

BLOCKCHAINK2 CORP.

Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

BLOCKCHAINK2 CORP.

August 30, 2021

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, 2021 and September 30, 2020

(Expressed in Canadian dollars)

	June 30, 2021	September 30, 2020
	(Unaudited)	(Audited)
Assets		
Current assets:		
Cash	\$ 664,546	\$ 1,414,094
Receivables	4,748	4,433
Inventory	4,951	3,249
Prepaid expenses (note 5)	20,043	79,008
	<u>694,288</u>	<u>1,500,784</u>
Non-current assets:		
Note receivable (note 6)	-	46,033
Investment in Envenergy Inc. (note 7)	1,298,477	1,032,637
Goodwill (note 12)	215,464	215,464
	<u>1,513,941</u>	<u>1,294,134</u>
	\$ 2,208,229	\$ 2,794,918
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables (note 11)	\$ 115,263	\$ 50,524
Loans payable – short term (note 8)	26,636	33,171
	<u>141,899</u>	<u>83,695</u>
Non-current liabilities:		
Loans payable (note 8)	31,704	24,252
	<u>173,603</u>	<u>107,947</u>
Shareholders' Equity		
Share capital (note 9)	47,263,590	47,039,893
Contributed surplus (note 9)	13,034,684	12,207,252
Accumulated foreign currency translation (note 9)	1,449,149	1,456,192
Deficit	(59,732,600)	(58,081,407)
Non-controlling interest (note 13)	19,803	65,041
	<u>2,034,626</u>	<u>2,686,971</u>
	\$ 2,208,229	\$ 2,794,918

Going concern (note 2)

See accompanying notes to the interim consolidated financial statements.

Approved for issuance by the Board of Directors on August 30, 2021

Signed "Steven Sangha"

Steven Sangha, Director

Signed "Sergei Stetsenko"

Sergei Stetsenko, Director

BLOCKCHAINK2 CORP.

Consolidated Statements of Comprehensive Loss

For the three and nine months ended June 30, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Sales	\$ 8,777	\$ 23,384	\$ 106,794	\$ 24,946
Cost of sales	(1,978)	(28,741)	(68,650)	(40,575)
Gross margin	6,799	(5,357)	38,144	(15,629)
Expenses				
Advertising and promotion	6,836	2,924	18,296	2,924
Consulting fees (note 12)	39,716	9,000	80,666	30,433
Directors' fees (note 12)	74,047	99,678	229,285	297,285
Filing and listing fees	28,499	29,478	61,697	36,178
Foreign exchange (gain) loss	(587)	(525)	(1,846)	6,004
General and administrative	11,746	10,467	35,268	42,455
Investor relations	303	14,015	113,423	14,015
Professional fees	24,748	79	75,218	32,476
Salaries (note 12)	74,453	42,087	115,043	42,087
Selling expenses	555	-	1,555	-
Share-based compensation (note 9)	72,000	-	985,485	-
Travel	1,882	(3)	5,278	18,961
	(334,198)	(207,200)	(1,719,368)	(522,818)
Other items				
Accretion (note 8)	(4,419)	1,319	(15,346)	1,319
Change in fair value of note receivable (note 7)	3,891	-	3,891	-
	(528)	1,319	(11,455)	1,319
Net loss for the period	(327,927)	(211,238)	(1,692,679)	(537,128)
Other comprehensive income (loss)				
Item that will be recognized in profit or loss:				
Exchange gain (loss) on translation	(129)	3,124	(7,043)	16,471
Comprehensive loss for the period	\$ (328,056)	\$ (208,114)	\$ (1,699,722)	\$ (520,657)
Net loss for the period attributable to:				
Common shareholders	\$ (313,939)	\$ (176,921)	\$ (1,651,193)	\$ (493,094)
Non-controlling interest	(13,988)	(34,317)	(41,486)	(44,034)
	\$ (327,927)	\$ (211,238)	\$ (1,692,679)	\$ (537,128)
Comprehensive loss for the period attributable to:				
Common shareholders	\$ (313,463)	\$ (178,608)	\$ (1,652,713)	\$ (491,203)
Non-controlling interest	(14,593)	(29,506)	(47,009)	(29,454)
	\$ (328,056)	\$ (208,114)	\$ (1,699,722)	\$ (520,657)
Loss per share for the period:				
Basic and diluted (note 11)	\$ (0.02)	\$ (0.01)	\$ (0.10)	\$ (0.03)

BLOCKCHAINK2 CORP.

Interim Consolidated Statements of Shareholders' Equity

For the nine months ended June 30, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

See accompanying notes to the interim consolidated financial statements.

	2021	2020
Share capital		
Balance, beginning of period	\$ 47,039,893	\$ 47,039,893
Issued to officers pursuant to their employment contracts	72,000	-
Issued pursuant to options exercised	65,644	-
Fair value of exercised options transferred from contributed surplus	86,053	-
Balance, end of period	47,263,590	47,039,893
Contributed surplus		
Balance, beginning of period	12,207,252	12,207,252
Share-based compensation	913,485	-
Fair value of exercised options transferred to contributed surplus	(86,053)	-
Balance, end of period	13,034,684	12,207,252
Accumulated foreign currency translation		
Balance, beginning of period	1,456,192	1,457,713
Gain (Loss) on translation	(7,043)	13,347
Balance, end of period	1,449,149	1,471,060
Deficit		
Balance, beginning of period	(58,081,407)	(57,809,146)
Net loss for the period	(1,651,193)	(316,173)
Balance, end of period	(59,732,600)	(58,125,319)
Non-controlling interest		
Balance, beginning of period	65,041	-
Acquisition of Sobe Organics, Inc.	-	344,996
Net loss for the period	(41,486)	(9,717)
Gain (Loss) on translation	(3,752)	9,769
Balance, end of period	19,803	345,048
Shareholders' equity	\$ 2,034,626	\$ 2,937,934

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, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Cash provided by (used in):				
Operating activities:				
Loss from continuing operations	\$ (327,927)	\$ (211,238)	\$ (1,692,679)	\$ (537,128)
Items not affecting cash:				
Accretion expense	4,419	(1,319)	15,346	(1,319)
Adjustment on the fair value of goodwill acquired from Sobe Organics	-	(60,699)	-	-
Change in fair value of note receivable	(3,891)	-	(3,891)	-
Share-based compensation	72,000	-	985,485	-
Cash flows before non-cash operating working capital	(255,399)	(273,256)	(695,739)	(538,447)
Change in non-cash operating working capital:				
(Increase)/decrease in receivables	(2,102)	5,904	(315)	1,862
(Increase)/decrease in prepaid expenses	(7,541)	(28,651)	58,965	(28,321)
(Increase)/decrease in inventory	(543)	2,445	(1,702)	(132)
Increase/(decrease) in trade payables	35,935	29,482	64,739	(64,626)
Cash flows from non-cash operating working capital	25,749	9,180	121,687	(91,217)
Cash flows used in operating activities	(229,650)	(264,076)	(574,052)	(629,664)
Investing activities:				
Proceeds from collection of note receivable	34,065	14,238	49,924	32,129
Investment in Envexergy Inc.	-	-	(265,840)	-
Acquisition of Sobe Organics Inc.	-	-	-	16,966
Cash flows provided by (used in) investing activities	34,065	14,238	(215,916)	49,095
Financing activity:				
Proceeds from (Repayment of) loans	(2,982)	46,803	(10,256)	45,909
Exercise of options	65,644	-	65,644	-
Cash flows provided from financing activities	62,662	46,803	55,388	45,909
Effect of foreign exchange on cash	(1,541)	1,818	(14,968)	31,382
Net change in cash	(134,464)	(201,217)	(749,548)	(503,278)
Cash, beginning of period	799,010	1,838,479	1,414,094	2,140,540
Cash, end of period	\$ 664,546	\$ 1,637,262	\$ 664,546	\$ 1,637,262

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, 2021 and 2020
(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”). 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.

Effective February 19, 2021, the Corporation began trading on the Frankfurt Stock Exchange under the symbol KRL2.

On February 23, 2021, the Corporation incorporated a wholly owned subsidiary, IRecover Inc., a company that offers online substance abuse education and support for middle, high school and college students.

On March 1, 2021, the Corporation launched Amplify Games Inc. (“Amplify”). Amplify utilizes blockchain technology to create a decentralized distribution network for digital games.

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 consolidated 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 consolidated financial statements are presented in Canadian dollars, which is the Corporation’s functional currency.

BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

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, 2021, the Corporation reported a net loss of \$1,692,679 (2020 - \$537,128), negative operating cash flows of \$574,052 (2020 - \$629,664), and a deficit of \$59,732,600 (September 30, 2020 - \$58,081,407). 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.

In March 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 anticipates 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.

BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

3. Significant accounting policies (continued):

a.) Basis of consolidation (continued)

At June 30, 2021 and September 30, 2020, the Corporation's subsidiaries are as follows:

	Country of incorporation	Principal activity	Percentage owned	
			June 30, 2021	September 30, 2020
Watutatu Inc.	Canada	Project exploration	100%	100%
Africa Hydrocarbons (Bahamas) Ltd.	Bahamas	Project exploration	100%	100%
Africa Hydrocarbons Tunisia Ltd.	Tunisia	Project exploration	100%	100%
Sobe Organics, Inc.	US	Health and beauty products	51%	51%
Amplify Games Inc.	US	Digital game distribution	100%	-
IRecover Inc.	US	Addiction recovery platform	100%	-

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.

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., IRecover Inc., Amplify Games Inc., and Sobe Organics, Inc. is the US dollar.

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

BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

3. Significant accounting policies (continued):

c.) Foreign currency translations (continued)

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.) Inventory

Inventory, which comprise finished products, are stated at the lower of cost and net realizable value. Costs of inventory are determined using the weighted average cost method and include the cost of purchase, the cost of conversion (labour and overhead) and other costs required to bring the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale.

Inventory is written down to net realizable value when the cost of inventory is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventory to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of write-down previously recorded is reversed.

e.) Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit ("CGU") or group of CGUs which are expected to benefit from the synergies of the combination. Goodwill is not subject to amortization.

The goodwill balance is assessed for impairment annually or when facts and circumstances indicate that it is impaired. Goodwill is tested for impairment at a CGU level by comparing the carrying value to the recoverable amount, which is determined as the greater of fair value less costs of disposal and value in use.

Any excess of the carrying amount over the recoverable amount is the impaired amount. The recoverable amount estimates are categorized as Level 3 according to the fair value hierarchy. Impairment charges are recognized in the consolidated statement of comprehensive loss. Goodwill is reported at cost less any accumulated impairment. Goodwill impairments are not reversed.

f.) Equipment

Equipment is 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. Equipment is amortized on a straight-line basis over 5 years.

g.) 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.

BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

3. Significant accounting policies (continued):

g.) Impairment of non-financial assets (continued)

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, 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.

h.) 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.

i.) 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, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

3. Significant accounting policies (continued):

j.) 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.

k.) 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.

l.) 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.

m.) Loss per share amounts

Basic loss per share is calculated by dividing the net earnings or loss by the weighted average number of shares outstanding during the period. Diluted loss per share is 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 year. Under this method, the basic and diluted loss per share is the same, as the effect of common shares issuable upon the exercise of options and warrants is anti-dilutive.

n.) 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, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

3. Significant accounting policies (continued):

n.) Revenue (continued)

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

Revenue is from sales of health and beauty products of the Corporation's subsidiary, Sobe Organics, Inc.

o.) IFRS 9, *Financial Instruments*

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 following table shows the classification of financial instruments under IFRS 9:

Financial assets/liabilities	New classification IFRS 9
Cash	FVTPL
Receivables	Amortized cost
Note receivable	FVTPL
Trade payables	Amortized cost
Loans payable	Amortized cost

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 consolidated 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 consolidated statements of loss and comprehensive loss in the period in which they arise.

BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

3. Significant accounting policies (continued):

o.) IFRS 9, *Financial Instruments* (continued)

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 consolidated 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.

p.) 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 did not have an impact on the Corporation's interim consolidated financial statements as the Corporation has no leases.

BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

3. Significant accounting policies (continued):

q.) Future accounting policy changes

Amendments to IFRS 3 – Definition of a business

In October 2018, the IASB issued “Definition of a Business (Amendments to IFRS 3)”. The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment provides an assessment framework to determine when a series of integrated activities is not a business. The amendments are effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after October 1, 2020.

Management is currently assessing the impact of the new standard on the Corporation’s accounting policies and financial statement presentation.

4. 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.

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.) Note receivable

The Corporation estimates the fair value of the note receivable based on expected future cashflow from its borrower. The calculation is subject to other estimates about the discount rate and the expected life of the machines the borrower uses to generate the cashflows.

BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(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 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.

d.) Business combination and asset acquisition

Judgement is required to determine if the Corporation's acquisition represented a business combination or an asset purchase. For an acquisition to qualify as a business combination, the assets acquired are required to be an integrated set of activities with inputs, processes and outputs. For acquisitions that represented the purchase of assets, no goodwill was recognized on the transactions and acquisition costs were capitalized to the assets purchased rather than expensed. As the Corporation concluded that the Sobe Organics Inc. acquisition was a business combination, an allocation of the purchase price to the individual identifiable assets acquired, including intangible assets, and liabilities assumed based on their fair values at the date of purchase was required. The fair values of the net assets acquired were calculated using significant estimates and judgments. If estimates or judgments differed, this could result in a materially different allocation of net assets on the interim consolidated statement of financial position.

BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

4. Critical accounting estimates and judgments (continued):

d.) Business combination and asset acquisition (continued)

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Corporation may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

5. Prepaid expenses:

The Corporation had the following prepaid expenses as at June 30, 2021 and September 30, 2020:

	June 30, 2021	September 30, 2020
Directors' fees (note 11)	\$ -	\$ 79,008
Consulting fees	8,199	-
Legal fees	11,319	-
Filing & listing fees	525	-
	\$ 20,043	\$ 79,008

6. 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.

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, 2020, the fair value of the promissory note was calculated to be \$46,033. 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 16 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 1.67 years.

BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

6. Note receivable (continued):

		Note receivable
Balance, September 30, 2019	\$	50,865
Collection		(33,904)
Change in fair value		29,072
Balance, September 30, 2020	\$	46,033
Collection		(49,924)
Change in fair value		3,891
Balance, June 30, 2021	\$	-

7. Investment in Envexergy Inc:

In June 2019, the Corporation acquired 185,625 shares of series seed preferred stock of Envexergy Inc. ("Envexergy"), a private company, for \$654,350 (US\$ 500,000). As at June 30, 2021, the fair value of the investment was calculated to be \$1,298,477.

		Note receivable
Balance, September 30, 2019	\$	654,350
Change in fair value		378,287
Balance, September 30, 2020	\$	1,032,637
Addition		265,840
Balance, June 30, 2021	\$	1,298,477

In October 2020, the Corporation invested \$265,840 (US\$200,000) to Envexergy as part of Envexergy's US\$7 million Series A round of financing. The Corporation's investment allows it to maintain its pro rate share of Envexergy and adds to its previous \$654,350 (US\$500,000) investment in Envexergy, which was completed in July of 2019 as part of a US\$3.1-million seed round of financing by Envexergy.

8. 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.

		Demand loan (a)	Government loans (b,c)	Total
Balance, March 9, 2020 (date of acquisition)	\$	26,273	-	\$ 26,273
Addition		-	38,780	38,780
Interest		2,035	3,676	5,711
Repayment		(4,903)	-	(4,903)
Forgiveness		(7,657)	-	(7,657)
Foreign exchange adjustment		(408)	(373)	(781)
Balance, September 30, 2020	\$	15,340	\$ 42,083	\$ 57,423
Interest		10,256	5,090	15,346
Repayment		(10,256)	-	(10,256)
Foreign exchange adjustment		(1,087)	(3,086)	(4,173)
Balance, June 30, 2021	\$	14,253	\$ 44,087	\$ 58,340

BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

8. Loans payable (continued):

Short-term	\$	14,253	\$	12,383	\$	26,636
Long-term		-		31,704		31,704
Balance, June 30, 2021	\$	14,253	\$	44,087	\$	58,340

- a.) In June 2018 and January 2019, Sobe Organics received loans of US\$10,000 and US\$14,000 from a former director of Sobe Organics. As at March 9, 2020, the date of acquisition, these two loans were valued at \$26,273 (note 12).

During the period from March 10, 2020 to September 30, 2020, Sobe Organics repaid \$4,903 of principal and interest and \$7,657 of the balance was forgiven.

During the nine months ended June 30, 2021, the Corporation accrued and paid interest of \$10,256 (US\$ 8,105). As at June 30, 2021, the outstanding loan is \$14,253 (US\$11,500) (September 30, 2020 - \$15,340 (US\$11,500)). The balance of the loans as of June 30, 2021 is interest free, unsecured and due on demand.

- b.) On May 19, 2020, the Corporation obtained a government loan of \$26,915 (US\$20,000). As at September 30, 2020, the carrying value of the loan was \$23,585. This value was based upon undiscounted future cash flows of \$27,264 (US\$20,260), monthly interest rate of 1% and risk adjusted discount rate of 15%. The government loan has an interest rate of 1% on the unpaid principal balance and payable in 18 payments of principal and interest beginning 7 months from the promissory note date and continuing on the 5th day of each month thereafter. The government loan is expected to be fully repaid in 2022.

The benefit of the government loan at a below-market rate of interest is \$4,362, being the difference between the fair value of the loan of \$22,553 determined under IFRS 9 and the proceeds received of \$26,915. The benefit was included in the consolidated statements of comprehensive loss for the year ended September 30, 2020 as the related costs for which it is intended to compensate were incurred during the year.

During the nine months ended June 30, 2021, the Corporation accrued interest of \$2,213 (US\$1,748). As at June 30, 2021, the carrying value of the loan was \$15,711 (US\$12,677).

- c.) On May 23, 2020, the Corporation obtained another government loan of \$48,445 (US\$36,000). As at September 30, 2020, the carrying value of the loan was \$18,498. This value was based upon an undiscounted future cash flows of \$85,264 (US\$63,360), annual interest rate of 3.75% and risk adjusted discount rate of 15%. The government loan has an annual interest rate of 3.75% and payable in 360 monthly payments of principal and interest beginning 12 months from the promissory note date. The government loan is expected to be fully repaid in 2050. The Corporation's inventory is held as collateral under the loan agreement.

The benefit of the government loan at a below-market rate of interest is \$32,218, being the difference between the value of the loan of \$16,227 determined under IFRS 9 and the proceed received of \$48,445. The benefit was included in the consolidated statements of comprehensive loss for the year ended September 30, 2020 as the related costs for which it is intended to compensate were incurred during the year.

During the nine months ended June 30, 2021, the Corporation accrued interest of \$2,877 (US\$2,273). As at June 30, 2021, the carrying value of the loan was \$17,387 (US\$14,029).

BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

9. Share capital:

a.) Authorized:

Unlimited number of common voting shares and preferred shares.

b.) Issued:

	Number of Shares		Amount
Balance, September 30, 2018	15,901,625	\$	46,938,868
Issued pursuant to warrants exercised (i)	349,062		72,420
Fair value of exercised warrants transferred from contributed surplus (i)	-		28,605
Balance, September 30, 2019 and 2020	16,250,687	\$	47,039,893
Issued pursuant to options exercised (ii)	410,275		65,644
Issued to officers (iii)	120,000		72,000
Fair value of exercised options transferred from contributed surplus (ii)	-		86,053
Balance, June 30, 2021	16,780,962	\$	47,263,590

- (i) On February 13, 2019, the Corporation issued 349,062 common shares for an aggregate proceeds 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.
- (ii) On June 17, 2021, Corporation issued 410,275 common shares for an aggregate proceeds of \$65,644 pursuant to options exercised. In relation to the issuance, the Corporation reclassified \$86,053 from contributed surplus to share capital.
- (iii) On June 21, 2021, the Corporation issued 120,000 common shares with a fair value of \$72,000 to officers of the Corporation as part of their employment contracts.

c.) Escrow common shares:

At June 30, 2021, the Corporation has 497,627 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.

BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

9. Share capital (continued):

d.) Stock options (continued):

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

	June 30, 2021		September 30, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding and exercisable, beginning of period	3,180,324	\$ 0.28	3,180,324	\$ 0.28
Granted	700,000	0.77	-	-
Granted	70,000	1.21	-	-
Exercised	(410,275)	0.16	-	-
Expired	(795,081)	0.33	-	-
Options outstanding and exercisable, end of period	2,744,968	\$ 0.44	3,180,324	\$ 0.28

On January 7, 2021, the Corporation granted 700,000 incentive stock options to a director of the Corporation, in accordance with the Corporation's stock option plan. Each option is exercisable into one common share of the Corporation at \$0.77. The options vest immediately and have a 10-year term. The fair value of the stock options was determined to be \$825,986.

On March 5, 2021, the Corporation granted 70,000 incentive stock options to a director of the Corporation, in accordance with the Corporation's stock option plan. Each option is exercisable into one common share of the Corporation at \$1.21. The options vest immediately and have a 10-year term. The fair value of the stock options was determined to be \$87,499.

On June 17, 2021, Corporation issued 410,275 common shares for an aggregate proceeds of \$65,644 pursuant to options exercised. In relation to the issuance, the Corporation reclassified \$86,053 from contributed surplus to share capital.

The fair value of the stock options granted was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	January 7, 2021	March 5, 2021
Estimated risk-free rate	0.67%	1.33%
Expected volatility	268.71%	269.46%
Estimated annual dividend yield	0.00%	0.00%
Expected life of options	10 years	10 years
Stock price at issue date	\$1.18	\$1.25
Forfeiture rate	0.00%	0.00%

BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

9. Share capital (continued):

d.) Stock options (continued):

The following table summarizes information about stock options outstanding and exercisable at June 30, 2021:

Exercise Price	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
\$0.16	410,274	6.00 years	\$0.16
\$0.52	434,080	6.34 years	\$0.52
\$0.25	1,130,614	6.95 years	\$0.25
\$0.77	700,000	9.50 years	\$0.77
\$1.21	70,000	9.66 years	\$1.21
	2,744,968	7.43 years	\$0.44

e.) Warrants:

	June 30, 2021		September 30, 2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of period	-	\$ -	38,000	\$ 1.45
Expired	-	-	(38,000)	1.45
Warrants outstanding, end of period	-	\$ -	-	\$ -

There were no warrants granted during the nine months ended June 30, 2021 and the year ended September 30, 2020.

f.) Reserves:

Contributed surplus includes share-based payment reserves which records the fair value of stock options and warrants granted until such time that the stock options and warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Exchange gains and losses arising from translation of foreign currency denominated transactions are included in accumulated foreign currency translation.

10. Loss per share:

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

Three ended June 30,	2021	2020
Weighted average shares outstanding, basic and diluted	16,321,949	16,250,687

Nine months ended June 30,	2021	2020
Weighted average shares outstanding, basic and diluted	16,274,180	16,250,687

BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

10. Loss per share (continued):

In calculating diluted loss per common share for the three and nine months ended June 30, 2021 and 2020, the Corporation excluded all options and warrants as it is currently in a loss position and would result in a diluted loss for the period.

11. 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, 2021 and 2020:

- a.) During the three months ended June 30, 2021, the Corporation incurred directors' fees and salaries of \$81,640 (2020 - \$99,678) to current directors.

During the nine months ended June 30, 2021, the Corporation incurred directors' fees and salaries of \$256,494 (2020 - \$297,285) to current directors.

- b.) During the three months ended June 30, 2021, the Corporation incurred consulting fees \$9,000 and accounting fees of \$6,000 (2020 - \$9,000 and \$Nil, respectively) to Canmore Financial Services Inc., a company controlled by the CFO of the Corporation.

During the nine months ended June 30, 2021, the Corporation incurred consulting fees \$27,000 and accounting fees of \$6,000 (2020 - \$27,000 and \$Nil, respectively) to Canmore Financial Services Inc., a company controlled by the CFO of the Corporation.

- c.) During the three months ended June 30, 2021, the Corporation incurred salaries of \$43,000 (2020 - \$Nil) to officers of the Corporation.

During the nine months ended June 30, 2021, the Corporation incurred salaries of \$43,000 (2020 - \$Nil) to officers of the Corporation.

- d.) On June 21, 2021, the Corporation issued 120,000 common shares with a fair value of \$72,000 to officers of the Corporation as part of their employment contracts (note 9).

- e.) As at June 30, 2021, included in the accounts payable and accrued liabilities, the Corporation has \$53,990 (September 30, 2020 - \$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.

- f.) As at June 30, 2021, \$Nil (September 30, 2020 - \$79,008) was included in prepaid expenses to directors of the Corporation for directors' fees (note 5).

- g.) As at June 30, 2021, loans payable includes \$14,253 (September 30, 2020 - \$15,340) owing to a former director. These amounts are due on demand and unsecured (note 8).

BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

11. Key management compensation and related party transactions (continued):

Compensation of key management personnel

Three months ended June 30,		2021	2020
Directors', accounting and consulting fees, and salaries	\$	139,640	\$ 108,678
Share-based compensation		72,000	-
	\$	211,640	\$ 108,678

Nine months ended June 30,		2021	2020
Directors', accounting and consulting fees, and salaries	\$	332,494	\$ 324,285
Share-based compensation		72,000	-
	\$	404,494	\$ 324,285

12. Acquisition of Sobe Organics, Inc.:

In March 2020, the Corporation acquired 51% of all the issued and outstanding shares of Sobe Organics for a cash investment of \$335,525 (US\$ 250,000). The transaction was accounted for as a business combination under IFRS 3, Business Combinations. At the date of acquisition, the Corporation determined the fair value of the net identified net assets of Sobe Organics and recognized goodwill of \$215,464.

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

Cash consideration	\$	335,525
Identified fair value of net assets:		
Cash	\$	302,281
Inventory		6,799
Trade and other payables		(47,394)
Loan payable		(26,273)
Total net assets		235,413
Percentage acquired		51%
Net assets acquired		120,061
Non-controlling interest (note 13)		115,352
Goodwill	\$	215,464

During the nine months ended June 30, 2021, Sobe Organics contributed net loss of \$84,665 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 independent stores, including resorts, spas, pharmacies, salons, hotel chains, and department stores.

BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

13. Non-controlling interest

As at June 30, 2021, the carrying value of non-controlling interest (“NCI”) was \$19,803 which was determined as follows:

		Sobe Organics
Balance, September 30, 2019	\$	-
NCI recognized upon acquisition		115,352
Loss allocated to NCI		(48,539)
Loss on translation allocated to NCI		(1,772)
Balance, September 30, 2020	\$	65,041
Loss allocated to NCI		(41,486)
Loss on translation allocated to NCI		(3,752)
Balance, June 30, 2021	\$	19,803

14. 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 constitutes a Level 1 and note receivable constitutes a Level 3 fair value measurements. The fair value of investment was calculated on the latest transaction price and constitutes a Level 3 fair value measurement. The fair value of the Corporation’s receivables, trade payables and loans payable 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 receivables are exposed to credit risk. The credit risk on cash 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.

BLOCKCHAINK2 CORP.

Notes to the Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

14. Financial instruments and risk management (continued):

b.) Liquidity risk (continued):

The following are the contractual maturities of financial liabilities as at June 30, 2021:

Financial Liabilities	< One Year	> One Year
Trade payables	\$ 115,263	\$ -
Loans payable	26,636	31,704
Total	\$ 141,899	\$ 31,704

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

Financial Liabilities	< One Year	> One Year
Trade payables	\$ 50,524	\$ -
Loans payable	33,171	24,252
Total	\$ 83,695	\$ 24,252

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. 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 effect of a 1% change in the exchange rate would have a minimal impact on the consolidated statement of other comprehensive loss.

15. Revenue and geographic information:

Revenues consist of revenues from Sobe Organics, the Corporation's subsidiary. During the three and nine months ended June 30, 2021, 100% of revenues were earned from United States.

16. 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.