(578,427)	(1,390,108)	2,820,742
Cash and cash equivalents, beginning of period	3,093,794	4,446,436	3,656,732	1,047,267
Cash and cash equivalents, end of period	\$ 2,266,624	\$ 3,868,009	\$ 2,266,624	\$ 3,868,009

See accompanying notes to the interim consolidated financial statements.

BLOCKCHAINK2 CORP. (FORMERLY AFRICA HYDROCARBONS INC.)

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

1. Nature of operations and basis of presentation:

BlockchainK2 Corp. (formerly Africa Hydrocarbons Inc.) (the “Corporation”) is a public company incorporated under the Company Act, Alberta, Canada and its shares are listed on the NEX on the TSX Venture Exchange. The principal business of the Corporation was to explore natural resource properties. In early 2016, the Corporation ceased to operate in the resource sector and on November 23, 2017 it was announced that it is management’s intention to complete a “Change of Business” transaction (“COB Transaction”) pursuant to the policies of the TSX Venture Exchange (“Exchange”), with the result that the Corporation will become a blockchain technology company, listed on the Exchange. On May 28, 2018, the Corporation completed its COB transaction and changed its name to BlockchainK2 Corp. and its stock symbol to BITK. During the year ended September 30, 2018, the Corporation incurred legal fees of \$309,084. \$106,903 were incurred for non-brokered private placements (note 8) and \$151,888 were incurred for COB Transaction.

Effective August 3, 2018, the Corporation began trading on the U.S. OTC Market under the symbol BIDCF.

The address of the Corporation’s main office is Suite 320, 600 6th Ave SW, Calgary, AB, T2P 0S5.

Statement of compliance

These interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), in particular IAS 34, interim reporting, and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) in effect at October 1, 2017. The preparation of consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the interim consolidated financial statements are disclosed in note 5.

Basis of measurement

The interim consolidated financial statements have been prepared on a historical cost basis, except for the valuation of certain financial assets and financial liabilities to fair value.

Items included in the financial statements of the Corporation and its subsidiaries are measured using the currency of the primary economic environment in which the Corporation operates (the “functional currency”). The interim consolidated financial statements are presented in Canadian dollars, which is the Corporation’s functional currency.

2. Going concern:

The interim consolidated financial statements have been prepared on the basis that the Corporation will continue to operate as a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Corporation will manage its activity levels, expenditures and commitments based on its current cash position. For the nine months ended June 30, 2019, the Corporation reported a net loss of \$436,819 (2018 - \$2,377,605), negative operating cash flows of \$766,656 (2018 - \$976,416), and a deficit of \$57,561,236 (September 30, 2018 - \$57,124,417). These conditions indicate the existence of a material uncertainty that casts significant doubt about the Corporation’s ability to continue as a going concern. These interim consolidated financial statements do not reflect adjustments in the amounts and classifications of assets and liabilities reported that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

BLOCKCHAINK2 CORP. (FORMERLY AFRICA HYDROCARBONS INC.)

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

2. Going concern (continued):

The Corporation's ability to continue as a going concern is dependent on its ability to generate additional financial resources in the form of debt and/or equity in order to meet its planned business objectives. During the year ended September 30, 2018, the Corporation raised aggregate proceeds of \$4,169,168 in conjunction with its COB transaction.

3. Significant accounting policies:

These policies have been applied consistently for all periods presented in these interim consolidated financial statements.

a.) Basis of consolidation

The interim consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries: Watutatu Inc., Africa Hydrocarbons (Bahamas) Ltd., and Africa Hydrocarbons Tunisia Ltd.

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Inter-company transactions, balances and unrealized gains or losses with the subsidiaries are eliminated. The financial statements of the subsidiaries are prepared using consistent accounting policies with that of the Corporation.

b.) Cash and cash equivalents

Cash and cash equivalents consist of cash held with banks and cash held in trust accounts with maturities of three months or less.

c.) Foreign currency translations

The functional currency of the Corporation is Canadian dollars and the functional currency of Watutatu Inc., Africa Hydrocarbons (Bahamas) Ltd., and Africa Hydrocarbons Tunisia Ltd. is US dollars.

Transactions in foreign currencies are translated into the respective functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary items are measured in terms of historical cost in a foreign currency and are translated using the exchange rate at the date of the transaction. The foreign currency gains or losses resulting from such transactions are recognized in the interim consolidated statement of comprehensive loss.

The assets and liabilities of the Corporation's subsidiaries which have functional currencies different from the presentation currency of the Corporation are translated to the presentation currency at the rate of exchange in effect at the financial period end; revenue and expenses are translated at average exchange rates. All resulting exchange gains or losses are recognized as a foreign currency translation adjustment and included as a separate component of equity.

BLOCKCHAINK2 CORP. (FORMERLY AFRICA HYDROCARBONS INC.)

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

3. Significant accounting policies (continued):

d.) Equipment

Items of equipment are recorded at cost less accumulated depreciation. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management. The S9 ASIC Hardware used to mine cryptocurrencies are depreciated on a straight-line basis over a three-year life.

e) Impairment of non-financial assets

The Corporation reviews the carrying amounts of its non-financial assets, including equipment, when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash generating unit to which the asset belongs. Assets carried at fair value, such as digital currencies, are excluded from impairment analysis.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows to be derived from continuing use of asset or cash generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Fair value less costs of disposal is estimated using recent market prices for similar items that would be received in an orderly transaction between market participants at the measurement date. If the recoverable amount of an asset or cash generating unit is reduced to its recoverable amount, an impairment loss is recognized immediately in the consolidated statement of comprehensive loss. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

f.) Income taxes

Income tax expense is comprised of current and deferred tax components.

The Corporation follows the liability method of accounting for taxes. Under this method, deferred tax assets and liabilities are recognized based on the estimated tax effects of temporary differences in the carrying amount of assets and liabilities in the consolidated financial statements and their respective tax bases.

Deferred tax assets and liabilities are calculated using the enacted or substantively enacted income tax rates that are expected to apply when the asset is recovered or the liability is settled. Deferred tax assets or liabilities are not recognized when they arise on the initial recognition of an asset or liability in a transaction (other than in a business combination) that, at the time of the transaction, affects neither accounting nor taxable profit.

Deferred tax assets for deductible temporary differences and tax loss carryforwards are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences or tax loss carryforwards can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date, and is reduced if it is no longer probable that sufficient future taxable profits will be available against which the temporary differences or tax loss carryforwards can be utilized.

BLOCKCHAINK2 CORP. (FORMERLY AFRICA HYDROCARBONS INC.)

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

3. Significant accounting policies (continued):

f.) Income taxes (continued)

Current tax is calculated based on net earnings for the year, adjusted for items that are non-taxable or taxed in different periods, using income tax rates that are enacted or substantively enacted at each reporting date. Income taxes are recognized in equity or other comprehensive income, consistent with the items to which they relate.

g.) Share capital

Financial instruments issued by the Corporation are classified as equity only to the extent they do not meet the definition of a financial liability or financial asset. The Corporation's common shares, options and warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that shares are issued.

h.) Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to profit or loss.

i.) Share-based payments

The Corporation's Stock Option Plan (the "Option Plan") provides current employees with the right to elect to receive common shares in exchange for options surrendered. The Corporation records compensation expense over the graded vesting period based on the fair value of options granted. Compensation expense is recorded in the consolidated statement of comprehensive loss as share-based payment expense with a corresponding credit to contributed surplus. When stock options are exercised, the proceeds, together with the amount recorded in contributed surplus, are recorded in share capital. The fair value of stock options granted is estimated using the Black-Scholes Option Pricing Model, taking into account amounts that are believed to approximate the forfeiture rate, volatility of the trading price of the Corporation's shares, the expected lives of the awards of share-based payments, the fair value of the Corporation's stock and the risk-free interest rate, as determined at the grant date. Forfeitures are estimated through the vesting period based on past experience and future expectations, and adjusted upon actual vesting.

j.) Warrants classified as equity

Equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants.

The Corporation has adopted the pro-rata basis method for the measurement of shares and warrants issued as private placement units. The pro-rata basis method requires that gross proceeds and related share issuance costs be allocated to the common shares and the warrants based on the relative fair value of the components. The fair value of the common share is based on the closing price on the closing date of the transaction and the fair value of the warrant is determined using the Black-Scholes Option Pricing Model.

The fair value attributed to the warrant is recorded as warrant equity. If the warrant is exercised, the value attributed to the warrant is transferred to share capital. If the warrant expires unexercised, the value is reclassified to contributed surplus within equity. Warrants, issued as part of private placement units, that have their term of expiries extended, are not subsequently revalued.

BLOCKCHAINK2 CORP. (FORMERLY AFRICA HYDROCARBONS INC.)

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

3. Significant accounting policies (continued):

k.) Financial instruments

The Corporation classifies its financial instruments into one of the following categories: fair value through profit or loss; held-to-maturity investments; loans and receivables; available-for-sale financial assets; and financial liabilities measured at amortized cost. All financial instruments are measured at fair value on initial recognition. Transaction costs in respect of financial instruments at fair value through profit or loss are recognized immediately in the consolidated statement of comprehensive loss. Transaction costs in respect of other financial instruments are included in the initial measurement of the financial instrument and amortized to the consolidated statement of comprehensive loss using the effective interest method. Measurement in subsequent periods is dependent on the classification of the respective financial instrument.

Fair value through profit or loss financial instruments are subsequently measured at fair value with changes in fair value recognized in the consolidated statement of comprehensive loss. All other categories of financial instruments are measured at amortized cost using the effective interest method except for available-for-sale financial assets that are measured at fair value through other comprehensive income.

Cash and cash equivalents and trade and other receivables are classified as loans and receivables. Trade payables are classified as other financial liabilities measured at amortized cost.

Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, an impairment loss is recognized in the consolidated statement of comprehensive loss.

Impairment losses on financial assets carried at amortized cost, including loans and receivables, are calculated as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

l.) Per share amounts

Basic per share amounts are calculated by dividing the net earnings or loss by the weighted average number of shares outstanding during the year. Diluted per share amounts are calculated by using the treasury stock method, by adjusting the weighted average number of shares outstanding for the potential number of issued instruments which may have a dilutive effect on net earnings or loss. This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the period.

BLOCKCHAINK2 CORP. (FORMERLY AFRICA HYDROCARBONS INC.)

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

4. Accounting standards:

Future accounting standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after October 1, 2017 or later periods.

The standards impacted that are applicable to the Corporation are as follows:

- a.) IFRS 2, "*Share-based Payment*" was amended in June 2016, the International Accounting Standards Board (IASB) issued amendments to IFRS 2, incorporated in Part I of the CPA Canada Handbook-Accounting by the Accounting Standards Board (ASB) in November 2016, to clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Corporation continues to assess this new standard, but does not expect it to have a significant impact.

- b.) IFRS 9, "*Financial Instruments*" was issued in November 2009 as the first step in its project to replace IAS 39 "*Financial Instruments: Recognition and Measurement*". IFRS 9 introduces new requirements for classifying and measuring financial assets. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for impairment and hedge accounting. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018. The Corporation continues to assess this new standard, but does not expect it to have a significant impact.
- c.) IFRS 15, "*Revenue from Contracts with Customers*" was issued in May 2016 to replace IAS 18 "*Revenue*" and IAS 11 "*Construction Contracts*", and several revenue related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options and other common complexities. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The Corporation continues to assess this new standard, but does not expect it to have a significant impact until revenue generating activities occur.
- d.) IFRS 16, "*Leases*" was issued on January 13, 2017, the IASB issued IFRS 16 *Leases* which replaces IAS 17. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The standard becomes effective January 1, 2019. IFRS 16 will not impact the Corporation's consolidated financial statements until such time as the Corporation enters into lease arrangements.

BLOCKCHAINK2 CORP. (FORMERLY AFRICA HYDROCARBONS INC.)

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

5. Critical accounting estimates and judgments:

The Corporation has made estimates and assumptions regarding certain assets, liabilities, and expenses in the preparation of the consolidated financial statements. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Accounting estimates

a.) Share-based payments

The Corporation has made various assumptions in estimating the fair values of stock options granted including expected volatility, expected exercise behavior and future forfeiture rates. At each period end, options outstanding are re-measured for changes in the fair value of the liability due to forfeitures.

b.) Measurement of warrant valuation

The Corporation uses an option-pricing model to determine the fair value of the warrant. Inputs to the model are subject to various estimates about volatility, interest rates, dividend yields, forfeiture rates and expected life of the instruments issued. Fair value inputs are subject to market factors as well as internal estimates. The Corporation considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

c.) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

d) Depreciation

Depreciation of equipment is based on an estimate of the assets' expected life. In order to determine the useful life of the assets, assumptions are required about a range of computing industry market and economic factors, including global hashrates dedicated to proof of work mining, network difficulty, technological changes, release and availability of newer and more efficient hardware and other inputs, and production costs. Based on the data that management has reviewed, management has determined to use the straight-line method of depreciation over three years, to best reflect the current expected useful life of mining equipment. Management will review its estimates and assumptions at each reporting date and will revise its assumptions if new information supports the change.

Accounting judgments

a.) Deferred taxes

Tax interpretations, regulations and legislation are subject to change and as such income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

Actual results may differ from these estimates due to, among other factors, future changes in business environment, currently unknown changes in income tax legislation, or results from the final review of tax returns by tax authorities.

BLOCKCHAINK2 CORP. (FORMERLY AFRICA HYDROCARBONS INC.)

Notes to the Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2019 and 2018
(Unaudited - Expressed in Canadian dollars)

5. Critical accounting estimates and judgments (continued):

Accounting judgments (continued)

b.) Functional currency

The determination of the Corporation's functional currency requires analyzing facts that are considered primary factors, and if the results are not conclusive, secondary factors. The analysis requires the Corporation to apply significant judgment since primary and secondary factors may be mixed. In determining its functional currency the Corporation analyzed both the primary and secondary factors, including the currency of the Corporation's revenues, operating costs, general and administrative costs and financing proceeds in the countries that it operates in.

c.) Going concern assessment

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Corporation's ability to source future operations and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption were not appropriate for the consolidated financial statements, then adjustments to the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position would be necessary.

6. Equipment:

	Antminers
Cost	
Balance, September 30, 2017	\$ -
Additions	244,785
Balance, September 30, 2018 and June 30, 2019	\$ 244,785
Accumulated impairment	
Balance, September 30, 2017	\$ -
Impairment	113,694
Balance, September 30, 2018 and June 30, 2019	\$ 113,694
Net book value	
Balance, September 30, 2018 and June 30, 2019	\$ 131,091

An impairment review of equipment is carried out when there is an indication that the equipment may be impaired by comparing the carrying amount thereof to its recoverable amount.

Management has determined the recoverable amount of equipment using recent market prices for similar items. During the year ended September 30, 2018, the market price for similar equipment decreased by over 40%, therefore, the recoverable amount is less than the carrying amount, resulting to an impairment of \$113,694.

No impairment is recognized during the nine months ended June 30, 2019.

BLOCKCHAINK2 CORP. (FORMERLY AFRICA HYDROCARBONS INC.)

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

7. Investment in Envexergy Inc.

On June 2019, the Company acquired 185,625 shares of series seed preferred stock of Envexergy Inc. for a price of \$654,350 (US\$ 500,000).

8. Share capital:

a.) Authorized:

Unlimited number of common voting shares and preferred shares

b.) Issued:

On June 30, 2017, the Corporation completed a consolidation of its issued and outstanding common shares on the basis of twenty pre-consolidation common shares for each one post-consolidation common share. All per share numbers in these financial statements have been adjusted to reflect this consolidation.

	Number of Shares		Amount
Balance, September 30, 2017	12,095,475	\$	43,981,389
Issued pursuant private placement (i)	450,816		275,000
Issued pursuant private placement (ii)	3,335,334		4,169,168
Warrants issued with private placement (note 8(d))	-		(807,241)
Finder warrants	-		(259,649)
Share issue costs	20,000		(419,799)
Balance, September 30, 2018	15,901,625	\$	46,938,868
Issued pursuant to warrants exercised (iii)	349,062		72,420
Fair value of exercised warrants transferred from contributed surplus (iii)	-		28,605
Balance, June 30, 2019	16,250,687	\$	47,039,893

- (i) On November 8, 2017, the Corporation closed a non-brokered private placement of 450,816 common shares at a price of \$0.61 per common share for gross proceeds of \$275,000. Finders' fee totaling \$19,250 in cash and finders' warrants to acquire 31,557 common shares at a price of \$0.61 per share for a period of 12 months was paid. The Corporation also paid legal fees of \$9,840.
- (ii) During the year ended September 30, 2018, upon completion of the COB transaction, the Corporation issued 3,335,334 common shares and 1,666,667 common share purchase warrants, for gross proceeds of \$4,169,168. Each warrant entitles the holder to purchase one common share of the Corporation at an exercise price of \$2.00 per common share for 12 months from the date of issuance. Finders' fee totaling \$392,117 in cash, 20,000 common shares valued at \$26,200, and finders' warrants to acquire 28,000 common shares at a price of \$1.25 per share for a period of two years valued at \$36,119, finders' warrants to acquire 10,000 common shares at a price of \$2.00 per share for a period of two years valued at \$12,847, finders' warrants to acquire 176,773 common shares at a price of \$1.25 per share for a period of one year valued at \$192,108, was paid (note 8 (d)). The Corporation also paid legal fees of \$97,063.
- (iii) On February 13, 2019, the Corporation issued 349,062 common shares for an aggregate value of \$72,420 pursuant to exercise of warrants. In relation to the issuance, the Corporation reclassified \$28,605 from contributed surplus to share capital.

BLOCKCHAINK2 CORP. (FORMERLY AFRICA HYDROCARBONS INC.)

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

8. Share capital (continued):

c.) Stock options:

The Corporation has an Option Plan whereby a maximum of 20% of the issued and outstanding common shares of the Corporation may be reserved for issuance pursuant to the exercise of stock options. The stock options vest immediately on the date of grant unless otherwise required by the Exchange or imposed by the Corporation.

A summary of the Corporation's stock options, and the changes during the period then ended is as follows:

	June 30, 2019		September 30, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	3,180,324	\$ 0.28	820,549	\$ 0.16
Granted	-	-	2,359,775	0.33
Options outstanding and exercisable, end of period	3,180,324	\$ 0.28	3,180,324	\$ 0.28

The following table summarizes information about stock options outstanding and exercisable at June 30, 2019:

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
\$0.16	820,549	8.00 years	\$0.16
\$0.52	434,080	8.34 years	\$0.52
\$0.25	1,130,614	8.94 years	\$0.25
\$0.33	795,081	8.94 years	\$0.33
	3,180,324	8.62 years	\$0.28

The fair values of the Corporation's options issued were estimated using the Black-Scholes option pricing model. Expected volatility was estimated by considering historic average share price volatility. The inputs used to measure the fair value of options issued were as follows:

	June 15, 2018	November 8, 2017	September 30, 2017
Volatility	268%	150%	368%
Risk free interest rate	2.18%	1.91%	1.68%
Expected life	10 years	10 years	3 years

On November 8, 2017, the Corporation granted options to certain directors of the Corporation to acquire a total of 434,080 common shares at an exercise price of \$0.52 per share and expire 10 years from the date of grant.

On June 15, 2018, the Corporation granted options to certain directors of the Corporation to acquire a total of 1,130,614 common shares at an exercise price of \$0.25 per share and expire 10 years from the date of grant, and 795,081 common shares at an exercise price of \$0.33 per share and expire 10 years from the date of grant.

Share-based payments totaling \$Nil were expensed during the nine months ended June 30, 2019 (2018 - \$1,203,348).

BLOCKCHAINK2 CORP. (FORMERLY AFRICA HYDROCARBONS INC.)

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

8. Share capital (continued):**d.) Warrants:**

	June 30, 2019		September 30, 2018	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of period	2,263,059	\$ 1.64	1,570,312	\$ 0.24
Issued (note 8(b) (i,ii))	-	-	1,913,997	1.90
Exercised (note 8(b) (iii))	(349,062)	0.21		
Expired	(1,875,997)	1.91	(1,221,250)	0.24
Warrants outstanding, end of period	38,000	\$ 1.65	2,263,059	\$ 1.64

The following table summarizes information about warrants outstanding and exercisable at June 30, 2019:

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
\$1.25	28,000	0.76 year	\$1.25
\$2.00	10,000	0.76 year	\$2.00
	38,000	0.76 year	\$1.65

The inputs used to measure the fair value of warrants issued were as follows:

Number	176,773	10,000	28,000	1,667,667	31,557
Exercise price	\$1.25	\$2.00	\$1.25	\$2.00	\$0.61
Stock price	\$1.31	\$1.31	\$1.31	\$1.31	\$0.92
Volatility	271%	341%	341%	157%	150%
Risk free interest rate	1.76%	1.81%	1.81%	1.92%	1.40%
Expected life	1 year	2 years	2 years	1 year	1 year
Fair value	\$192,108	\$12,847	\$36,119	\$807,241	\$18,575

9. Per share amounts:

The number of shares that have been included in the computation of basic and diluted loss per share are as follows:

Three months ended June 30,	2019	2018
Weighted average shares outstanding, basic and diluted	16,250,687	13,884,885
Nine months ended June 30,	2019	2018
Weighted average shares outstanding, basic and diluted	16,076,795	12,928,087

In calculating diluted loss per common share for the three and nine months ended June 30, 2019 and 2018, the Corporation excluded all options and warrants as it is currently in a loss position.

BLOCKCHAINK2 CORP. (FORMERLY AFRICA HYDROCARBONS INC.)

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

10. Key management compensation and related party transactions:

Related party transactions are in the normal course of operations and are made in terms equivalent to those that prevail in arm's length transactions, which is the amount of consideration established and agreed to by the related parties. The following is a summary of the related party transactions that occurred throughout the three and nine months ended June 30, 2019 and 2018:

- a.) During the three months ended June 30, 2019, the Corporation incurred directors' fees of \$99,060 (2018 - \$137,093).

During the nine months ended June 30, 2019, the Corporation incurred directors' fees of \$296,157 (2018 - \$288,809).

- b.) During the three months ended June 30, 2019, the Corporation incurred \$9,000 (2018 - \$Nil) to Canmore Financial Services, Inc., a company controlled by the CFO of the Corporation.

During the nine months ended June 30, 2019, the Corporation incurred \$15,000 (2018 - \$Nil) to Canmore Financial Services, Inc., a company controlled by the CFO of the Corporation.

- c.) During the three months ended June 30, 2019, the Corporation incurred \$Nil (2018 - \$9,000) to BridgeMark Financial Corp., a company controlled by the former CFO of the Corporation.

During the nine months ended June 30, 2019, the Corporation incurred \$12,000 (2018 - \$15,000) to BridgeMark Financial Corp., a company controlled by the former CFO of the Corporation.

- d.) During the three months ended June 30, 2019, the Corporation incurred \$Nil (2018 - \$5,000) to PJW Consulting Services Ltd., a company controlled by a director of the Corporation.

During the nine months ended June 30, 2019, the Corporation incurred \$Nil (2018 - \$15,000) to PJW Consulting Services Ltd., a company controlled by a director of the Corporation.

- e.) As at June 30, 2019, included in the accounts payable and accrued liabilities, the Corporation has \$4,125 (September 30, 2018 - \$9,863) due to related parties as result of related party transactions incurred throughout the period.

Compensation of key management personnel

Three months ended June 30,	2019	2018
Directors' and consulting fees	\$ 108,060	\$ 146,093
Share-based payments	-	808,779
	\$ 108,060	\$ 954,872

Nine months ended June 30,	2019	2018
Directors' and consulting fees	\$ 323,157	\$ 318,809
Share-based payments	-	1,203,347
	\$ 323,157	\$ 1,522,156

BLOCKCHAINK2 CORP. (FORMERLY AFRICA HYDROCARBONS INC.)

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

11. Financial instruments:

The carrying values of the Corporation's financial instruments by category were as follows:

June 30, 2019		
	Loans and receivables at amortized cost	Financial liabilities at amortized cost
Cash and cash equivalents	\$ 2,266,624	\$ -
Trade and other receivables	6,521	-
Trade payables	-	(21,598)
	\$ 2,273,145	\$ (21,598)

September 30, 2018		
	Loans and receivables at amortized cost	Financial liabilities at amortized cost
Cash and cash equivalents	\$ 3,656,732	\$ -
Trade and other receivables	32,407	-
Trade payables	-	(368,142)
	\$ 3,689,139	\$ (368,142)

The carrying value of the Corporation's financial instruments approximate their fair value due to their short-term maturity.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable. The three levels of the fair value hierarchy are:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of the Corporation's cash and cash equivalents constitutes a Level 1 fair value measurement. The fair value of the Corporation's receivables, and trade payables approximate the carrying value due to their short-term nature. There was no transfer of classification among the levels of fair value hierarchy.

Financial risk factors

a.) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's cash and cash equivalents, and trade and other receivables are exposed to credit risk. The credit risk on cash and cash equivalents is not considered significant because the counterparties are highly-rated financial institutions. The trade and other receivables mainly comprise of GST recoverable.

b.) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking harm to the Corporation's reputation.

BLOCKCHAINK2 CORP. (FORMERLY AFRICA HYDROCARBONS INC.)

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

11. Financial instruments (continued):

b.) Liquidity risk (continued):

The following are the contractual maturities of financial liabilities as at June 30, 2019:

Financial Liabilities	< One Year	> One Year
Trade payables	\$21,598	\$ -
Total	\$21,598	\$ -

The following are the contractual maturities of financial liabilities as at September 30, 2018:

Financial Liabilities	< One Year	> One Year
Trade payables	\$368,142	\$ -
Total	\$368,142	\$ -

c.) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as interest rates and foreign exchange rates that will affect the Corporation's comprehensive loss or the value of financial instruments. The objective of market risk management is to control market risk exposures within acceptable limits, while maximizing returns.

- Interest rate risk is the risk that future cash flows will fluctuate as a result in changes in market interest rates. The Corporation is exposed to interest rate risk to the extent the changes in market interest rates will impact the Corporation's interest income earned on cash and cash equivalents. The Corporation has not entered into any interest rate swaps or financial contracts to date. With regards to interest rate risk, a change of 1% in the effective interest rate would have a minimal impact on the consolidated statement of loss and comprehensive loss.
- Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange risks. The Corporation is exposed to foreign exchange rate risk since the costs of its foreign subsidiaries will mostly be denominated in US dollars. The effect of a 1% change in the exchange rate would have approximately a \$159,705 impact on the consolidated statement of other comprehensive loss.

12. Capital disclosures:

In the definition of capital, the Corporation includes shareholders' equity. The Corporation's objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares, or engage in debt financing.

The Corporation is not exposed to external capital requirements.

BLOCKCHAINK2 CORP. (FORMERLY AFRICA HYDROCARBONS INC.)

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

13. Commitment and contingencies:

The Corporation was involved in litigation matters arising out of the ordinary course and conduct of its business from operations conducted in Tunisia in the amount of US\$135,989. A settlement estimate of \$75,000 was accrued in the 2016 financial statements.

On April 3, 2017 the Corporation executed and finalized a full and final release on a claim in arbitration for a settlement amount of \$50,000. The Corporation has paid \$50,000 to the former partner and agreed upon that a further \$35,000 payment will be required if the Corporation completes either a \$1,000,000 in financing on or before April 3, 2018, either as a single or part of multiple financings or the market capitalization of the release exceeds \$2,500,000 for a 30-day period within the next 2 years. As at September 30, 2017, these events were met and therefore \$35,000 has been paid resulting in an additional \$10,000 being expensed in the consolidated statement of comprehensive loss.

14. Subsequent events:

On July 22, 2019, the Company has entered into a sale, assumption and assignment agreement and income promissory note with respect to its S9J miners with 500 N 4th Street LLC (doing business as “Standard Power”).