

**BLOCKCHAINK2 CORP.**

**Interim Consolidated Financial Statements**

**For the three and nine months ended June 30, 2020 and 2019**

**(Expressed in Canadian dollars)**

## **BLOCKCHAINK2 CORP.**

**August 31, 2020**

### **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.**

Interim Consolidated Statements of Financial Position

As at June 30, 2020 and September 30, 2019

(Expressed in Canadian dollars)

	<b>June 30, 2020</b>	<b>September 30, 2019</b>
	(Unaudited)	(Audited)
<b>Assets</b>		
Current assets:		
Cash	\$ 1,637,262	\$ 2,140,540
Receivables	1,581	3,443
Inventory	59,623	-
Prepaid expenses (note 5)	128,779	100,458
	<u>1,827,245</u>	<u>2,244,441</u>
Non-current assets:		
Note receivable (note 7)	20,055	50,865
Investment in Envexergy Inc. (note 8)	654,350	654,350
Goodwill (note 13)	187,960	-
	<u>862,365</u>	<u>705,215</u>
	<u><b>\$ 2,689,610</b></u>	<u><b>\$ 2,949,656</b></u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Trade payables (note 12)	\$ 74,125	\$ 53,944
Loans payable (note 9)	84,071	-
	<u>158,196</u>	<u>53,944</u>
<b>Shareholders' Equity</b>		
Share capital (note 10)	47,039,893	47,039,893
Contributed surplus (note 10)	12,207,252	12,207,252
Accumulated foreign currency translation	1,474,184	1,457,713
Deficit	(58,302,240)	(57,809,146)
Non-controlling interest (note 14)	112,325	-
	<u>2,531,414</u>	<u>2,895,712</u>
	<u><b>\$ 2,689,610</b></u>	<u><b>\$ 2,949,656</b></u>

Going concern (note 2)

See accompanying notes to the interim consolidated financial statements.

Approved for issuance by the Board of Directors on August 31, 2020

Signed "D Lindsay Wu"

D Lindsay Wu, Director

Signed "Sergei Stetsenko"

Sergei Stetsenko, Director

**BLOCKCHAINK2 CORP.**

Interim Consolidated Statements of Comprehensive Loss

For the three and

nine months ended June 30, 2020 and 2019

(Unaudited - Expressed in Canadian dollars)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2020	2019	2020	2019
Sales (Note 16)	\$ 23,384	\$ -	\$ 24,946	\$ -
Cost of sales	(28,741)	-	(40,575)	-
<b>Gross margin</b>	<b>(5,357)</b>	<b>-</b>	<b>(15,629)</b>	<b>-</b>
<b>Expenses</b>				
Advertising and promotion	2,924	-	2,924	13,433
Consulting fees (note 12)	9,000	9,000	30,433	27,000
Directors' fees (note 12)	99,678	99,060	297,285	296,157
Transfer agent, filing, and listing fees	29,478	17,521	36,178	35,833
Foreign exchange (gain) loss	(525)	2,990	6,004	7,271
General and administrative	10,467	5,945	42,455	38,065
Investor relations	14,015	-	14,015	-
Professional fees (recovery)	79	-	32,476	(8,221)
Salaries	42,087	-	42,087	-
Travel	(3)	1,617	18,961	29,217
	207,200	136,133	522,818	438,755
Other items				
Accretion on note receivable (note 17)	1,319	-	1,319	-
Gain on debt settlement	-	1,936	-	1,936
<b>Net loss for the period</b>	<b>(211,238)</b>	<b>(134,197)</b>	<b>(537,128)</b>	<b>(436,819)</b>
Other comprehensive income (loss)				
Item that will be recognized in profit or loss:				
Exchange gain (loss) on translation	3,124	(929)	16,471	478
<b>Comprehensive loss for the period</b>	<b>\$ (208,114)</b>	<b>\$ (135,126)</b>	<b>\$ (520,657)</b>	<b>\$ (436,341)</b>
<b>Net loss for the period attributable to:</b>				
Common shareholders	\$ (176,921)	\$ (134,197)	\$ (493,094)	\$ (436,819)
Non-controlling interest	(34,317)	-	(44,034)	-
	<b>\$ (211,238)</b>	<b>\$ (134,197)</b>	<b>\$ (537,128)</b>	<b>\$ (436,819)</b>
<b>Comprehensive loss for the period attributable to:</b>				
Common shareholders	\$ (178,608)	\$ (135,126)	\$ (491,203)	\$ (436,341)
Non-controlling interest	(29,506)	-	(29,454)	-
	<b>\$ (208,114)</b>	<b>\$ (135,126)</b>	<b>\$ (520,657)</b>	<b>\$ (436,341)</b>
<b>Loss per share for the period:</b>				
<b>Basic and diluted</b> (note 11)	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>	<b>\$ (0.03)</b>

See accompanying notes to the interim consolidated financial statements.

**BLOCKCHAINK2 CORP.**

Interim Consolidated Statements of Shareholders' Equity

As at June 30, 2020 and September 30, 2019

(Expressed in Canadian dollars)

	<b>June 30, 2020</b>	<b>September 30, 2019</b>
<b>Share capital</b>		
Balance, beginning of period	\$ 47,039,893	\$ 46,938,868
Issued pursuant to warrants exercised	-	72,420
Fair value of exercised warrants transferred from contributed surplus	-	28,605
Balance, end of period	47,039,893	47,039,893
<b>Obligation to issue shares</b>		
Balance, beginning of period	-	42,000
Issued pursuant to warrants exercised	-	(42,000)
Balance, end of period	-	-
<b>Warrants</b>		
Balance, beginning of period	-	708,770
Balance, end of period	-	708,770
<b>Contributed surplus</b>		
Balance, beginning of period	12,207,252	11,527,087
Fair value of exercised warrants transferred to share capital	-	(28,605)
Balance, end of period	12,207,252	11,498,482
<b>Accumulated foreign currency translation</b>		
Balance, beginning of period	1,457,713	1,456,710
Gain on translation	16,471	1,407
Balance, end of period	1,474,184	1,458,117
<b>Deficit</b>		
Balance, beginning of period	(57,809,146)	(57,124,417)
Net loss for the period	(493,094)	(302,622)
Balance, end of period	(58,302,240)	(57,427,039)
<b>Non-controlling interest</b>		
Balance, beginning of period	-	-
Acquisition of Sobe Organics, Inc.	141,779	-
Net loss for the period	(44,034)	-
Gain on translation	14,580	-
Balance, end of period	112,325	-
<b>Shareholders' equity</b>	<b>\$ 2,531,414</b>	<b>\$ 3,278,223</b>

See accompanying notes to the interim consolidated financial statements.

**BLOCKCHAINK2 CORP.**

Interim Consolidated Statements of Cash Flows

For the three and nine months ended June 30, 2020 and 2019

(Unaudited - Expressed in Canadian dollars)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2020	2019	2020	2019
Cash provided by (used in):				
<b>Operating activities:</b>				
Loss from continuing operations	\$ (211,238)	\$ (134,197)	\$ (537,128)	\$ (436,819)
Items not affecting cash:				
Accretion on note receivable	(1,319)	-	(1,319)	-
Adjustment on the fair value of goodwill acquired from Sobe Organics	(60,699)	-	-	-
Gain on debt settlement	-	(1,936)	-	(1,936)
<b>Cash flows before non-cash operating working capital</b>	<b>(273,256)</b>	<b>(136,133)</b>	<b>(538,447)</b>	<b>(438,755)</b>
Change in non-cash operating working capital:				
Decrease in receivables	5,904	36,559	1,862	25,886
Increase in prepaid expenses	(28,651)	(7,049)	(28,321)	(9,179)
(Increase)/decrease in inventory	2,445	-	(132)	-
Increase/(decrease) in trade payables	29,482	(65,268)	(64,626)	(344,608)
<b>Cash flows from non-cash operating working capital</b>	<b>9,180</b>	<b>(35,758)</b>	<b>(91,217)</b>	<b>(327,901)</b>
<b>Cash flows used in operating activities</b>	<b>(264,076)</b>	<b>(171,891)</b>	<b>(629,664)</b>	<b>(766,656)</b>
<b>Investing activities:</b>				
Proceeds from collection of note receivable	14,238	-	32,129	-
Acquisition of Sobe Organics Inc.	-	-	16,966	-
Investment in Envexergy Inc.	-	(654,350)	-	(654,350)
<b>Cash flows provided by (used in) investing activities</b>	<b>14,238</b>	<b>(654,350)</b>	<b>49,095</b>	<b>(654,350)</b>
<b>Financing activities:</b>				
Proceeds received from warrants exercised	-	-	-	30,420
Proceeds from loans , net of repayment	46,803	-	45,909	-
<b>Cash flows provided by financing activities</b>	<b>46,803</b>	<b>-</b>	<b>45,909</b>	<b>30,420</b>
Effect of foreign exchange on cash	1,818	(929)	31,382	478
Net change in cash	(201,217)	(827,170)	(503,278)	(1,390,108)
Cash, beginning of period	1,838,479	3,093,794	2,140,540	3,656,732
<b>Cash, end of period</b>	<b>\$ 1,637,262</b>	<b>\$ 2,266,624</b>	<b>\$ 1,637,262</b>	<b>\$ 2,266,624</b>

See accompanying notes to the interim consolidated financial statements.

## **BLOCKCHAINK2 CORP.**

Notes to the Interim Consolidated Financial Statements  
For the three and nine months ended June 30, 2020 and 2019  
(Unaudited - Expressed in Canadian dollars)

---

### **1. Nature of operations and basis of presentation:**

BlockchainK2 Corp. (the “Corporation”) is a public company incorporated under the Company Act, Alberta, Canada and its shares are listed on the NEX Board on the TSX Venture Exchange (“Exchange”). The principal business of the Corporation was to explore natural resource properties. In 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 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.

The Corporation is currently operating as a holding company investing in blockchain technology solutions for capital markets and other sectors that can be made more efficient through tokenization.

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 400 - 837 West Hastings Street, Vancouver, BC V6C3N6.

#### **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”). The preparation of interim 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 interim 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 4.

#### **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 at 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 a going concern basis, which assumes that the Corporation will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Corporation manages its activity levels, expenditures and commitments based on its current cash position. For the nine months ended June 30, 2020, the Corporation reported a net loss of \$537,128 (2019 - \$436,819), negative operating cash flows of \$629,664 (2019 - \$766,656), and a deficit of \$58,302,240 (September 30, 2019 - \$57,809,146). The ability of the Corporation to continue as a going concern is dependent on generating profitable operations and raising additional financing in the form of debt and/or equity in order to meet its planned objectives. Having been prepared giving effect to the going concern assumption, these financial statements do not reflect any 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.**

Notes to the Interim Consolidated Financial Statements  
For the three and nine months ended June 30, 2020 and 2019  
(Unaudited - Expressed in Canadian dollars)

---

### **2. Going concern (continued):**

During the period ended June 30, 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, the Corporation anticipate this outbreak might increase the difficulty in capital raising which may negatively impact the Corporation's business and financial condition.

### **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 subsidiaries.

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 interim 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 on consolidation. The financial statements of the subsidiaries are prepared using consistent accounting policies with that of the Corporation.

At June 30, 2020 and September 30, 2019, the Corporation's subsidiaries are as follows:

	<b>Percentage owned</b>	
	<b>June 30, 2020</b>	<b>September 30, 2019</b>
Watutatu Inc.	100%	100%
Africa Hydrocarbons (Bahamas) Ltd.	100%	100%
Africa Hydrocarbons Tunisia Ltd.	100%	100%
Sobe Organics, Inc.	51%	-

#### *Non-controlling interests*

Non-controlling interests in the Corporation's less than wholly-owned subsidiaries are classified as a separate component of equity. On initial recognition, non-controlling interests are measured at their proportionate share of the acquisition date fair value of identifiable net assets of the related subsidiary acquired by the Corporation.

## **BLOCKCHAINK2 CORP.**

Notes to the Interim Consolidated Financial Statements  
For the three and nine months ended June 30, 2020 and 2019  
(Unaudited - Expressed in Canadian dollars)

---

### **3. Significant accounting policies (continued):**

#### **a.) Basis of consolidation (continued)**

Subsequent to the acquisition date, adjustments are made to the carrying amount of non-controlling interests for the non-controlling interests' share of changes to the subsidiary's equity. Adjustments to recognize the noncontrolling interests' share of changes to the subsidiary's equity are made even if this results in the noncontrolling interests having a deficit balance.

Changes in the Corporation's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interests is adjusted to reflect the change in the non-controlling interests' relative interests in the subsidiary and the difference between the adjustment to the carrying amount of non-controlling interests and the Corporation's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to the shareholders 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., Africa Hydrocarbons Tunisia Ltd., and Sobe Organics Inc. 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.

#### **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.

#### **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

## **BLOCKCHAINK2 CORP.**

Notes to the Interim Consolidated Financial Statements  
For the three and nine months ended June 30, 2020 and 2019  
(Unaudited - Expressed in Canadian dollars)

---

### **3. Significant accounting policies (continued):**

#### **e.) Impairment of non-financial assets (continued)**

the recoverable amount of the cash generating unit to which the asset belongs. Assets carried at fair value, 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.

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.

## **BLOCKCHAINK2 CORP.**

Notes to the Interim Consolidated Financial Statements  
For the three and nine months ended June 30, 2020 and 2019  
(Unaudited - Expressed in Canadian dollars)

---

### **3. Significant accounting policies (continued):**

#### **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**

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

#### **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.

#### **k.) 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 period. 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.

#### **l.) Revenue**

IFRS 15 Revenue from Contracts with Customers, utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

## BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements  
For the three and nine months ended June 30, 2020 and 2019  
(Unaudited - Expressed in Canadian dollars)

---

### 3. Significant accounting policies (continued):

#### l.) Revenue (continued)

The Corporation recognizes revenue when it satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when the customer obtains control of that asset.

#### m.) Change in accounting policies – IFRS 9, *Financial Instruments*

##### *IFRS 9, Financial Instruments*

The Corporation has adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9”) as of October 1, 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Corporation’s accounting policy with respect to financial liabilities is unchanged.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets prospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or on the transition date.

The following is the Corporation’s new accounting policy for financial instruments under IFRS 9.

#### **Classification**

The Corporation classifies its financial instruments in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive loss (“FVTOCI”) or at amortized cost. The Corporation determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Corporation’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Corporation can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Corporation has opted to measure them at FVTPL.

The Corporation completed a detailed assessment of its financial assets and liabilities as at October 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<b>Financial assets/liabilities</b>	<b>Original classification IAS 39</b>	<b>New classification IFRS 9</b>
Cash	Loans and receivables	FVTPL
Receivables	Loans and receivables	Amortized cost
Trade payables	Financial liabilities	Amortized cost
Loans payable	Financial liabilities	Amortized cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on October 1, 2018.

## **BLOCKCHAINK2 CORP.**

Notes to the Interim Consolidated Financial Statements  
For the three and nine months ended June 30, 2020 and 2019  
(Unaudited - Expressed in Canadian dollars)

---

### **3. Significant accounting policies (continued):**

#### **m.) Change in accounting policies – IFRS 9, *Financial Instruments* (continued)**

##### **Measurement**

###### ***Financial assets at FVTOCI***

Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive loss.

###### ***Financial assets and liabilities at amortized cost***

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

###### ***Financial assets and liabilities at FVTPL***

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transactions costs expensed in the statements of net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recorded in the statements of loss and comprehensive loss in the period in which they arise.

##### **Impairment of financial assets at amortized cost**

The Corporation recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Corporation measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset's credit risk has not increased significantly since initial recognition, the Corporation measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Corporation shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

##### **Derecognition**

###### ***Financial assets***

The Corporation derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

###### ***Financial liabilities***

The Corporation derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss. The Corporation also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

## **BLOCKCHAINK2 CORP.**

Notes to the Interim Consolidated Financial Statements  
For the three and nine months ended June 30, 2020 and 2019  
(Unaudited - Expressed in Canadian dollars)

---

### **3. Significant accounting policies (continued):**

#### **n.) Change in accounting policies – IFRS 16, *Leases***

IFRS 16, “*Leases*”

IFRS 16 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 is not expected to have an impact on the Corporation’s interim consolidated financial statements until such time as the Corporation enters into lease arrangements.

### **4. Critical accounting estimates and judgments:**

The Corporation has made estimates and assumptions regarding certain assets, liabilities, and expenses in the preparation of the interim consolidated financial statements. Such estimates primarily relate to unsettled transactions and events as of the date of the interim 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.

##### **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.

## **BLOCKCHAINK2 CORP.**

Notes to the Interim Consolidated Financial Statements  
For the three and nine months ended June 30, 2020 and 2019  
(Unaudited - Expressed in Canadian dollars)

---

### **4. Critical accounting estimates and judgments (continued):**

#### **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.

##### **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 and its subsidiaries 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 interim 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 interim 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.

### **5. Prepaid expenses:**

The Corporation had the following prepaid expenses as at June 30, 2020 and September 30, 2019:

	<b>June 30, 2020</b>	<b>September 30, 2019</b>
Directors' fees (note 12)	\$ 100,524	\$ 99,558
Investor relations	28,030	-
Transfer agent fees	225	900
	<b>\$ 128,779</b>	<b>\$ 100,458</b>

## BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements  
For the three and nine months ended June 30, 2020 and 2019  
(Unaudited - Expressed in Canadian dollars)

### 6. Equipment:

	<b>S9J Miners</b>
<b>Cost</b>	
Balance, September 30, 2018	\$ 244,785
Disposal of equipment	(244,785)
<b>Balance, September 30, 2019 and June 30, 2020</b>	<b>\$ -</b>
<b>Accumulated impairment</b>	
Balance, September 30, 2018	\$ 113,694
Disposal of equipment	(113,694)
<b>Balance, September 30, 2019 and June 30, 2020</b>	<b>\$ -</b>
<b>Net book value</b>	
<b>Balance, September 30, 2018</b>	<b>\$ 131,091</b>
<b>Balance, September 30, 2019 and June 30, 2020</b>	<b>\$ -</b>

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 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.

On July 22, 2019, the Corporation sold its equipment and recognized a loss of \$80,226 (note 7).

### 7. Note receivable:

On July 22, 2019, the Corporation entered into a sale, assumption and assignment agreement and income promissory note with respect to its S9J Miners (note 6).

Pursuant to the agreement, the Corporation was issued an income promissory note as sole and total consideration for the sale of the Corporation's S9J Miners.

The fair market value of the equipment was determined to be US\$400,000 (CAD\$524,120), represented by the promissory note for which the payment would be based upon the actual future cash flows derived from the equipment. The terms of the note state that it may be prepaid in full or in part at any time and from time to time. Interest is accrued at a rate of 10% per annum and is payable annually. The note shall expire on July 21, 2029. If the full payment cannot be made, within 5 days after the end of each calendar month, 50% of all net profits derived from the S9J Miners shall be paid to the Corporation.

As at September 30, 2019, the fair value of the promissory note is calculated at \$50,865. The fair value of the promissory note has been based on expected cash flows from the S9J Miners. Expected cash flows has been calculated by extrapolating the net profits generated over the first three months use over the expected useful life of the S9J Miners. Expected cash flows were discounted by 15% per annum. The expected useful life of the S9J Miners was estimated to be 2.67 years.

## BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements  
For the three and nine months ended June 30, 2020 and 2019  
(Unaudited - Expressed in Canadian dollars)

### 7. Note receivable (continued):

	<b>Note receivable</b>
Balance, September 30, 2019	\$ 50,865
Accretion	1,319
Collection	(32,129)
<b>Balance, June 30, 2020</b>	<b>\$ 20,055</b>

### 8. Investment in Envexergy Inc:

In June 2019, the Corporation acquired 185,625 shares of series seed preferred stock of Envexergy Inc., a private company, for \$654,350 (US\$ 500,000).

### 9. Loans payable:

In March 2020, the Corporation acquired 51% of all the issued and outstanding shares of Sobe Organics, Inc. ("Sobe Organics") (note 12). Pursuant to the business combination, the Corporation assumed the outstanding loans payable of Sobe Organics.

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>Total</b>
Balance, March 9, 2019 (date of acquisition)	\$ 8,213	\$ 18,060	\$ 11,558	\$ -	\$ 37,831
Addition	-	-	-	48,881	48,881
Repayment	(2,481)	(491)	-	-	(2,972)
Foreign exchange adjustment	67	58	26	180	331
<b>Balance, June 30, 2020</b>	<b>\$ 5,799</b>	<b>\$ 17,627</b>	<b>\$ 11,584</b>	<b>\$ 49,061</b>	<b>\$ 84,071</b>

- a.) In June 2018, Sobe Organics received a loan of US\$10,000 from a third party. The loan bears interest of 21.98% per annum, calculated monthly and matures in June 2021. As at March 9, 2020, Sobe Organics has repaid a total of US\$3,960 of the principal and paid a total of US\$1,782 interest.

During the period from March 10, 2020 to June 30, 2020, Sobe Organics repaid \$2,481 (US\$1,785) of the principal and paid \$105 (US\$74) interest. As at June 30, 2020, the outstanding loan is \$5,799 (US\$4,255). The loan is unsecured.

- b.) In January 2019, Sobe Organics received a loan of US\$14,000 from a third party. The loan bears interest of 17.99% per annum, calculated monthly and matures in January 2022. As at March 9, 2020, Sobe Organics has repaid a total of US\$719 of the principal and paid a total of US\$242 interest.

During the period from March 10, 2020 to June 30, 2020, Sobe Organics repaid \$491 (US\$347) of the principal and paid \$589 (US\$422) interest. As at June 30, 2020, the outstanding loan is \$17,627 (US\$12,934). The loan is unsecured.

- c.) As at June 30, 2020, Sobe Organics has an outstanding loan of \$11,584 (US\$8,500) from a third party. The loan is due on demand, unsecured and non-interest bearing.

- d.) In May 2020, Sobe Organics received a loan of US\$36,000 from a third party. Interest will accrue at the rate of 3.75% per annum and will accrue only on funds actually advanced from the date(s) of each advance. Installment payments, including principal and interest, will begin twelve months from the date of the promissory note. As at June 30, 2020, the outstanding loan is \$49,061 (US\$36,000).

## BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements  
For the three and nine months ended June 30, 2020 and 2019  
(Unaudited - Expressed in Canadian dollars)

### 10. Share capital:

#### a.) Authorized:

Unlimited number of common voting shares and preferred shares.

#### b.) Issued:

	Number of Shares	Amount
<b>Balance, September 30, 2018</b>	<b>15,901,625</b>	<b>46,938,868</b>
Issued pursuant to warrants exercised (i)	349,062	72,420
Fair value of exercised warrants transferred from contributed surplus (i)	-	28,605
<b>Balance, September 30, 2019 and June 30, 2020</b>	<b>16,250,687</b>	<b>\$ 47,039,893</b>

- (i) On February 13, 2019, the Corporation issued 349,062 common shares for an aggregate value of \$72,420 pursuant to warrants exercised during the year ended September 30, 2018. In relation to the issuance, the Corporation reclassified \$28,605 from contributed surplus to share capital.

#### c.) Escrow common shares:

At June 30, 2020, the Corporation has 1,658,750 shares held in escrow.

#### d.) 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 year then ended is as follows:

	June 30, 2020		September 30, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
<b>Options outstanding, beginning of period</b>	<b>3,180,324</b>	<b>\$ 0.28</b>	<b>3,180,324</b>	<b>\$ 0.28</b>
Granted	-	-	-	-
<b>Options outstanding and exercisable, end of period</b>	<b>3,180,324</b>	<b>\$ 0.28</b>	<b>3,180,324</b>	<b>\$ 0.28</b>

There were no stock options granted during the nine months ended June 30, 2020 and the year ended September 30, 2019.

**BLOCKCHAINK2 CORP.**

Notes to the Interim Consolidated Financial Statements  
 For the three and nine months ended June 30, 2020 and 2019  
 (Unaudited - Expressed in Canadian dollars)

**10. Share capital (continued):****d.) Stock options (continued):**

The following table summarizes information about stock options outstanding and exercisable at June 30, 2020:

Exercise Price	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
\$0.16	820,549	7.00 years	\$0.16
\$0.52	434,080	7.34 years	\$0.52
\$0.25	1,130,614	7.94 years	\$0.25
\$0.33	795,081	7.94 years	\$0.33
	<b>3,180,324</b>	<b>7.62 years</b>	<b>\$0.28</b>

**e.) Warrants:**

	June 30, 2020		September 30, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
<b>Warrants outstanding, beginning of period</b>	<b>38,000</b>	<b>\$ 1.45</b>	<b>1,913,997</b>	<b>\$ 1.90</b>
Expired	(38,000)	1.45	(1,875,997)	1.91
<b>Warrants outstanding, end of period</b>	<b>-</b>	<b>\$ -</b>	<b>38,000</b>	<b>\$ 1.45</b>

There were no warrants issued during the nine months ended June 30, 2020 and the year ended September 30, 2019.

**11. Per share amounts:**

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

<b>Three months ended June 30,</b>	<b>2020</b>	<b>2019</b>
Weighted average shares outstanding, basic and diluted	16,250,687	16,080,034
<b>Nine months ended June 30,</b>	<b>2020</b>	<b>2019</b>
Weighted average shares outstanding, basic and diluted	16,250,687	15,989,849

In calculating diluted loss per common share for the three and nine months ended June 30, 2020 and 2019, the Corporation excluded all options and warrants as it is currently in a loss position.

## BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements  
For the three and nine months ended June 30, 2020 and 2019  
(Unaudited - Expressed in Canadian dollars)

### 12. Key management compensation and related party transactions:

The following is a summary of the related party transactions that occurred throughout the three and nine months ended June 30, 2020 and 2019:

- a.) During the three months ended June 30, 2020, the Corporation incurred directors' fees of \$99,678 (2019 - \$99,060).

During the nine months ended June 30, 2020, the Corporation incurred directors' fees of \$297,285 (2019 - \$296,157).

- b.) During the three months ended June 30, 2020, the Corporation incurred consulting fees \$9,000 (2019 - \$9,000) to a company controlled by the CFO of the Corporation.

During the nine months ended June 30, 2020, the Corporation incurred consulting fees of \$27,000 (2019 - \$15,000) to a company controlled by the CFO of the Corporation.

- c.) During the nine months ended June 30, 2020, the Corporation incurred consulting fees of \$Nil (2019 - \$12,000) to a company controlled by the former CFO of the Corporation.

- d.) As at June 30, 2020, included in the accounts payable and accrued liabilities, the Corporation has \$7,564 (September 30, 2019 - \$4,414) due to related parties as result of related party transactions incurred throughout the period. These amounts are due on demand, unsecured and non-interest bearing.

- e.) As at June 30, 2020, \$100,524 (September 30, 2019 - \$99,558) was included in prepaid expenses to directors of the Corporation for directors' fees.

#### *Compensation of key management personnel*

<b>Three months ended June 30,</b>	<b>2020</b>	<b>2019</b>
Directors' and consulting fees	\$ 108,678	\$ 108,060
	<b>\$ 108,678</b>	<b>\$ 108,060</b>

  

<b>Nine months ended June 30,</b>	<b>2020</b>	<b>2019</b>
Directors' and consulting fees	\$ 324,285	\$ 323,157
	<b>\$ 324,285</b>	<b>\$ 323,157</b>

### 13. Acquisition of Sobe Organics, Inc.:

In March 2020, the Corporation acquired 51% of all the issued and outstanding shares of Sobe Organics, Inc. ("Sobe Organics") for a cash investment of \$335,525 (US\$ 250,000). The transaction was accounted for as a business combination by the acquisition method, with the Corporation identified as the acquirer. At the date of acquisition, the Corporation determined the fair value of the net identified net assets of Sobe Organics and recognized goodwill of \$187,960.

## BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements  
For the three and nine months ended June 30, 2020 and 2019  
(Unaudited - Expressed in Canadian dollars)

### 13. Acquisition of Sobe Organics, Inc. (continued):

The fair value of the total consideration has been allocated as below:

Cash consideration	\$	335,525
Identified fair value of net assets:		
Cash	\$	352,491
Inventory		59,491
Trade and other payables		(84,807)
Loan payable		(37,831)
Total net assets		289,344
Percentage acquired		51%
Net assets acquired		147,565
Non-controlling interest		141,779
Goodwill	\$	187,960

During the nine months ended June 30, 2020, Sobe Organics contributed net loss of \$89,866 to the Corporation's consolidated results.

Sobe Organics is a private beauty, health and wellness company that sells health and beauty products nationwide in the United States in over 1,800 independent stores, including resorts, spas, pharmacies, salons, hotel chains, and department stores.

### 14. Non-controlling interest

As at June 30, 2020, the carrying value of non-controlling interest ("NCI") was \$112,325 which was determined as follows:

		<b>Sobe Organics</b>
Balance, September 30, 2019	\$	-
NCI recognized upon acquisition		141,779
Loss allocated to NCI		(44,034)
Gain on translation allocated to NCI		14,580
<b>Balance, June 30, 2020</b>	<b>\$</b>	<b>112,325</b>

### 15. Financial instruments and risk management:

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 – unadjusted quoted prices 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 value 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.

## BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements  
For the three and nine months ended June 30, 2020 and 2019  
(Unaudited - Expressed in Canadian dollars)

---

### 15. Financial instruments and risk management (continued):

#### 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 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 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.

The following are the contractual maturities of financial liabilities as at June 30, 2020:

<b>Financial Liabilities</b>	<b>&lt; One Year</b>	<b>&gt; One Year</b>
Trade payables	74,125	\$ -
Loans payable	84,071	-
<b>Total</b>	<b>158,196</b>	<b>\$ -</b>

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

<b>Financial Liabilities</b>	<b>&lt; One Year</b>	<b>&gt; One Year</b>
Trade payables	\$53,944	\$ -
<b>Total</b>	<b>\$53,944</b>	<b>\$ -</b>

##### 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 interim consolidated statement of loss and comprehensive loss.

## **BLOCKCHAINK2 CORP.**

Notes to the Interim Consolidated Financial Statements  
For the three and nine months ended June 30, 2020 and 2019  
(Unaudited - Expressed in Canadian dollars)

---

### **15. Financial instruments and risk management (continued):**

#### **c.) Market risk (continued):**

- 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 a minimal impact on the interim consolidated statement of other comprehensive loss.

### **16. Revenue and geographic information:**

Revenues consist of revenues from Sobe Organics, the Corporation's subsidiary. During the nine months ended June 30, 2020, 100% of revenues were earned from United States.

Sobe Organics' sales to golf shops, spas, salons, and surf shops were negatively impacted by COVID-19 as many premises were closed since March. This resulted to a negative gross margin for the nine months ended June 30, 2020.

### **17. 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 and charges.