

**BRAND X LIFESTYLE CORP.**  
(formerly Block X Capital Corp.)

**Consolidated Financial Statements**  
**For the year ended December 31, 2019**

**Expressed in Canadian Dollars**



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Brand X Lifestyle Corp.

### Opinion

We have audited the consolidated financial statements of Brand X Lifestyle Corp. (formerly Block X Capital Corp.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, 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 Company as at December 31, 2019 and 2018, 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 Company 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 1 to the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company'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 will 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 on this other information, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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 Otto Ehinger.

*[Audit Firm Signature]*

**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**  
Vancouver, BC  
April X, 2020



An independent firm  
associated with Moore  
Global Network Limited

**BRAND X LIFESTYLE CORP. (formerly Block X Capital Corp.)**  
**Consolidated Statements of Financial Position**  
**Expressed in Canadian dollars**

|  | Note | December 31,<br>2019 | December 31,<br>2018 |
|--|------|----------------------|----------------------|
|  |      | \$                   | \$                   |
| <b>Assets</b>                            |      |                      |                      |
| Current                                  |      |                      |                      |
| Cash and cash equivalents                |      | 186,296              | 2,753,143            |
| Other receivables                        | 9    | 13,488               | 11,651               |
| Note receivable                          | 4    | 226,712              | -                    |
|  |      | <b>426,496</b>       | <b>2,764,794</b>     |
| Non-Current                              |      |                      |                      |
| Reclamation deposits                     |      | 60,000               | 60,724               |
| Investments                              | 5    | 3,544,225            | 507,071              |
| Convertible debenture receivable         | 7    | 506,904              | -                    |
|  |      | <b>4,111,129</b>     | <b>567,795</b>       |
|  |      | <b>4,537,625</b>     | <b>3,332,589</b>     |
| <b>Liabilities</b>                       |      |                      |                      |
| Current                                  |      |                      |                      |
| Accounts payable and accrued liabilities |      | 29,530               | 12,000               |
|  |      | <b>29,530</b>        | <b>12,000</b>        |
| <b>Equity</b>                            |      |                      |                      |
| Share capital                            | 8    | 30,449,956           | 30,449,956           |
| Warrant reserve                          | 8    | 119,754              | 347,173              |
| Option reserve                           | 8    | 1,038,131            | 1,416,754            |
| Deficit                                  |      | <b>(27,099,746)</b>  | <b>(28,893,294)</b>  |
|  |      | <b>4,508,095</b>     | <b>3,320,589</b>     |
|  |      | <b>4,537,625</b>     | <b>3,332,589</b>     |

**Nature of operations and going concern (Note 1)**  
**Subsequent event (Note 13)**

These consolidated financial statements were approved by Board of Directors on April 27, 2020 and were signed on its behalf by:

**On behalf of the Board:**

“Arni Johannson” Director      “Hani Zabaneh” Director

**BRAND X LIFESTYLE CORP. (formerly Block X Capital Corp.)**  
**Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**  
**Expressed in Canadian dollars**

|   | Note | Year Ended<br>December 31,<br>2019 | Year Ended<br>December 31,<br>2018 |
|---|------|------------------------------------|------------------------------------|
|   |      | \$                                 | \$                                 |
| Finance fees and bank charges                                 |      | 231                                | 457                                |
| Consulting fees   | 9    | 39,038                             | 140,000                            |
| Filing and transfer agent fees                                |      | 26,468                             | 41,400                             |
| Office, rent and administration                               |      | 149,199                            | 269,931                            |
| Professional fees   |      | 47,612                             | 98,231                             |
| Marketing   |      | -                                  | 777,201                            |
| Share-based payments  | 8, 9 | 6,237                              | 1,122,686                          |
|   |      | <b>(268,785)</b>                   | <b>(2,449,906)</b>                 |
| Change in fair value of investments                           | 5, 7 | <b>1,334,058</b>                   | (250,429)                          |
| Finance income  | 4, 5 | <b>115,996</b>                     | 8,423                              |
| Write down of convertible note receivable                     | 6    | -                                  | (300,000)                          |
| Impairment on investments                                     | 5    | -                                  | (250,023)                          |
|   |      | <b>1,450,054</b>                   | <b>(729,029)</b>                   |
| <b>Net income (loss) and comprehensive income (loss)</b>      |      | <b>1,181,269</b>                   | <b>(3,241,935)</b>                 |
| <b>Net income (loss) per share *</b>                          |      |                                    |                                    |
| Basic and diluted   |      | <b>0.05</b>                        | <b>(0.14)</b>                      |
| <b>Weighted average number of common shares outstanding *</b> |      |                                    |                                    |
| Basic and diluted   |      | <b>24,112,878</b>                  | <b>23,854,585</b>                  |

\* Net income (loss) per share and Weighted average number of shares outstanding reflect the 1:2 consolidation of common shares, which is effective subsequent to December 31, 2019 (Note 13).

**BRAND X LIFESTYLE CORP. (formerly Block X Capital Corp.)**  
**Consolidated Statements of Changes in Equity**  
**Expressed in Canadian dollars**

|  | Common<br>Shares  | Share<br>Capital  | Shares to be<br>issued | Warrant<br>Reserve | Option<br>Reserve | Deficit             | Total            |
|--|-------------------|-------------------|------------------------|--------------------|-------------------|---------------------|------------------|
|  | #                 | \$                | \$                     | \$                 | \$                | \$                  | \$               |
| Balance at December 31, 2017                           | 44,059,700        | 29,805,654        | 334,000                | 510,576            | 342,656           | (25,983,104)        | 5,009,782        |
| Shares issued for cash, net share issue costs (Note 8) | 1,695,500         | 517,000           | (334,000)              | -                  | -                 | -                   | 183,000          |
| Shares issued on exercise of warrants (Note 8)         | 2,470,556         | 247,056           | -                      | -                  | -                 | -                   | 247,056          |
| Share-based payments (Note 8)                          | -                 | -                 | -                      | -                  | 1,122,686         | -                   | 1,122,686        |
| Warrant reserve on finders' warrants (Note 8)          | -                 | (119,754)         | -                      | 119,754            | -                 | -                   | -                |
| Warrants expired (Note 8)                              | -                 | -                 | -                      | (283,157)          | -                 | 283,157             | -                |
| Options cancelled (Note 8)                             | -                 | -                 | -                      | -                  | (48,588)          | 48,588              | -                |
| Net loss for the year                                  | -                 | -                 | -                      | -                  | -                 | (3,241,935)         | (3,241,935)      |
| Balance at December 31, 2018                           | 48,225,756        | 30,449,956        | -                      | 347,173            | 1,416,754         | (28,893,294)        | 3,320,589        |
| Share-based payments (Note 8)                          | -                 | -                 | -                      | -                  | 6,237             | -                   | 6,237            |
| Warrants expired (Note 8)                              | -                 | -                 | -                      | (227,419)          | -                 | 227,419             | -                |
| Options expired (Note 8)                               | -                 | -                 | -                      | -                  | (384,860)         | 384,860             | -                |
| Net income for the year                                | -                 | -                 | -                      | -                  | -                 | 1,181,269           | 1,181,269        |
| <b>Balance at December 31, 2019</b>                    | <b>48,225,756</b> | <b>30,449,956</b> | <b>-</b>               | <b>119,754</b>     | <b>1,038,131</b>  | <b>(27,099,746)</b> | <b>4,508,095</b> |

The accompanying notes are an integral part of these consolidated financial statements

**BRAND X LIFESTYLE CORP. (formerly Block X Capital Corp.)**  
**Consolidated Statements of Cash Flows**  
**Expressed in Canadian dollars**

|   | Year Ended<br>December 31,<br>2019 | Year Ended<br>December 31,<br>2018 |
|---|------------------------------------|------------------------------------|
| <b>Cash flows used in operating activities</b>    |                                    |                                    |
| Net income (loss) for the year                    | \$ 1,181,269                       | \$ (3,241,935)                     |
| Adjustments for:                                  |                                    |                                    |
| Share-based payments                              | 6,237                              | 1,122,686                          |
| Accretion   | (26,712)                           | -                                  |
| Accrued interest                                  | (13,356)                           | -                                  |
| Dividend income                                   | (60,000)                           | -                                  |
| Change in fair value of investments               | (1,344,058)                        | 250,429                            |
| Write down of convertible note receivable         | -                                  | 300,000                            |
| Impairment on investments                         | -                                  | 250,023                            |
| Other   | 724                                | -                                  |
| Changes in non-cash working capital items:        |                                    |                                    |
| Other receivables                                 | 11,519                             | 3,957                              |
| Prepaid expenses                                  | -                                  | 11,216                             |
| Accounts payable and accrued liabilities          | 17,530                             | (121,003)                          |
| <b>Net cash used in operating activities</b>      | <b>(216,847)</b>                   | <b>(1,424,627)</b>                 |
| <b>Cash flows used in investing activities</b>    |                                    |                                    |
| Investment in convertible debenture receivable    | (500,000)                          | -                                  |
| Purchase of investments                           | (1,600,000)                        | (1,007,523)                        |
| Investment in note receivable                     | (250,000)                          | (300,000)                          |
| <b>Net cash used in investing activities</b>      | <b>(2,350,000)</b>                 | <b>(1,307,523)</b>                 |
| <b>Cash flows from financing activities</b>       |                                    |                                    |
| Proceeds from issuance of shares, net of costs    | -                                  | 430,056                            |
| Proceeds from subscriptions received              | -                                  | 122,500                            |
| <b>Net cash generated by financing activities</b> | <b>-</b>                           | <b>552,556</b>                     |
| <b>Change in cash and cash equivalents</b>        | <b>(2,566,847)</b>                 | <b>(2,179,594)</b>                 |
| <b>Cash and cash equivalents, beginning</b>       | <b>2,753,143</b>                   | <b>4,932,737</b>                   |
| <b>Cash and cash equivalents, ending</b>          | <b>\$ 186,296</b>                  | <b>\$ 2,753,143</b>                |
| Cash and cash equivalents are comprised of:       |                                    |                                    |
| Cash  | \$ 11,776                          | \$ 753,143                         |
| Guaranteed Investment Certificate                 | 174,520                            | 2,000,000                          |
|   | <b>\$ 186,296</b>                  | <b>\$ 2,753,143</b>                |

The accompanying notes are an integral part of these consolidated financial statements

**BRAND X LIFESTYLE CORP. (formerly Block X Capital Corp.)****Notes to Consolidated Financial Statements**

Expressed in Canadian dollars

**1. Nature of operations and going concern**

Brand X Lifestyle Corp. (formerly Block X Capital Corp.) (the “Company”) is incorporated under the Canada Business Corporations Act and is in the business of acquiring and investing in early-stage to mid-level blockchain and emerging technology companies. The Company’s shares trade on the Canadian Securities Exchange (“CSE”) under the symbol “BXXX”. The Company’s registered and records office is located at 918 – 1030 West Georgia Street, Vancouver, British Columbia, Canada, V6E 2Y3.

These consolidated financial statements (“financial statements”) are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the year ended December 31, 2019, the Company realized net income of \$1,181,269 (2018 – net loss of \$3,241,935) and as of that date the Company’s deficit was \$27,099,746 (December 31, 2018 – \$28,893,294). As at December 31, 2019 the Company’s current assets exceeded its current liabilities by \$396,966, which is expected to be sufficient to finance operating costs over the next twelve months. Additional financing may be required to acquire new investments. In addition, the Company has no sources of revenue. Future funding for investments may not be available or may be available but on terms that may not be suitable for the Company. These factors indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts in its consolidated statement of financial position.

On March 11 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (“COVID-19”) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods.

**2. Basis of Presentation and significant accounting policies****a) Statement of compliance**

These financial statements have been prepared in accordance International Financial Reporting Standards and Interpretations (collectively, “IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

The financial statements of the Company for the year ended December 31, 2019 were authorized for issue by the Board of Directors (“Board”) on April 27, 2020.

**b) Basis of presentation**

These financial statements have been prepared on a historical cost basis, except for certain financial instruments which are classified as fair values at the end of each reporting period, as explained in the accounting policies below. All amounts on the financial statements are presented in Canadian dollars which is the functional currency of the Company.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would consider those characteristics when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described in Note 10.



**BRAND X LIFESTYLE CORP. (formerly Block X Capital Corp.)**

**Notes to Consolidated Financial Statements**

Expressed in Canadian dollars

**2. Significant accounting policies – continued**

c) Basis of consolidation

These financial statements incorporate the financial statements of the Company and the entities controlled by the Company. These financial statements include the accounts of the Company and its wholly-owned subsidiary Canadian Copper & Gold Corp. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation. Canadian Copper & Gold Corp. was inactive for the years ended December 31, 2019 and 2018.

d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid short-term investments with original maturities of 12 months or less.

e) Financial instruments

The Company utilizes a single, forward-looking “expected loss” impairment model for recognition and measurement of financial instruments as follows:

i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’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 Company 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 if the Company has opted to measure them at FVTPL.

The Company classifies its financial assets and liabilities as follows:

|                                  |                |
|----------------------------------|----------------|
| Cash and cash equivalents        | FVTPL          |
| Other receivables                | Amortized cost |
| Investments                      | FVTPL          |
| Convertible debenture receivable | FVTPL          |
| Note receivable                  | FVTPL          |
| Reclamation deposits             | Amortized cost |
| Accounts payable                 | Amortized cost |

ii) Measurement

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 transaction costs are expensed in the statements of loss and 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 included in the statements of loss and comprehensive loss in the year in which they arise.

**BRAND X LIFESTYLE CORP. (formerly Block X Capital Corp.)**

**Notes to Consolidated Financial Statements**

Expressed in Canadian dollars

**2. Significant accounting policies – continued**

e) Financial instruments – continued

ii) Measurement – continued

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income which is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in Other Comprehensive Income (“OCI”). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company 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 has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company 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.

iv) Derecognition

Financial assets

The Company 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.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company 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.

Gains and losses on derecognition are generally recognized in profit or loss.

f) Investments

Investments consist of common shares. Investments are initially recorded at cost, being the fair value at the time of acquisition. Transaction costs incurred in the purchase and sale of investments are recorded as an expense in the consolidated statements of loss. Subsequent to initial recognition investments continue to be measured at fair value.

**BRAND X LIFESTYLE CORP. (formerly Block X Capital Corp.)**

**Notes to Consolidated Financial Statements**

Expressed in Canadian dollars

**2. Significant accounting policies – continued**

f) Investments – continued

At the end of each financial reporting period, management evaluates the fair value and potential impairment of investments based on the criteria below and records such impairment in the financial statements directly in net loss:

- There has been a significant new equity financing with arms-length investors at a valuation above or below the current fair value of the investee company, in which case the fair value of the investment is adjusted to the value at which the financing took place; or
- Based on financial information received from the investee company it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern, in which case the fair value of the investment is adjusted downward; or
- There have been significant corporate, operating, technological or economic events affecting the investee company that, in the Company's opinion, have a positive or negative impact on the investee company's prospects and, therefore, its fair value; or
- The investee company is placed into receivership or bankruptcy.

The Company will take into account general market conditions when determining if an adjustment to the fair value of an investment is warranted at the end of each reporting period. Absent the occurrence of any of these events, or any significant change in general market conditions, the fair value of the investment is left unchanged.

Application of the valuation techniques described above may involve uncertainties and determinations based on the Company's judgment, and any fair value estimated from these techniques may not be realized.

The amount at which an investment could be disposed of may differ from its carrying value due to the availability and/or reliability of information available to the Company.

g) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their trading value at the date the shares are issued.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Share capital is reduced by the average per-common-share carrying amount, with the difference between this amount and the consideration paid, added to or deducted from reserve.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded in the warrant reserve.

**BRAND X LIFESTYLE CORP. (formerly Block X Capital Corp.)**

**Notes to Consolidated Financial Statements**

Expressed in Canadian dollars

**2. Significant accounting policies – continued**

h) Share-based payment transactions

Options granted to employees and others providing similar services are measured on grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. On vesting, share-based payments are recorded as an operating expense and as option reserve. When options are exercised the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as option reserve are transferred to share capital. When an option is cancelled or expires, the initial recorded value is reversed and charged to deficit.

i) Income taxes

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in consolidated loss and comprehensive loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

j) Income (loss) per share

The Company presents basic and diluted income (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the income or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all potentially dilutive common shares related to outstanding stock options and warrants issued by the Company.

**BRAND X LIFESTYLE CORP. (formerly Block X Capital Corp.)**

**Notes to Consolidated Financial Statements**

Expressed in Canadian dollars

**2. Significant accounting policies – continued**

k) New accounting pronouncements

The Company adopted the following new accounting standard and interpretation:

IFRS 16, Leases (effective January 1, 2019) introduced new requirements for the classification and measurement of leases. Under IFRS 16, a lessee no longer classifies leases as operating or financing and records all leases on the consolidated statement of financial position, unless the lease term is 12 months or less or the underlying asset has a low value. The Company has applied a modified retrospective transition approach. The Company does not have any leases, and as a result, this standard had no impact on the Company's financial statements on adoption.

IFRIC 23, Uncertainty over Income Tax Treatments (effective January 1, 2019) provides guidance when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered separately; assumptions made about the examination of tax treatments by tax authorities; the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates; and, the impact of changes in facts and circumstances. This interpretation did not have an impact on the Company's financial statements.

l) Significant accounting estimates and judgments

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and judgments. Those areas requiring the use of management estimates and judgments include:

Estimates

- i) The Company is required to determine the fair value of unquoted equity investments.
- ii) Option or sale agreements, under which the Company may receive shares as payment, require the Company to determine the fair value of the shares received. Many factors can enter into this determination, including, if public shares, the number of shares received, the trading value of the shares, and volume of shares, and if non-public shares, the underlying asset value of the shares, or value of the claims under option or sale. This determination is subjective and does not necessarily provide a reliable single measure of the fair value of the shares received.

Judgments

- i) The determination of whether the investments, note receivable or convertible debenture receivable are impaired. The Company makes these judgements based on information available, but there is no certainty that an investment, note receivable or the convertible note receivable is impaired or not.
- ii) These financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company's ability to continue in operation for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast substantial doubt upon the soundness of this assumption (Note 1).
- iii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax loss carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

**BRAND X LIFESTYLE CORP. (formerly Block X Capital Corp.)****Notes to Consolidated Financial Statements**

Expressed in Canadian dollars

**3. Accounting standards issued but not yet adopted**

The Company has not applied the following amendment that has been issued but is not yet effective:

Amendments to IFRS 3, Business Combinations (effective January 1, 2020) assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. It amends the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and it excludes returns in the form of lower costs and other economic benefits. The Company has not elected to apply this amendment early.

**4. Note receivable**

On June 19, 2019, the Company issued a \$250,000 loan to MineHub Technologies Inc. ("MineHub"), an arm's length third party. The note receivable bears interest at 10% and matures on June 18, 2020. In addition, bonus securities of 200,000 common shares of MineHub were issued to the Company. The common shares received were recognized at their fair value of \$50,000. The note receivable was initially recorded at fair value of \$200,000 and will be accreted to face value over the term of the loan.

During the year ended December 31, 2019, the Company recognized \$40,068 in finance income, which includes interest of \$13,356 and accretion of \$26,712 on the note receivable. At December 31, 2019, the carrying value of the note receivable was \$226,712, consisting of the initial fair value plus accretion.

**5. Investments**

Investments consist of common shares purchased and are classified as FVTPL.

|                                     | Fair value at<br>December 31,<br>2018 | Additions | Fair value<br>adjustment | Fair value at<br>December 31,<br>2019 |
|-------------------------------------|---------------------------------------|-----------|--------------------------|---------------------------------------|
|                                     | \$                                    | \$        | \$                       | \$                                    |
| iComply Investor Services Inc.      | -                                     | -         | 258,332                  | 258,332                               |
| Eli Technologies Corp.              | 157,500                               | -         | 37,500                   | 195,000                               |
| Abaxx Technology Inc.               | 250,000                               | -         | 93,750                   | 343,750                               |
| Quisitive Technology Solutions Inc. | 83,571                                | -         | 23,572                   | 107,143                               |
| FansUnite Entertainment Inc.        | 16,000                                | -         | 264,000                  | 280,000                               |
| AgriFORCE Growing Systems Ltd. (i)  | -                                     | 1,410,000 | 650,000                  | 2,060,000                             |
| MineHub Technologies Inc. (ii)      | -                                     | 300,000   | -                        | 300,000                               |
| Total                               | 507,071                               | 1,710,000 | 1,327,154                | 3,544,225                             |

i) On January 16, 2019, the Company purchased 1,000,000 units of AgriFORCE Growing Systems Ltd. (formerly Canivate Growing Systems Ltd.) ("AgriFORCE") at \$0.35 per unit via private placement for \$350,000. Each unit consists of one common share and one share purchase warrant, exercisable at \$0.50 for three years from the issue date.

On May 10, 2019, the Company purchased 1,000,000 units at \$1.00 per unit via private placement. Each unit consists of one preferred share and one common share purchase warrant, exercisable at \$2.00 for five years from the issue date. The Company received 60,000 common shares with a fair value of \$60,000 as payment of dividends during the year ended December 31, 2019.

ii) On April 4, 2019, the Company purchased 1,000,000 common shares of MineHub at \$0.25 per share via private placement for \$250,000.

On June 19, 2019, the Company received 200,000 common shares of MineHub with a fair value of \$50,000 in relation to a loan provided to MineHub (Note 4).

**BRAND X LIFESTYLE CORP. (formerly Block X Capital Corp.)****Notes to Consolidated Financial Statements**

Expressed in Canadian dollars

**5. Investments (continued)**

|   |        | Fair value at<br>December 31,<br>2017 | Additions        | Fair value<br>adjustment | Impairment       | Fair value at<br>December 31,<br>2018 |
|---|--------|---------------------------------------|------------------|--------------------------|------------------|---------------------------------------|
|   |        | \$                                    | \$               | \$                       | \$               | \$                                    |
| iComply Investor Services Inc.          | (viii) | -                                     | 249,999          | -                        | (249,999)        | -                                     |
| Eli Technologies Corp.                  | (iii)  | -                                     | 157,500          | -                        | -                | 157,500                               |
| Abaxx Technology Inc.                   | (iv)   | -                                     | 250,000          | -                        | -                | 250,000                               |
| Quisitive Technology<br>Solutions Inc.  | (vii)  | -                                     | 150,000          | (66,429)                 | -                | 83,571                                |
| FansUnite Entertainment Inc.            | (vi)   | -                                     | 200,000          | (184,000)                | -                | 16,000                                |
| Silota Research and<br>Development Inc. | (v)    | -                                     | 24               | -                        | (24)             | -                                     |
| <b>Total</b>                            |        | -                                     | <b>1,007,523</b> | <b>(250,429)</b>         | <b>(250,023)</b> | <b>507,071</b>                        |

- iii) During the year ended December 31, 2018, the Company purchased via a private placement 650,000 common shares of Eli Technologies Corp. (formerly Buildings Block Technology Corp.) for \$157,500.
- iv) On April 11, 2018, the Company purchased via private placement 625,000 common shares of Abaxx Technology Inc. at \$0.40 per share for \$250,000.
- v) On April 12, 2018, the Company acquired 238,500 common shares of Silota for cash consideration of \$24. During the year ended December 31, 2018, based on available information about the company's performance, the Company has recorded an impairment allowance of \$24.
- vi) On May 9, 2018, the Company purchased via a private placement 800,000 common shares of FansUnite Entertainment Inc. at \$0.25 per common share for \$200,000.
- vii) On May 16, 2018, the Company purchased via private placement 428,571 units of Quisitive Technology Solutions Inc. (formerly Fusion Agiletech Partners Inc.) at \$0.35 per unit for \$150,000.
- viii) On July 9, 2018, the Company purchased via a private placement 166,666 common shares of iComply Investor Services Inc. at \$1.50 per common share for \$249,999. During the year ended December 31, 2018, based on available information about the company's performance, the Company has recorded an impairment allowance of \$249,999.

**6. Promissory note receivable**

On April 22, 2018, the Company advanced \$300,000 via convertible promissory note to Silota Research and Development Inc. ("Silota"). The promissory note was interest free and is due on April 22, 2023. During the year ended December 31, 2018, management determined that there was significant doubt about Silota's ability to repay the promissory note receivable, and accordingly management recorded an impairment of \$300,000.

**7. Convertible debenture receivable**

On March 22, 2019, the Company invested in a \$500,000 convertible debenture in AgriFORCE. The convertible debenture had an annual interest rate of 12% and matures in five years from the date of issuance. The debenture is convertible based on certain automatic conversion features or at the Company's option until maturity at \$1.00 per unit. Each unit includes one common share and one share purchase warrant, exercisable at \$2.00 for five years from the issue date.

The Company determined the fair value at initial recognition was \$500,000 and \$506,904 at December 31, 2019, resulting in a change in fair value of \$6,904 recognized in profit and loss. Subsequent to December 31, 2019, the Company received notice from AgriFORCE that the convertible debenture had been converted to 506,904 common shares of AgriFORCE, including interest (Note 13).

**BRAND X LIFESTYLE CORP. (formerly Block X Capital Corp.)****Notes to Consolidated Financial Statements**

Expressed in Canadian dollars

**8. Share capital**

Authorized: unlimited number of common shares without par value

Issued and outstanding: 48,225,756 (December 31, 2018: 48,225,756) common shares

**a) Share issuances**

On January 5, 2018, the Company completed a non-brokered private placement whereby it issued 1,292,500 common shares at a price of \$0.40 per share for proceeds of \$517,000. In addition, the Company issued 64,000 finders' shares with a fair value of \$27,520 and 64,000 finders' warrants with a fair value of \$19,018. Each finders' warrant is exercisable at \$0.40 until January 8, 2020. The fair value of the finder's warrants was determined using the Black-Scholes Option Pricing Model using the following assumptions: Risk-free rate of 1.59%; expected life of 2 years, expected volatility of 139% and dividend yield of nil.

On January 8, 2018, the Company issued 339,000 finders' shares and 339,000 finders' warrants related to the last private placement in 2017. Finders' shares were issued with a fair value of \$145,770 and the finders' warrants were issued with a fair value of \$100,736. Each warrant is exercisable to January 8, 2020 for \$0.40 per share. The fair value of the finder's warrants was determined using the Black-Scholes Option Pricing Model using the following assumptions: Risk-free rate of 1.59%; expected life of 2 years, expected volatility of 139% and dividend yield of nil.

In March 2018, the Company issued 2,390,556 common shares upon exercise of warrants at an exercise price of \$0.10 for proceeds of \$239,056.

On April 30, 2018, the Company issued 80,000 common shares upon exercise of warrants at an exercise price of \$0.10 for proceeds of \$8,000.

**b) Share purchase warrants**

The balance of warrants outstanding and exercisable for the period ended December 31, 2019 is as follows:

|   | Number of<br>warrants | Weighted<br>average<br>exercise price |
|---|-----------------------|---------------------------------------|
|   |                       | \$                                    |
| Balance, December 31, 2017                  | 22,769,936            | 0.10                                  |
| Issued                                      | 403,000               | 0.40                                  |
| Exercised                                   | (2,470,556)           | 0.10                                  |
| Expired                                     | (19,509,380)          | 0.10                                  |
| Balance, December 31, 2018                  | 1,193,000             | 0.27                                  |
| Expired                                     | (790,000)             | 0.20                                  |
| Balance, December 31, 2019                  | 403,000               | 0.40                                  |
| Weighted average remaining contractual life |                       | 0.02 years                            |

During the year ended December 31, 2019, 790,000 warrants expired for which the fair value of \$227,419 was transferred to deficit.



**BRAND X LIFESTYLE CORP. (formerly Block X Capital Corp.)****Notes to Consolidated Financial Statements**

Expressed in Canadian dollars

**8. Share capital – continued****b) Share purchase warrants – continued**

| Expiry Date     | Warrants outstanding |          |                                 | Weighted average remaining contractual life (years) | Warrants exercisable |                                 |
|-----------------|----------------------|----------|---------------------------------|---|----------------------|---------------------------------|
|                 | Exercise Price       | Warrants | Weighted Average Exercise Price |   | Warrants             | Weighted Average Exercise Price |
|                 | \$                   |          | \$                              |   |                      | \$                              |
| January 8, 2020 | 0.40                 | 403,000  | 0.40                            | 0.02  | 403,000              | 0.40                            |

**c) Stock options**

On January 11, 2018, the Company granted 2,640,000 stock options to directors and consultants of the Company at an exercise price of \$0.43 per common share for a period of five years ending January 11, 2023. The stock options vested 25% every three months after the grant date. The fair value of the options granted was determined to be \$1,128,923 using the following assumptions: Risk-free rate of 1.59%; Expected life of 5 years, Expected volatility of 247% and dividend yield of nil. During the year ended December 31, 2019, the Company recognized share-based payments of \$6,237 (2018 - \$1,122,686).

The balance of stock options outstanding and exercisable for the period ended December 31, 2019 is as follows:

|   | Number of options | Weighted average exercise price |
|---|-------------------|---------------------------------|
|   |                   | \$                              |
| Balance, December 31, 2017                  | 1,875,000         | 0.165                           |
| Granted                                     | 2,640,000         | 0.430                           |
| Cancelled                                   | (350,000)         | 0.165                           |
| Balance, December 31, 2018                  | 4,165,000         | 0.330                           |
| Cancelled                                   | (900,000)         | 0.430                           |
| Balance, December 31, 2019                  | 3,265,000         | 0.310                           |
| Weighted average remaining contractual life |                   | 2.52 years                      |

| Expiry Date      | Options outstanding |           |                | Remaining contractual life (years) | Options exercisable |                |
|------------------|---------------------|-----------|----------------|------------------------------------|---------------------|----------------|
|                  | Exercise Price      | Options   | Exercise Price |                                    | Options             | Exercise Price |
|                  | \$                  |           |                |                                    |                     | \$             |
| December 8, 2021 | 0.165               | 1,525,000 | 1.94           | 1,525,000                          | 0.165               |                |
| January 11, 2023 | 0.430               | 1,740,000 | 3.03           | 1,740,000                          | 0.430               |                |

For options cancelled during the year ended December 31, 2019, the fair value of \$384,860 (2018 - \$48,588) was transferred to deficit.

**BRAND X LIFESTYLE CORP. (formerly Block X Capital Corp.)**

**Notes to Consolidated Financial Statements**

Expressed in Canadian dollars

**8. Share capital – continued**

**d) Reserves**

Warrant reserve records fair value of the warrants issued as part of the units in private placement and issued for finders until such time that the warrants are exercised or expired, at which time the corresponding amount will be transferred to share capital. The reserve also records fair value of the warrant issued for services other than finders until such time that the warrants are exercised or expired, at which time the corresponding amount will be transferred to share capital or charged to deficit, respectively.

Option reserve records fair value of the stock options issued for services until such time that the options are exercised or expired, at which time the corresponding amount will be transferred to share capital or charged to deficit, respectively.

**9. Related party transactions**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consists of executive and non-executive members of the Company's Board of Directors and corporate officers.

*Key management personnel compensation*

During the year ended December 31, 2019, the Company incurred consulting fees of \$25,125 (2018 - \$105,500) to the interim CEO and CFO of the Company.

During the year ended December 31, 2019, compensation to key management personnel included share-based payments of \$nil (2018 - \$375,569).

At December 31, 2019, \$nil (2018 - \$5,375) was due from the interim CEO and CFO which was included in other receivables.

**10. Financial instruments and risk management**

The Company's financial instruments are exposed in varying degrees to a variety of financial risks. The Board approves and monitors the risk management processes:

*Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with a major bank in Canada. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk is assessed low.

*Liquidity risk*

Liquidity risk is the risk that the Company cannot meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to settle liabilities and obligations when they become due. As at December 31, 2019 the Company had cash and cash equivalents of \$186,296 to settle current liabilities of \$29,530. Liquidity risk was assessed as high.

*Market risk*

Market risk consists of currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

*Foreign currency risk*

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company has no foreign exchange rate risk.

**BRAND X LIFESTYLE CORP. (formerly Block X Capital Corp.)****Notes to Consolidated Financial Statements**

Expressed in Canadian dollars

**10. Financial instruments and risk management – continued***Interest rate and commodity price risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company is not significantly exposed to interest rate or commodity price risk.

**Fair value hierarchy**

Financial instruments measured at fair value are grouped into three levels, based on the degree to which the fair value is observable:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2- significant observable inputs other than quoted prices included within Level 1; and
- Level 3 – significant unobservable inputs.

There were no transfers between levels of the fair value hierarchy during the years ended December 31, 2019 and 2018.

The following is a summary of the Company's financial instruments at fair value as at December 31, 2019:

|                                  | Level 1 | Level 2   | Level 3 |
|----------------------------------|---------|-----------|---------|
|                                  | \$      | \$        | \$      |
| Cash                             | 186,296 | -         | -       |
| Note receivable                  | -       | 226,712   | -       |
| Investments                      | 107,143 | 3,437,082 | -       |
| Convertible debenture receivable | -       | 506,904   | -       |
|                                  | 293,439 | 4,170,698 | -       |

The carrying amounts in the consolidated statements of financial position for other receivables, reclamation deposits and accounts payable, approximate their fair values due to their short-term maturity of these instruments.

**11. Capital management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure to finance its corporate administration and working capital for projects.

In order to maintain or adjust its capital structure the Company may issue new equity if it is available on favorable terms or finance through debt.

The Company is dependent on capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the markets, by the status of the Company's projects in relation to these markets and by its ability to compete for investor support of its projects. The Company is not subject to externally imposed capital requirements and there were no changes in the Company's management of capital during the year ended December 31, 2019. The Company's capital structure consists of cash and shareholders' equity, which is comprised of share capital net of accumulated deficit. In order for the Company to carry out operations and pay for administrative costs, the Company will spend its working capital and intends to raise additional amounts externally as needed.

**BRAND X LIFESTYLE CORP. (formerly Block X Capital Corp.)****Notes to Consolidated Financial Statements**

Expressed in Canadian dollars

**12. Income taxes**

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of income and comprehensive income:

|   | Year ended<br>December 31<br>2019 | Year ended<br>December 31<br>2018 |
|---|-----------------------------------|-----------------------------------|
|   | \$                                | \$                                |
| Income (loss) before taxes                  | 1,181,269                         | (3,241,935)                       |
| Statutory tax rate                          | 27%                               | 27%                               |
| Expected income tax recovery                | 318,943                           | (875,322)                         |
| Non-deductible items                        | (358,512)                         | 392,068                           |
| Change in estimates                         | 67,961                            | (67,560)                          |
| Effect of change in tax rates               | -                                 | (156,360)                         |
| Change in deferred tax asset not recognized | (28,392)                          | 707,175                           |
| Total income tax recovery                   | -                                 | -                                 |

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets for financial reporting purposes and their tax values. Deferred tax assets (liabilities) are comprised of the following:

|                                   | December 31,<br>2019 | December 31,<br>2018. |
|-----------------------------------|----------------------|-----------------------|
|                                   | \$                   | \$                    |
| Non-capital loss carry forwards   | 2,492,462            | 2,600,597             |
| Capital losses                    | 85,247               | 85,247                |
| Exploration and evaluation assets | 2,240,068            | 1,949,233             |
| Property and equipment            | 15,144               | 15,144                |
| Financing costs                   | 37,679               | 54,755                |
| Investments                       | (126,455)            | 67,561                |
| Deferred tax asset not recognized | (4,744,145)          | (4,772,537)           |
| Deferred tax asset                | -                    | -                     |

As at December 31, 2019, the Company has the following losses available to reduce taxes in future years: non-capital losses of approximately \$9,231,000 (December 31, 2018 - \$9,632,000), financing costs of \$139,552 (2018: \$202,798), resource pool of approximately \$8,300,000 (December 31, 2018: \$7,300,000), capital losses of approximately \$1,130,000 (December 31, 2018: \$1,130,000), and equipment of \$56,000 (December 31, 2018: \$56,000).

**13. Subsequent events**

The following events occurred subsequent to December 31, 2019:

- i) In January 2020, the Company closed a non-brokered private placement for gross proceeds of \$500,000. The Company issued 10,000,000 units, where each unit is comprised of one common share and one common share purchase warrant, with each warrant exercisable for one additional common share, at an exercise price of \$0.175 per share, for a period of two years from the date of issuance, subject to acceleration.

**BRAND X LIFESTYLE CORP. (formerly Block X Capital Corp.)**

**Notes to Consolidated Financial Statements**

Expressed in Canadian dollars

**13. Subsequent events – continued**

- ii) In February 2020, the Company received notification from AgriFORCE, that the automatic conversion requirements under the terms of the subscription agreement executed March 22, 2019 had been met. The \$500,000 convertible debenture converted at \$1.00 per unit, resulting in the Company holding 500,000 units, where each unit is comprised of one common share and one common share purchase warrant exercisable at \$2.00 per share. The Company received 6,904 common shares, valued at \$1.00 per share, as payment of interest.
- iii) On March 30, 2020, the Company completed an acquisition of 100% of the issued and outstanding common shares of CBIO Brand Development Inc. ("CBIO"), resulting in CBIO becoming a wholly owned subsidiary of the Company (the "Acquisition").

CBIO's primary business is the commercialization of complex consumer goods. Through its primary brand, [www.armourgenix.com](http://www.armourgenix.com), CBIO has launched a suite of high-performance sports supplements.

In connection with the Acquisition, the Company changed its name to Brand X Lifestyle Corp. ("Brand X") and completed a consolidation (the "Consolidation") of all of its issued and outstanding common shares (each, a "Share") on the basis of one post-consolidation Share (the "Post-Consolidation Shares") for every two pre-consolidation Shares. Brand X issued an aggregate of 6,900,000 Post-Consolidation Shares to the CBIO Shareholders in consideration of the CBIO Shares.

The aggregate of 6,900,000 Shares will be held in escrow by Brand X and released to the CBIO Shareholders as follows:

- 1,725,000 Post-Consolidation Shares on the date that is five business days from the end of any three month period following the Closing Date and before March 1, 2021 (the "Clawback Date") in which CBIO generates \$500,000 or more in gross revenue in such three month period;
- 1,725,000 Post-Consolidation Shares on the date that is five business days from the end of any three-month period following the Closing Date and before the Clawback Date in which CBIO generates \$1,000,000 or more in gross revenue in such three-month period;
- 1,725,000 Post-Consolidation Shares on the date that is five business days from the end of any three-month period following the Closing Date and before the Clawback Date in which CBIO generates \$2,000,000 or more in gross revenue in such three-month period; and
- 1,725,000 Post-Consolidation Shares on the date that is five business days from the end of any three-month period following the Closing Date and before the Clawback Date in which CBIO generates \$4,000,000 or more in gross revenue in such three-month period.

Any Post-Consolidation Shares remaining in escrow on the Clawback Date will be cancelled and returned to treasury.

- iv) 403,000 share purchase warrants expired unexercised (Note 8).