

BLOCKCHAINK2 CORP.
Consolidated Financial Statements
For the years ended September 30, 2022 and 2021
(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the shareholders of BlockchainK2 Corp.:

Opinion

We have audited the consolidated financial statements of BlockchainK2 Corp. (the "Corporation"), which comprise the consolidated statements of financial position as at September 30, 2022 and 2021, and the consolidated statements of comprehensive loss, shareholders' equity and cash flows for the years ended September 30, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at September 30, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the financial statements, which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Barry Hartley.

DML

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
January 30, 2023

 **MOORE**
An independent firm
associated with Moore
Global Network Limited

BLOCKCHAINK2 CORP.

Consolidated Statements of Financial Position
As at September 30,
(Expressed in Canadian dollars)

	2022	2021
Assets		
Current assets:		
Cash	\$ 44,657	\$ 573,813
Receivables	1,949	11,576
Inventory	13,861	7,773
Prepaid expenses (note 5)	8,821	13,739
	<u>69,288</u>	<u>606,901</u>
Non-current assets:		
Note receivable (note 6)	-	41,264
Investment in Envexergy Inc. (note 7)	1,284,346	1,223,136
	<u>1,284,346</u>	<u>1,264,400</u>
	\$ 1,353,634	\$ 1,871,301
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 11)	\$ 464,776	\$ 276,660
Loans payable – short term (notes 8 and 11)	423,750	19,785
	<u>888,526</u>	<u>296,445</u>
Non-current liabilities:		
Loans payable (note 8)	80,320	65,802
	<u>968,846</u>	<u>362,247</u>
Shareholders' Equity		
Share capital (note 9)	47,263,590	47,263,590
Contributed surplus (note 9)	13,071,322	13,034,684
Accumulated foreign currency translation (note 9)	1,446,291	1,451,235
Deficit	(61,368,364)	(60,287,001)
Non-controlling interest (note 13)	(28,051)	46,546
	<u>384,788</u>	<u>1,509,054</u>
	\$ 1,353,634	\$ 1,871,301

Going concern (note 2)
Subsequent event (note 19)

See accompanying notes to the consolidated financial statements.

Approved for issuance by the Board of Directors on January 30, 2023

Signed "D Lindsay Wu"
D Lindsay Wu, Director

Signed "Sergei Stetsenko"
Sergei Stetsenko, Director

BLOCKCHAINK2 CORP.

Consolidated Statements of Comprehensive Loss

For the years ended September 30,

(Expressed in Canadian dollars)

	2022	2021
Sales	\$ 73,183	\$ 114,846
Cost of sales	(39,674)	(77,351)
Gross profit	33,509	37,495
Expenses		
Advertising and promotion	76,668	42,214
Consulting fees (note 11)	339,803	95,943
Directors' fees (note 11)	308,651	305,267
Filing and listing fees	53,659	71,185
Foreign exchange loss	16,979	1,006
General and administrative	71,685	42,653
Investor relations	-	186,899
Professional fees (note 11)	193,332	212,854
Salaries (note 11)	225,495	193,678
Selling expenses	2,638	1,553
Share-based compensation (notes 9 and 11)	-	985,485
Travel	9,330	8,146
	(1,298,240)	(2,146,883)
Other items		
Interest and accretion (note 8)	(42,662)	(16,773)
Government grant (note 8)	-	95,804
Forgiveness of loan (note 8)	-	25,048
Impairment of goodwill (note 12)	-	(215,464)
Change in fair value of note receivable (note 6)	12,468	75,061
Change in fair value of Investment in Envexergy (note 7)	61,210	(75,341)
Change in fair value of loans payable (note 8)	12,639	-
Write-off of accounts payable	66,915	-
	110,570	(111,665)
Net loss for the year	(1,154,161)	(2,221,053)
Other comprehensive loss		
Item that will be recognized in profit or loss:		
Exchange loss on translation	(4,944)	(4,957)
Comprehensive loss for the year	\$ (1,159,105)	\$ (2,226,010)
Net loss for the year attributable to:		
Common shareholders of the Corporation	\$ (1,081,363)	\$ (2,205,594)
Non-controlling interest (note 13)	(72,798)	(15,459)
	\$ (1,154,161)	\$ (2,221,053)
Comprehensive loss for the year attributable to:		
Common shareholders of the Corporation	\$ (1,084,507)	\$ (2,207,515)
Non-controlling interest (note 13)	(74,598)	(18,495)
	\$ (1,159,105)	\$ (2,226,010)
Loss per share for the year:		
Basic and diluted (note 10)	\$ (0.06)	\$ (0.13)

See accompanying notes to the consolidated financial statements.

BLOCKCHAINK2 CORP.

Consolidated Statements of Shareholders' Equity

For the years ended September 30,

(Expressed in Canadian dollars)

	2022	2021
Share capital		
Balance, beginning of year	\$ 47,263,590	\$ 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 year	47,263,590	47,263,590
Contributed surplus		
Balance, beginning of year	13,034,684	12,207,252
Share-based compensation	-	913,485
Fair value of exercised options transferred to contributed surplus	-	(86,053)
Benefit of below-market interest	36,638	-
Balance, end of year	13,071,322	13,034,684
Accumulated foreign currency translation		
Balance, beginning of year	1,451,235	1,456,192
Loss on translation	(4,944)	(4,957)
Balance, end of year	1,446,291	1,451,235
Deficit		
Balance, beginning of year	(60,287,001)	(58,081,407)
Net loss for the year	(1,081,363)	(2,205,594)
Balance, end of year	(61,368,364)	(60,287,001)
Non-controlling interest		
Balance, beginning of year	46,546	65,041
Net loss for the year	(72,798)	(15,459)
Loss on translation	(1,799)	(3,036)
Balance, end of year	(28,051)	46,546
Shareholders' equity	\$ 384,788	\$ 1,509,054

See accompanying notes to the consolidated financial statements.

BLOCKCHAINK2 CORP.

Consolidated Statements of Cash Flows

For the years ended September 30,

(Expressed in Canadian dollars)

	2022	2021
Cash provided by (used in):		
Operating activities:		
Loss from continuing operations	\$ (1,154,161)	\$ (2,221,053)
Items not affecting cash:		
Interest and accretion	42,662	16,773
Share-based compensation	-	985,485
Forgiveness of loan	-	(25,048)
Impairment of goodwill	-	215,464
Change in fair value of note receivable	(12,468)	(75,061)
Change in fair value of Investment in Envexergy	(61,210)	75,341
Change in fair value of loans payable	(12,639)	-
Write-off of accounts payable	(66,915)	-
Cash flows before non-cash operating working capital	(1,264,731)	(1,028,099)
Change in non-cash operating working capital:		
(Increase)/decrease in receivables	9,627	(7,143)
Decrease in prepaid expenses	4,918	65,269
Increase in inventory	(6,088)	(4,524)
Increase in accounts payable and accrued liabilities	255,031	226,136
Cash flows from non-cash operating working capital	263,488	279,738
Cash flows used in operating activities	(1,001,243)	(748,361)
Investing activities:		
Proceeds from collection of note receivable	53,732	79,830
Investment in Envexergy Inc.	-	(265,840)
Cash flows provided by (used in) investing activities	53,732	(186,010)
Financing activities:		
Exercise of options	-	65,644
Proceeds from loans, net of repayment	419,208	37,878
Cash flows provided by financing activities	419,208	103,522
Effect of foreign exchange on cash	(853)	(9,432)
Net change in cash	(529,156)	(840,281)
Cash, beginning of year	573,813	1,414,094
Cash, end of year	\$ 44,657	\$ 573,813

See accompanying notes to the consolidated financial statements.

BLOCKCHAINK2 CORP.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2022 and 2021
(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. Management completed a “Change of Business” transaction (“COB Transaction”) pursuant to the policies of the Exchange and became a blockchain technology company, listed on the Exchange, on May 28, 2018. The Corporation 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. To date, the Corporation has invested in four separate ventures: 1. Amplify Games Inc. (“Amplify”); 2. iRecover Inc. (“iRecover”); 3. Envexergy Inc. (Envexergy) (note 7); and a note receivable. The Corporation also holds a 51% interest in Sobe Organics Inc. (“Sobe Organics”) (note 12). Sobe Organics is an omni-channel platform that distributes a broad line of CBD infused products. It owns the CBD indie beauty brand, Lux Beauty Club, which sells online to subscription box retailers, distributors, specialty chains, and private label businesses.

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, a company that is planning on offering online substance abuse education and support for middle, high school and college students.

On March 1, 2021, the Corporation launched 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 consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). The preparation of consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the consolidated financial statements are disclosed in note 4.

BLOCKCHAINK2 CORP.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

1. Nature of operations and basis of presentation (continued):

Basis of measurement

The 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.

2. Going concern:

The 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 year ended September 30, 2022, the Corporation reported a net loss of \$1,154,161 (2021 - \$2,221,053), negative operating cash flows of \$1,001,243 (2021 - \$748,361), and a deficit of \$61,368,364 (2021 - \$60,287,001). 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 consolidated financial statements do not reflect any adjustments to 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.

3. Significant accounting policies:

These policies have been applied consistently for all periods presented.

a.) Basis of consolidation

The 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 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 Consolidated Financial Statements
For the years ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

3. Significant accounting policies (continued):

a.) Basis of consolidation (continued)

At September 30, 2022 and 2021, the Corporation's subsidiaries are as follows:

	Country of incorporation	Principal activity	Percentage owned	
			September 30, 2022	September 30, 2021
Watutatu Inc.	Canada	Inactive	100%	100%
Africa Hydrocarbons (Bahamas) Ltd.	Bahamas	Inactive	100%	100%
Africa Hydrocarbons Tunisia Ltd.	Tunisia	Inactive	100%	100%
Sobe Organics	US	Health and beauty products	51%	51%
Amplify	US	Digital game distribution	100%	100%
iRecover	US	Addiction recovery platform	100%	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 and Amplify is Canadian dollars and the functional currency of Watutatu Inc., Africa Hydrocarbons (Bahamas) Ltd., Africa Hydrocarbons Tunisia Ltd., iRecover, and Sobe Organics is the US dollar.

BLOCKCHAINK2 CORP.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

3. Significant accounting policies (continued):

c.) Foreign currency translations (continued)

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 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.

BLOCKCHAINK2 CORP.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

3. Significant accounting policies (continued):

g.) Intangible assets

Intangible assets are recorded at cost less accumulated amortization and any accumulated impairment losses. Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with infinite lives are tested for impairment annually. The amortization method and amortization period of an intangible asset with a finite useful life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method as appropriate and are treated as a change in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive loss.

h.) Impairment of non-financial assets

The Corporation reviews the carrying amounts of its non-financial assets, including equipment and intangible assets, when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash generating unit to which the asset belongs. Assets carried at fair value, 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.

i.) 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.

BLOCKCHAINK2 CORP.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

3. Significant accounting policies (continued):

i.) Income taxes (continued)

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.

j.) 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.

k.) 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.

l.) 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 Option 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.

m.) 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.

BLOCKCHAINK2 CORP.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

3. Significant accounting policies (continued):

m.) Warrants classified as equity (continued)

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.

n.) 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 year. 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.

o.) 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.

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.

p.) 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.

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3. Significant accounting policies (continued):

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

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

Financial assets/liabilities	IFRS 9 Classification
Cash	FVTPL
Receivables	Amortized cost
Note receivable	FVTPL
Investment in Envexergy Inc.	FVTPL
Accounts payable	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 comprehensive 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 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 consolidated statements of 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 comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

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3. Significant accounting policies (continued):

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

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.

q.) Future accounting policy changes

There are no standards applicable.

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 related to 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 S9J miner machines (note 6) the borrower uses to generate the cash flows.

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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 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 consolidated statement of financial position would be necessary, and such adjustments could be material.

d.) Business combination and asset acquisition

Judgment 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 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 consolidated statement of financial position.

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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 September 30, 2022 and 2021:

	September 30, 2022	September 30, 2021
Consulting fees	\$ -	\$ 1,895
Legal fees	8,821	11,319
Filing fees	-	525
	\$ 8,821	\$ 13,739

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 miner machines.

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, 2021, the fair value of the promissory note was calculated to be \$41,264. The fair value of the promissory note has been based on expected cash flows from the S9J miners. Expected cash flows have been calculated by extrapolating the net profits generated over the first 27 months use over the expected useful life of the S9J miners. The expected remaining useful life of the S9J miners was estimated to be 0.67 years.

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6. Note receivable (continued):

During the year ended September 30, 2022, the S9J miner machines were shut down and production was ceased due to market downturn, so the fair value of the promissory note was calculated to be \$Nil.

Balance, September 30, 2020	\$	46,033
Collection		(79,830)
Change in fair value		75,061
Balance, September 30, 2021		41,264
Collection		(53,732)
Change in fair value		12,468
Balance, September 30, 2022	\$	-

7. Investment in Envexergy:

Balance, September 30, 2020	\$	1,032,637
Addition		265,840
Change in fair value		(75,341)
Balance, September 30, 2021		1,223,136
Change in fair value		61,210
Balance, September 30, 2022	\$	1,284,346

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.

As at September 30, 2021, the fair value of the investment (223,580 shares of Envexergy) was calculated to be \$1,223,136 (US\$960,000), applying the market approach of valuation. The Corporation estimated the fair value of Envexergy, as a going concern, mainly on the basis of observable arm's length transactions in Envexergy's shares between its shareholders. Accordingly, the Corporation considered the implied fair value for the shares to be equivalent to the price of the most recent Series A Preferred financing of \$4.171 per share.

As at September 30, 2022, the fair value of the investment (223,580 shares of Envexergy) was calculated to be \$1,284,346 (US\$937,000), applying the market approach of valuation. The Corporation estimated the fair value of Envexergy, as a going concern, mainly on the basis of observable arm's length transactions in Envexergy's shares between its shareholders. Accordingly, the Corporation considered the implied fair value for the shares to be equivalent to the price of the most recent Series A Preferred financing of \$4.170 per share.

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8. Loans payable:

In March 2020, the Corporation acquired 51% of all the issued and outstanding shares of 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,d)	Shareholder loan (e)	Total
Balance, September 30, 2020	\$ 15,340	\$ 42,083	\$ -	\$ 57,423
Addition	-	49,947	-	49,947
Interest and accretion	2,916	13,857	-	16,773
Repayment	(12,069)	-	-	(12,069)
Forgiveness	-	(25,048)	-	(25,048)
Foreign exchange adjustment	(759)	(680)	-	(1,439)
Balance, September 30, 2021	5,428	80,159	-	85,587
Addition	-	-	425,000	425,000
Discount	-	-	(36,638)	(36,638)
Interest and accretion	-	10,246	32,416	42,662
Repayment	(5,441)	(351)	-	(5,792)
Impact of deferment	-	(12,639)	-	(12,639)
Foreign exchange adjustment	13	5,877	-	5,890
Balance, September 30, 2022	\$ -	\$ 83,292	\$ 420,778	\$ 504,070
Short-term	\$ -	\$ 2,972	\$ 420,778	\$ 423,750
Long-term	-	80,320	-	80,320
Balance, September 30, 2022	\$ -	\$ 83,292	\$ 420,778	\$ 504,070

- 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 year ended September 30, 2021, the Corporation accrued interest of \$2,916 (US\$ 2,307) and paid \$12,069 (US\$9,547) of the outstanding balance. As at September 30, 2021, the outstanding loan is \$5,428 (US\$4,260), which was settled during the year ended September 30, 2022.

- 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 year ended September 30, 2021, the Corporation accrued interest of \$2,695 (US\$2,132), and the outstanding balance, including interest, of \$25,048 (US\$19,813) was forgiven.

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8. Loans payable (continued):

- 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 fair 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 year ended September 30, 2022, the Corporation accrued interest of \$2,697 (US\$2,111) (2021 - \$3,535 (US\$2,796)), and recorded gain of \$3,894 (US\$3,049) (2021 - \$Nil) from deferment of payment for 30 months from the original note date. As at September 30, 2022, the carrying value of the loan was \$21,556 (US\$15,726) (2021 - \$21,231 (US\$16,664)).

- d.) On July 19, 2021, the Corporation obtained another government loan of \$145,751 (US\$116,000). As at September 30, 2021, the carrying value of the loan was \$58,928. This value was based upon an undiscounted future cash flows of \$262,438 (US\$211,320), 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 2051. 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 \$95,804, being the difference between the fair value of the loan of \$49,947 determined under IFRS 9 and the proceed received of \$145,751. The benefit was included in the consolidated statements of comprehensive loss for the year ended September 30, 2021 as the related costs for which it is intended to compensate were incurred during the year.

During the year ended September 30, 2022, the Corporation accrued interest of \$7,549 (US\$5,910) (2021 - \$7,627 (US\$6,033)), and recorded gain of \$8,745 (US\$6,847) (2021 - \$Nil) from deferment of payment for 30 months from the original note date. As at September 30, 2022 the carrying value of the loan was \$61,736 (US\$45,039) (2021 - \$58,928 (US\$46,251)).

- e.) During the year ended September 30, 2022, the Corporation received loans of \$425,000 from a director of the Corporation. The loans are due in 12 months, bears a 6% interest per annum, and is not collateralized. The Corporation has calculated the aggregate initial fair value of the loans as \$388,362, using a discount rate of 16%. The difference between the fair value and the carrying value was recorded as a discount of \$36,638 on the statements of shareholder's equity as contributed surplus.

During the year ended September 30, 2022, the Corporation accrued interest of \$13,303 and recorded accretion expense of \$19,113. As at September 30, 2022, the carrying value of the loan was \$420,778.

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9. Share capital:

a.) Authorized:

Unlimited number of common voting shares and preferred shares.

b.) Issued:

	Number of Shares	Amount
Balance, September 30, 2020	16,250,687	\$ 47,039,893
Issued pursuant to options exercised (i)	410,275	65,644
Issued to officers (ii)	120,000	72,000
Fair value of exercised options transferred from contributed surplus (i)	-	86,053
Balance, September 30, 2021 and 2022	16,780,962	\$ 47,263,590

(i) 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.

(ii) 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, presented as share-based compensation in the consolidated statements of comprehensive loss.

c.) Escrow common shares:

At September 30, 2022, 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.

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

	September 30, 2022		September 30, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding and exercisable, beginning of year	2,744,968	\$ 0.44	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 year	2,744,968	\$ 0.44	2,744,968	\$ 0.44

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9. Share capital (continued):

d.) Stock options (continued):

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 (note 11). 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 (note 11). 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. The average share price on the date of exercise was \$0.64. In relation to the issuance, the Corporation reclassified \$86,053 from contributed surplus to share capital.

There were no stock options granted during the year ended September 30, 2022.

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%

The following table summarizes information about stock options outstanding and exercisable at September 30, 2022:

Exercise Price	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
\$0.16	410,274	4.75	\$0.16
\$0.52	434,080	5.10	\$0.52
\$0.25	1,130,614	5.70	\$0.25
\$0.77	700,000	8.25	\$0.77
\$1.21	70,000	8.41	\$1.21
	2,744,968	6.18	\$0.44

e.) Warrants:

There are no warrants outstanding as at September 30, 2021 and 2022.

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9. Share capital (continued):

f.) Contributed surplus:

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. Contributed surplus also includes discount on loans payable.

g.) Accumulated foreign currency translation reserve:

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:

Year ended September 30,	2022	2021
Weighted average shares outstanding, basic and diluted	16,780,962	16,401,917

In calculating diluted loss per common share for the years ended September 30, 2022 and 2021, the Corporation excluded all options and warrants as it is currently in a loss position and would result in a diluted loss for the year.

11. Key management compensation and related party transactions:

The following is a summary of the related party transactions that occurred throughout the years ended September 30, 2022 and 2021:

- a.) During the year ended September 30, 2022, the Corporation incurred directors' fees of \$308,651 (2021 - \$305,267) to current directors.
- b.) During the year ended September 30, 2022, the Corporation incurred consulting fees \$36,000 and professional fees of \$12,000 (2021 - \$36,000 and \$9,000, respectively) to Canmore Financial Services Inc., a company controlled by the CFO of the Corporation.
- c.) During the year ended September 30, 2022, the Corporation incurred salaries of \$191,899 (2021 - \$138,430) to officers and directors 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 September 30, 2022, included in the accounts payable and accrued liabilities, the Corporation has \$332,524 (2021 - \$103,051) due to related parties as result of related party transactions incurred throughout the year. These amounts are due on demand, unsecured and non-interest bearing.
- f.) As at September 30, 2022, loans payable includes \$420,778 owing to a director. The loans are due in twelve months and are not collateralized (note 8).

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

Compensation of key management personnel

Years ended September 30,	2022	2021
Directors', accounting and consulting fees, and salaries	\$ 548,550	\$ 488,697
Share-based compensation	-	985,485
	\$ 548,550	\$ 1,474,182

12. Acquisition of Sobe Organics:

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, which was written-off during the year ended September 30, 2021.

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 (note 8)		(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

The Company wrote off the goodwill of \$215,464 as at September 30, 2021.

During the year ended September 30, 2022, Sobe Organics contributed net loss of \$164,235 (2021 - \$31,548) to the Corporation's consolidated results.

13. Non-controlling interest

As at September 30, 2022, the carrying value of non-controlling interest ("NCI") was (\$28,051) (2021 - \$46,546) which was determined as follows:

		Sobe Organics
Balance, September 30, 2020	\$	65,041
Loss allocated to NCI		(15,459)
Loss on translation allocated to NCI		(3,036)
Balance, September 30, 2021		46,546
Loss allocated to NCI		(72,798)
Loss on translation allocated to NCI		(1,799)
Balance, September 30, 2022	\$	(28,051)

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14. Income tax:

The income tax provision differs from income taxes, which would result from applying the expected tax rate to net loss before income taxes. The difference between the “expected” income tax expense and the actual income tax provision are summarized as follows:

	September 30, 2022	September 30, 2021
Loss from continuing operations	\$ (1,154,161) 27%	\$ (2,221,053) 27%
Expected income tax recovery at 27.0% (2021 – 27.0%)	(311,623)	(599,684)
Non-deductible items	(11,788)	263,136
Difference between local and foreign rates	40,034	11,117
True up	37,212	53,766
Deferred tax assets not recognized	246,165	271,665
Total income recovery	\$ -	\$ -

Deferred tax assets have not been recognized in respect of the following items:

	September 30, 2022	September 30, 2021
Non capital losses	\$ 14,427,115	\$ 13,282,458
Capital losses	2,225,872	2,225,872
Share issuance	19,450	83,960
Capital assets	-	20,150
Mineral properties	22,349,436	22,349,436
Investment tax credits	786,204	786,204
Total	\$ 39,808,077	\$ 38,748,080

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Corporation can utilize the benefits thereon.

The Corporation has \$13,442,063 of non-capital losses in Canada, which expire between 2026 and 2042. The Corporation has nil losses in Tunisia and \$985,052 in US which can be carryforward indefinitely.

The Corporation has capital loss carryforwards of \$2,225,872 which have no expiry date.

15. Segmented disclosure:

The Corporation operates their business in the following segments:

- Investing in blockchain technology solutions for capital markets and other sectors
- Sale of health and beauty products – operated by Sobe Organics
- Digital game distribution – operated by Amplify
- Addiction recovery platform services – operated by iRecover

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15. Segmented disclosure (continued):

Revenues for the years ended September 30, 2022 and 2021 are as follows:

	Blockchain	Health and beauty products	Digital game distribution	Addiction recovery platform services	Total
For the year ended September 30, 2022					
Sales	\$ -	\$ 73,183	\$ -	\$ -	\$ 73,183
Cost of sales	-	(39,674)	-	-	(39,674)
Gross profit	\$ -	\$ 33,509	\$ -	\$ -	\$ 33,509
For the year ended September 30, 2021					
Sales	\$ -	\$ 114,846	\$ -	\$ -	\$ 114,846
Cost of sales	-	(77,351)	-	-	(77,351)
Gross profit	\$ -	\$ 37,495	\$ -	\$ -	\$ 37,495

All revenue during the years ended September 30, 2022 and 2021 are derived from customers in United States. All of the Company's long term assets are in Canada.

100% (2021 - 50%) of the revenue during the years ended September 30, 2022 is derived from website sales.

16. 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 measurements. The fair value of the Corporation's receivables, accounts payable, 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.

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16. 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 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.

The following are the contractual maturities of financial liabilities as at September 30, 2022:

Financial Liabilities	< One Year	> One Year
Accounts payable and accrued liabilities	\$ 464,776	\$ -
Loans payable	423,750	80,320
Total	\$ 888,526	80,320

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

Financial Liabilities	< One Year	> One Year
Accounts payable and accrued liabilities	\$ 276,660	\$ -
Loans payable	19,785	65,802
Total	\$ 296,445	\$ 65,802

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.

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17. Revenue and geographic information:

Revenues consist of revenues from Sobe Organics. During the year ended September 30, 2022, 100% (2021 - 100%) of revenues were earned from United States.

18. 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.

19. Subsequent event:

On November 21, 2022, the Corporation received a loan of \$25,000 from a director of the Corporation. The loan is due in 12 months, bears a 6% interest per annum, and is not collateralized.