BLOCKCHAINK2 CORP.

Consolidated Financial Statements

For the years ended September 30, 2019 and 2018

(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 statement of financial position as at September 30, 2019, and the consolidated statements of loss and comprehensive loss, changes shareholders' in equity and cash flows for the year ended September 30, 2019, 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, 2019, and its financial performance and its cash flows for the year ended September 30, 2019 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 Matter

The financial statements for the year ended September 30, 2018 were audited by another auditor whose report dated January 29, 2019 expressed an unqualified opinion.

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. 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.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

January 27, 2020

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)

		2019		2018
Assets				
Current assets:				
Cash	$	2,140,540	$	3,656,732
Receivables		3,443		32,407
Prepaid expenses (note 5)		100,458		96,930
		2,244,441		3,786,069
Non-current assets:				
Equipment (note 6)		-		131,091
Note receivable (note 7)		50,865		-
Investment in Envexergy Inc. (note 8)		654,350		-
		705,215		131,091
	$	**2,949,656**	**$**	**3,917,160**
Liabilities and Shareholders' Equity				
Current liabilities:				
Trade payables (note 12)	$	53,944	$	368,142
		53,944		368,142
Shareholders' Equity				
Share capital (note 9)		47,039,893		46,938,868
Obligation to issue shares		-		42,000
Warrants (note 9)		-		708,770
Contributed surplus (note 9)		12,207,252		11,527,087
Accumulated foreign currency translation		1,457,713		1,456,710
Deficit		(57,809,146)		(57,124,417)
		2,895,712		3,549,018
	$	**2,949,656**	**$**	**3,917,160**

Going concern (note 2)
Subsequent events (note 15)

See accompanying notes to the consolidated financial statements.

Approved for issuance by the Board of Directors on January 27, 2020

Signed *"D Lindsay Wu"*
D Lindsay Wu, Director

Signed *"Sergei Stetsenko"*
Sergei Stetsenko, Director

BLOCKCHAINK2 CORP.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended September 30,
(Expressed in Canadian dollars)

		2019		2018
Expenses				
Consulting fees (note 12)	$	36,000	$	186,384
Directors' fees (note 12)		396,141		374,165
Filing and listing fees		29,067		84,357
Foreign exchange loss		6,175		6,342
General and administrative		65,121		200,153
Professional fees		51,136		417,359
Share-based payments (note 9)		-		1,203,348
Travel		30,868		-
		(614,508)		(2,472,108)
Other income (loss)				
Interest income		-		12,639
Impairment of equipment (note 6)		-		(113,694)
Gain on debt settlement		10,005		-
Loss on sale of equipment (note 6)		(80,226)		-
		(70,221)		(101,055)
Net loss for the year		**(684,729)**		**(2,573,163)**
Other comprehensive income				
Item that will be recognized in profit or loss:				
Exchange gain on translation		1,003		1,564
Comprehensive loss for the year	**$**	**(683,726)**	**$**	**(2,571,599)**
Loss per share for the year:				
Basic and diluted (note 10)	**$**	**(0.04)**	**$**	**(0.19)**

See accompanying notes to the consolidated financial statements.

BLOCKCHAINK2 CORP.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended September 30,
(Expressed in Canadian dollars)

		2019		2018
Share capital				
Balance, beginning of year	$	46,938,868	$	43,981,389
Issued pursuant to private placement (note 9)		-		3,636,927
Issued pursuant to warrants exercised (note 9)		72,420		-
Fair value of exercised warrants transferred from contributed surplus (note 9)		28,605		-
Finder warrants issued (note 9)		-		(259,649)
Share issue costs		-		(419,799)
Balance, end of year		47,039,893		46,938,868
Obligation to issue shares				
Balance, beginning of year		42,000		-
Issued pursuant to warrants exercised (note 9)		(42,000)		42,000
Balance, end of year		-		42,000
Warrants				
Balance, beginning of year		708,770		104,449
Warrants issued (note 9)		-		807,241
Share issue costs (note 9)		-		(98,471)
Fair value of expired warrants transferred to contributed surplus (note 9)		(708,770)		(104,449)
Balance, end of year		-		708,770
Contributed surplus				
Balance, beginning of year		11,527,087		9,959,641
Share-based payments (note 9)		-		1,203,348
Fair value of exercised warrants transferred to share capital (note 9)		(28,605)		-
Fair value of expired warrants transferred from warrants reserve (note 9)		708,770		104,449
Finder warrants issued (note 9)		-		259,649
Balance, end of year		12,207,252		11,527,087
Accumulated foreign currency translation				
Balance, beginning of year		1,456,710		1,455,146
Gain on translation		1,003		1,564
Balance, end of year		1,457,713		1,456,710
Deficit				
Balance, beginning of year		(57,124,417)		(54,551,254)
Net loss for the year		(684,729)		(2,573,163)
Balance, end of year		(57,809,146)		(57,124,417)
Shareholders' equity	**$**	**2,895,712**	**$**	**3,549,018**

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)

	2019	2018
Cash provided by (used in):		
Operating activities:		
Loss from continuing operations	$ (684,729)	$ (2,573,163)
Items not affecting cash:		
Impairment of equipment	-	113,694
Loss on sale of equipment	80,226	-
Gain on debt settlement	(10,005)	-
Share-based payments	-	1,203,348
Cash flows before non-cash operating working capital	**(614,508)**	**(1,256,121)**
Change in non-cash operating working capital:		
(Increase)/decrease in receivables	28,964	(17,838)
Increase in prepaid expenses and deposits	(3,528)	(96,014)
Increase/(decrease) in trade and other payables	(304,193)	254,761
Cash flows from non-cash operating working capital	(278,757)	140,909
Cash flows used in operating activities	**(893,265)**	**(1,115,212)**
Investing activities:		
Purchase of equipment	-	(244,785)
Investment in Envexergy Inc.	(654,350)	-
Cash flows used in investing activities	**(654,350)**	**(244,785)**
Financing activities:		
Proceeds received from private placement, net of share issue costs	-	3,925,898
Proceeds received for shares to be issued	-	42,000
Proceeds received from warrants exercised	30,420	-
Cash flows provided by financing activities	**30,420**	**3,967,898**
Effect of foreign exchange on cash	1,003	1,564
Net change in cash	(1,516,192)	2,609,465
Cash, beginning of year	3,656,732	1,047,267
Cash, end of year	**$ 2,140,540**	**$ 3,656,732**

See accompanying notes to the consolidated financial statements.

1. Nature of operations and basis of presentation:

BlockchainK2 Corp. (the "Corporation") is a public company incorporated under the Company Act, Alberta, Canada and its shares are listed on the NEX Board on the TSX Venture Exchange ("Exchange"). The principal business of the Corporation was to explore natural resource properties. In 2016, the Corporation ceased to operate in the resource sector and on November 23, 2017 it was announced that it is management's intention to complete a "Change of Business" transaction ("COB Transaction") pursuant to the policies of the Exchange with the result that the Corporation will become a blockchain technology company, listed on the Exchange. On May 28, 2018, the Corporation completed its COB transaction and changed its name to BlockchainK2 Corp. and its stock symbol to BITK.

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

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

The address of the Corporation's main office is 400 - 837 West Hastings Street, Vancouver, BC V6C3N6.

Statement of compliance

These 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, event 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.

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 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, 2019, the Corporation reported a net loss of $684,729 (2018 - $2,573,163), negative operating cash flows of $893,265 (2018 - $1,115,212), and a deficit of $57,809,146 (2018 - $57,124,417). 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.

3. Significant accounting policies:

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

a.) Basis of consolidation

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

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

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

b.) Cash and cash equivalents

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

c.) Foreign currency translations

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

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

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

d.) Equipment

Items of equipment are recorded at cost less accumulated depreciation. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management.

3. Significant accounting policies (continued):

e.) Impairment of non-financial assets

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

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

f.) Income taxes

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

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

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

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

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

3. Significant accounting policies (continued):

g.) Share capital

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

h.) Share issue costs

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

i.) Share-based payments

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

j.) Warrants classified as equity

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

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

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

k.) Per share amounts

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

3. Significant accounting policies (continued):

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

IFRS 9, *Financial Instruments*

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

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

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

Classification

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

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

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

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

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.

3. Significant accounting policies (continued):

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

Measurement (continued)

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

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

Impairment of financial assets at amortized cost

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

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

Derecognition

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

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

3. Significant accounting policies (continued):

m.) Change in accounting policies – IFRS 15, *Revenue from Contracts with Customers*

IFRS 15, *Revenue from Contracts with Customers*

The new revenue standard introduces a single principles-based, five-step model for the recognition of revenue when control of goods is transferred to, or a service is performed for, the customer. IFRS 15 also requires enhanced disclosures about revenue to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. As the Corporation has no revenue, no impact on the Corporation's consolidated financial statements has resulted.

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

IFRS 16, *"Leases"*

IFRS 16 replaces IAS 17. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The standard becomes effective January 1, 2019. IFRS 16 is not expected to have an impact on the Corporation's consolidated financial statements until such time as the Corporation enters into lease arrangements.

4. Critical accounting estimates and judgments:

The Corporation has made estimates and assumptions regarding certain assets, liabilities, and expenses in the preparation of the 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.

4. Critical accounting estimates and judgments (continued):

Accounting estimates (continued)

c.) Contingencies

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

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 statement of financial position would be necessary.

(Expressed in Canadian dollars)

5. Prepaid expenses:

The Corporation had the following prepaid expenses as at September 30, 2019 and 2018:

Year ended September 30,		2019		2018
Directors' fees (note 12)	$	99,558	$	96,930
Transfer agent fees		900		-
	$	**100,458**	**$**	**96,930**

6. Equipment:

		S9J Miners
Cost		
Balance, September 30, 2017	$	-
Additions		244,785
Balance, September 30, 2018		244,785
Disposal of equipment		(244,785)
Balance, September 30, 2019	**$**	**-**
Accumulated impairment		
Balance, September 30, 2017	$	-
Impairment		113,694
Balance, September 30, 2018		113,694
Disposal of equipment		(113,694)
Balance, September 30, 2019	**$**	**-**
Net book value		
Balance, September 30, 2018	**$**	**131,091**
Balance, September 30, 2019	**$**	**-**

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

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

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

7. Note receivable:

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

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

(Expressed in Canadian dollars)

7. Note receivable (continued):

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

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

8. Investment in Envexergy Inc.:

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

9. Share capital:

a.) Authorized:

Unlimited number of common voting shares and preferred shares.

b.) Issued:

	Number of Shares		Amount
Balance, September 30, 2017	**12,095,475**	**$**	**43,981,389**
Issued pursuant private placement (i)	450,816		275,000
Issued pursuant private placement (ii)	3,335,334		4,169,168
Warrants issued with private placement (note 9(e))	-		(807,241)
Finder warrants (i, ii)	-		(259,649)
Share issue costs (ii, iii)	20,000		(419,799)
Balance, September 30, 2018	**15,901,625**		**46,938,868**
Issued pursuant to warrants exercised (iv)	349,062		72,420
Fair value of exercised warrants transferred from contributed surplus (iv)	-		28,605
Balance, September 30, 2019	**16,250,687**	**$**	**47,039,893**

(i) On November 8, 2017, the Corporation closed a non-brokered private placement of 450,816 common shares at a price of $0.61 per common share for gross proceeds of $275,000. Finders' fee totaling $19,250 in cash and finders' warrants to acquire 31,557 common shares at a price of $0.61 per share for a period of 12 months valued at $18,575, was paid. The Corporation also paid legal fees of $9,840.

(Expressed in Canadian dollars)

9. Share capital (continued):

b.) Issued (continued):

(ii) During the year ended September 30, 2018, upon completion of the COB transaction, the Corporation issued 3,335,334 common shares and 1,666,667 common share purchase warrants, for gross proceeds of $4,169,168. Each warrant entitles the holder to purchase one common share of the Corporation at an exercise price of $2.00 per common share for 12 months from the date of issuance. Finders' fee totaling $392,117 in cash, 20,000 common shares valued at $26,200, and finders' warrants to acquire 28,000 common shares at a price of $1.25 per share for a period of two years valued at $36,119, finders' warrants to acquire 10,000 common shares at a price of $2.00 per share for a period of two years valued at $12,847, finders' warrants to acquire 176,773 common shares at a price of $1.25 per share for a period of one year valued at $192,108, was paid (note 9(e)). The Corporation also paid legal fees of $97,063.

(iii) During the year ended September 30, 2018, the Company paid a total of $518,270 of share issue costs, of which $419,799 was allocated to common shares and $98,471 was allocated to warrants.

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

c.) Escrow common shares:

At September 30, 2019, the Company has 1,658,750 shares held in escrow.

d.) Stock options:

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

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

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

(Expressed in Canadian dollars)

9. Share capital (continued):

d.) Stock options (continued):

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

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
$0.16	820,549	7.75 years	$0.16
$0.52	434,080	8.09 years	$0.52
$0.25	1,130,614	8.69 years	$0.25
$0.33	795,081	8.69 years	$0.33
	3,180,324	**8.37 years**	**$0.28**

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

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

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

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

Share-based payments totaling $Nil were expensed during the year ended September 30, 2019 (2018 - $1,203,348).

e.) Warrants:

	September 30, 2019			**September 30, 2018**		
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price
Warrants outstanding, beginning of year	**1,913,997**	**$**	**1.90**	**1,570,312**	**$**	**0.24**
Issued (note 9(b) (i,ii))	-		-	1,913,997		1.90
Exercised (note 9(b) (iv))	-		-	(349,062)		0.21
Expired	(1,875,997)		1.91	(1,221,250)		0.24
Warrants outstanding, end of year	**38,000**	**$**	**1.45**	**1,913,997**	**$**	**1.90**

(Expressed in Canadian dollars)

9. Share capital (continued):

e.) Warrants (continued):

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

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
$1.25	28,000	0.51 year	$1.25
$2.00	10,000	0.51 year	$2.00
	38,000	**0.51 year**	**$1.45**

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

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

10. Per share amounts:

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,	**2019**	**2018**
Weighted average shares outstanding, basic and diluted	16,120,626	13,677,581

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

11. 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, 2019	**September 30, 2018**
Loss from continuing operations	$ (684,729)	$ (2,573,163)
Expected income tax recovery at 27.0% (2018 – 27.0%)	(184,877)	(694,754)
Share-based payments	-	324,904
Other items	1,886	1,893
Deferred tax assets not recognized	182,990	367,957
Total income recovery	**$ -**	**$ -**

(Expressed in Canadian dollars)

11. Income tax (continued):

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

	September 30, 2019	September 30, 2018
Deductible temporary differences	$ 24,728,600	$ 24,916,645
Tax losses	14, 161,883	13,294,971
Investment tax credits	786,204	786,204
Total	**$ 39,676,686**	**$ 38,997,820**

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 $11,801,929 of non-capital losses in Canada, which expire between 2026 and 2039. The Corporation has losses of $3,795 in Tunisia, which expire between 2019 and 2020.

The Corporation has capital loss carryforwards of $2,359,954, which have no expiry date.

12. 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, 2019 and 2018:

a.) During the year ended September 30, 2019, the Corporation incurred directors' fees of $396,141 (2018 - $374,165).

b.) During the year ended September 30, 2019, the Corporation incurred consulting fees $24,000 (2018 - $Nil) to Canmore Financial Services, Inc., a company controlled by the CFO of the Corporation.

c.) During the year ended September 30, 2019, the Corporation incurred consulting fees of $12,000 (2018 - $24,000) to BridgeMark Financial Corp., a company controlled by the former CFO of the Corporation.

d.) During the year ended September 30, 2019, the Corporation incurred consulting fees of $Nil (2018 - $15,000) to PJW Consulting Services Ltd., a company controlled by a director of the Corporation.

e.) As at September 30, 2019, included in the accounts payable and accrued liabilities, the Corporation has $4,414 (2018 - $9,863) due to related parties as result of related party transactions incurred throughout the year. These amounts are unsecured, due on demand and bear no interest.

f.) As at September 30, 2019, $99,558 (2018 - $96,930) was included in prepaid expenses to directors of the Corporation for directors' fees.

Compensation of key management personnel

Year ended September 30,	**2019**	**2018**
Directors' and consulting fees	$ 432,141	$ 413,165
Share-based payments	-	1,203,348
	$ 432,141	**$ 1,616,513**

13. Financial instruments and risk management:

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

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

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

Financial risk factors

a.) Credit risk:

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

b.) Liquidity risk:

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

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

Financial Liabilities	**< One Year**	**> One Year**
Trade payables	$53,944	$ -
Total	**$53,944**	**$ -**

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

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

c.) Market risk:

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

13. Financial instruments and risk management (continued):

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

- Interest rate risk is the risk that future cash flows will fluctuate as a result in changes in market interest rates. The Corporation is exposed to interest rate risk to the extent the changes in market interest rates will impact the Corporation’s interest income earned on cash and cash equivalents. The Corporation has not entered into any interest rate swaps or financial contracts to date. With regards to interest rate risk, a change of 1% in the effective interest rate would have a minimal impact on the consolidated statement of loss and comprehensive loss.

- Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange risks. The Corporation is exposed to foreign exchange rate risk since the costs of its foreign subsidiaries will mostly be denominated in US dollars. The effect of a 1% change in the exchange rate would have a minimal impact on the consolidated statement of other comprehensive loss.

14. 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.

15. Subsequent events:

On January 22, 2020, the Company signed a term sheet with Sobe Organics, Inc. (“Sobe”) (a private Delaware corporation) to purchase 51% equity ownership interest in Sobe for total consideration of USD $250,000. The transaction is subject to a number of conditions, including receipt of all necessary corporate and regulatory approvals, including approval of the TSX Venture Exchange.