

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

Consolidated Financial Statements
For the years ended December 31, 2020 and 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, 2020 and 2019, 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, 2020 and 2019, 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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
April 30, 2021



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, 2020 \$ | December 31, 2019 \$ |
|--|------|----------------------------|----------------------------|
| Assets | | | |
| Current | | | |
| Cash and cash equivalents | | 356,363 | 186,296 |
| Other receivables | 4 | 39,006 | 13,488 |
| Note receivable | 4 | 250,000 | 226,712 |
| Reclamation deposits | | 60,000 | 60,000 |
| Investments | 5 | 7,763,144 | 3,544,225 |
| Convertible debenture receivable | 6 | 370,342 | 506,904 |
| | | 8,838,855 | 4,537,625 |
| Liabilities | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 8 | 88,588 | 29,530 |
| | | 88,588 | 29,530 |
| Equity | | | |
| Share capital | 7 | 32,011,456 | 30,449,956 |
| Warrant reserve | 7 | - | 119,754 |
| Option reserve | 7 | 1,234,252 | 1,038,131 |
| Deficit | | (24,495,441) | (27,099,746) |
| | | 8,750,267 | 4,508,095 |
| | | 8,838,855 | 4,537,625 |

Nature of operations and going concern (Note 1)

Subsequent events (Note 12)

These consolidated financial statements were approved by Board of Directors on April 30, 2021 and were signed on its behalf by:

On behalf of the Board:

"Arni Johansson"

Director

"Lisa Kowan"

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 | |
|--|------|----------------------|----------------------|
| | | December 31, 2020 | December 31, 2019 |
| | | \$ | \$ |
| Change in fair value of investments and convertible debentures | 5, 6 | 4,263,364 | 1,334,058 |
| Finance income | 4, 5 | 169,842 | 115,996 |
| Impairment of note receivable | 4 | (617,898) | - |
| Impairment of investment | 5 | (759,000) | - |
| | | 3,056,308 | 1,450,054 |
| Finance fees and bank charges | | 1,039 | 231 |
| Consulting fees | 8 | 203,890 | 39,038 |
| Filing and transfer agent fees | | 59,798 | 26,468 |
| Office, rent and administration | | 34,948 | 149,199 |
| Professional fees | | 75,962 | 47,612 |
| Share-based payments | 7, 8 | 196,120 | 6,237 |
| | | (571,757) | (268,785) |
| Net income and comprehensive income | | 2,484,551 | 1,181,269 |
| Net income per share | | | |
| Basic | | 0.07 | 0.05 |
| Diluted | | 0.07 | 0.05 |
| Weighted average number of common shares outstanding | | | |
| Basic | | 35,795,618 | 24,112,878 |
| Diluted | | 37,363,268 | 24,122,878 |

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

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

| | Common Shares | Share Capital | Warrant Reserve | Option Reserve | Deficit | Total |
|--|-------------------|-------------------|--------------------|-------------------|---------------------|------------------|
| | # | \$ | \$ | \$ | \$ | \$ |
| Balance at December 31, 2018 | 24,112,878 | 30,449,956 | 347,173 | 1,416,754 | (28,893,294) | 3,320,589 |
| Share-based payments (Note 7) | - | - | - | 6,237 | - | 6,237 |
| Options expired (Note 7) | - | - | - | (384,860) | 384,860 | - |
| Warrants expired (Note 7) | - | - | (227,419) | - | 227,419 | - |
| Net income for the year | - | - | - | - | 1,181,269 | 1,181,269 |
| Balance at December 31, 2019 | 24,112,878 | 30,449,956 | 119,754 | 1,038,131 | (27,099,746) | 4,508,095 |
| Shares issued for cash, net of share issue costs (Note 7) | 7,500,000 | 750,000 | - | - | - | 750,000 |
| Shares issued for acquisition of investment asset (Note 5) | 6,900,000 | 759,000 | - | - | - | 759,000 |
| Shares issued for loan (Note 4) | 300,000 | 52,500 | - | - | - | 52,500 |
| Share-based payments (Note 7) | - | - | - | 196,120 | - | 196,120 |
| Warrants expired (Note 7) | - | - | (119,754) | - | 119,754 | - |
| Net income for the year | - | - | - | - | 2,484,551 | 2,484,551 |
| Balance at December 31, 2020 | 38,812,878 | 32,011,456 | - | 1,234,252 | (24,495,441) | 8,750,267 |

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 December 31, 2020 | Year Ended December 31, 2019 |
|---|------------------------------------|------------------------------------|
| Cash flows used in operating activities | | |
| Net income for the year | \$ 2,484,551 | \$ 1,181,269 |
| Adjustments for: | | |
| Share-based payments | 196,120 | 6,237 |
| Accretion | (23,288) | (26,712) |
| Accrued interest | (26,554) | (13,356) |
| Change in fair value of investments | (4,263,364) | (1,334,058) |
| Dividend Income | (120,000) | (60,000) |
| Other | - | 724 |
| Impairment of note receivable | 617,898 | - |
| Impairment of investments | 759,000 | - |
| Investment in convertible debenture receivable | - | (500,000) |
| Purchase of investments | 301,007 | (1,600,000) |
| Investment in note receivable | (565,398) | (250,000) |
| Changes in non-cash working capital items: | | |
| Other receivables | 1,036 | 11,519 |
| Accounts payable and accrued liabilities | 59,059 | 17,530 |
| Net cash used in operating activities | (579,933) | (2,566,847) |
| Cash flows from financing activities | | |
| Proceeds from issuance of shares, net of costs | 750,000 | - |
| Net cash generated by financing activities | 750,000 | - |
| Change in cash and cash equivalents | 170,067 | (2,566,847) |
| Cash and cash equivalents, beginning | 186,296 | 2,753,143 |
| Cash and cash equivalents, ending | \$ 356,363 | \$ 186,296 |
| Cash and cash equivalents are comprised of: | | |
| Cash | \$ 356,363 | \$ 11,776 |
| Guaranteed Investment Certificate | - | 174,520 |
| | \$ 356,363 | \$ 186,296 |

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

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

Notes to Consolidated Financial Statements

Expressed in Canadian dollars

December 31, 2020

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. The Company is an investment company focused on creating shareholder value by acquiring and investing in early-stage to mid-level emerging growth 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 10th floor, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5.

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, 2020, the Company realized a net income of \$2,484,551 (2019 – \$1,181,269) and as of that date the Company’s deficit was \$24,495,441 (December 31, 2019 – \$27,099,746). 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 on 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 consolidated 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, 2020 were authorized for issue by the Board of Directors (“Board”) on April 30, 2021.

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 value at the end of each reporting period. In addition these financial statements have been prepared using the accrual basis of accounting except for cash flow information. All amounts in the consolidated 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 consolidated 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 9.

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

Notes to Consolidated Financial Statements

Expressed in Canadian dollars

December 31, 2020

2. Significant accounting policies (continued)

c) Basis of consolidation

These consolidated 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 Inactive 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. All intercompany transactions and balances have been eliminated on consolidation. Canadian Copper & Gold Corp. was inactive for the years ended December 31, 2020 and 2019.

Status as investment entity:

The following are the criteria within IFRS 10, Consolidated financial statements, which the Company used to evaluate and determine that it continues to meet the definition of an Investment Entity:

- (a) Obtain funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- (b) Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- (c) Measures and evaluates the performance of substantially all its investments on a fair value basis.

The Company has evaluated the above criteria and determined that it meets the definition of an Investment Entity.

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

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 |

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

Notes to Consolidated Financial Statements

Expressed in Canadian dollars

December 31, 2020

2. Significant accounting policies (continued)

e) Financial instruments (continued)

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 consolidated statements of income (loss) and comprehensive income (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 consolidated statements of income (loss) and comprehensive income (loss) in the year in which they arise.

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 consolidated statements of income (loss) and comprehensive income (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.

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

Notes to Consolidated Financial Statements

Expressed in Canadian dollars

December 31, 2020

2. Significant accounting policies (continued)

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 income (loss) and comprehensive income (loss). Subsequent to initial recognition investments continue to be measured at fair value.

Investments in Publicly Traded Companies:

Investments in publicly traded companies have been designated as FVTPL and are recorded in the consolidated statements of financial position at fair value. Fair value is determined directly by reference to quoted market closing prices in active markets. In instances where securities are subject to restrictions on sale or transfer, the securities are recorded at amounts discounted from market value. In determining the discount for such investments, the Company considers the nature and length of the restriction. Included in investments is the fair value of the Company's investments in share purchase warrants and options of other corporations which are designated at FVTPL. Where the value of these warrants and options is not publicly quoted in active markets, the Company employs the Black-Scholes Option Pricing Model to determine fair value.

Investments in Private Companies:

Privately-held investments have been designated as FVTPL and are recorded in the consolidated statements of financial position at fair value. Private investments that do not have a quoted market price in an active market are evaluated and measured at fair value using various techniques including comparative recent financing and other market-based information. These are included in level 2 or 3 of the fair value hierarchy. The determinations of fair value of the Company's privately-held investments are subject to certain limitations.

At the end of each financial reporting period, management evaluates the fair value and potential fair value change based on the criteria below and records such fair value change in the consolidated financial statements directly in profit (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.

The 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.

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

Notes to Consolidated Financial Statements

Expressed in Canadian dollars

December 31, 2020

2. Significant accounting policies (continued)

g) Revenue recognition

Interest income is recorded on an accrual basis using the effective interest rate method. Under the effective interest rate method, the interest rate realized is not necessarily the same as the stated loan interest rate. When a loan is classified as impaired, the original expected timing and amount of future cash flows may be revised to reflect new circumstances. These revised cash flows are discounted using the original effective interest rate to determine the impaired carrying value of the loan. Interest income is thereafter recognized on this impaired carrying value using the original effective interest rate. Additional changes to the amount or timing of future cash flows could result in further loan losses, or the reversal of prior loan losses, which would also impact the amount of subsequent interest income recognized. Interest and fees collected in advance are recorded as deferred revenue.

Purchases and sales of investments are recognized on the settlement date. Realized gains and losses on disposal of investments and unrealized gains and losses in the fair value of investments are reflected in consolidated statements of comprehensive income. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the consolidated statement of comprehensive income as incurred. Dividend income is recorded on the ex-dividend date and when the right to receive the dividend has been established. Other income and income from securities lending are recorded on an accrual basis.

h) 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.

i) 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.

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

Notes to Consolidated Financial Statements

Expressed in Canadian dollars

December 31, 2020

2. Significant accounting policies (continued)

i) Share-based payment transactions (continued)

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.

j) Income taxes

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in consolidated income (loss) and comprehensive income (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.

k) 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.

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:

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

Notes to Consolidated Financial Statements

Expressed in Canadian dollars

December 31, 2020

2. Significant accounting policies (continued)

l) Significant accounting estimates and judgments (continued)

Estimates

- a. The Company is required to determine the fair value of equity investments classified as level 2 and level 3 in the fair value hierarchy for both publicly traded shares and shares of private companies.
- b. 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 judgments 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 consolidated 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 significant 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.
- iv) Management exercises judgment in applying criteria in IFRS 10 - Consolidated Financial Statements, which determines the Company's status as an investment entity.
- v) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy choice which involves judgments or assessments made by management.

3. Adoption and future changes in Accounting standards

Certain pronouncements were issued by the IASB that are mandatory for accounting years on or after January 1, 2021 or later years. Many are not applicable or do not have significant impact on the Company and have been excluded. The following standard is likely to apply to the Company, has not yet been adopted and is being evaluated to determine its impact.

IAS 1 - Presentation of Financial Statements ("IAS 1") was amended in January 2020 to address inconsistencies with how entities apply the standard over classification of current and non-current liabilities. The amendment addresses whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. This amendment is effective for annual years beginning on or after January 1, 2022. Earlier adoption is permitted. The Company is evaluating the impact of the adoption of this amendment on its consolidated financial statements.

Adoption of Accounting Standards

The Company has adopted IAS 1 that has been revised to incorporate a new definition of "material" and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, has been revised to refer to this new definition in IAS 1. The amendments were effective for annual years beginning on or after January 1, 2020. This adoption did not have a material effect on the Company.

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

Expressed in Canadian dollars

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4. Note receivable

On June 19, 2019, the Company issued a \$250,000 loan to MineHub Technologies Inc. ("MineHub"), an investee. 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. The note receivable subsequently was amended to have a modified repayment date of March 31, 2022 for which MineHub has provided 100,000 common share purchase warrants exercisable by the Company at a price of \$0.64 per common share on or before March 31, 2022. All other terms of the note receivable remain the same.

During the year ended December 31, 2020, the Company recognized \$49,842, in finance income, which includes interest of \$26,554 and accretion of \$23,288 on the note receivable. During the year ended December 31, 2019, the Company recognized \$40,068 in finance income, which included interest of \$13,356 and accretion of \$26,712 on the note receivable. At December 31, 2020, the carrying value of the note receivable was \$250,000 (December 31, 2019: \$226,712), consisting of the initial fair value plus accretion and the carrying value of the interest receivable from MineHub of \$38,493 was included in Other receivables.

On March 24, 2020, the Company issued a \$170,898 loan to CBIO Brand Development Inc. ("CBIO"), an investee. The note receivable bears interest at 7% and matures March 24, 2021. On April 13, 2020, the Company issued a \$299,500 loan to CBIO. The note receivable bears interest at 7% and matures April 13, 2021. On June 3, 2020, the Company issued a \$95,000 loan to CBIO. The note receivable bears interest at 7% and matures June 3, 2021. On August 12, 2020 the Company issued 300,000 shares with a fair value of \$52,500 for a loan to CBIO bearing interest at 7% and maturing August 12, 2021. During the year ended December 31, 2020, total note receivable of \$617,898 was fully impaired.

5. Investments

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

| | Financial Instruments Hierarchy | Fair value at December 31, 2019 | Additions (dispositions) | Fair value adjustment | Impairment | Fair value at December 31, 2020 |
|--------------------------------------|---------------------------------|---------------------------------|--------------------------|-----------------------|------------------|---------------------------------|
| | | \$ | \$ | \$ | \$ | \$ |
| iComply Investor Services Inc. | Level 3 | 258,332 | - | 408,332 | - | 666,664 |
| Eli Technologies Corp. | Level 3 | 195,000 | - | - | - | 195,000 |
| Abaxx Technology Inc. | Level 1 | 343,750 | (299,257) | 1,703,845 | - | 1,748,338 |
| Quisitive Technology Solutions Inc. | Level 1 | 107,143 | - | 359,999 | - | 467,142 |
| FansUnite Entertainment Inc. | Level 1 | 280,000 | (22,750) | 72,750 | - | 330,000 |
| AgriFORCE Growing Systems Ltd. | Level 3 (i) | 2,060,000 | 626,904 | 713,096 | - | 3,400,000 |
| MineHub Technologies Inc. | Level 3 (iv) | 300,000 | - | 84,000 | - | 384,000 |
| CBIO Brand Development Inc. | Level 3 (ii) | - | 759,000 | - | (759,000) | - |
| Nano Innovations Inc. | Level 3 (iii) | - | 21,000 | - | - | 21,000 |
| Silota Research and Development Inc. | Level 3 | - | - | 551,000 | - | 551,000 |
| Total | | 3,544,225 | 1,084,897 | 3,893,022 | (759,000) | 7,763,144 |

- i) In February 2020, the Company received notification from AgriFORCE Growing Systems Ltd. ("AgriFORCE"), that the automatic conversion requirements under the terms of the subscription agreement executed March 22, 2019 had been met. The convertible debenture converted with a fair value of \$506,904 (\$500,000 convertible debenture and \$6,904 interest) at \$1.00 per unit, resulting in the Company holding 506,904 units, where each unit is comprised of one common share and one common share purchase warrant exercisable at \$2.00 per share (Note 6).

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5. Investments (continued)

During the year ended December 31, 2020, the Company received 120,000 common shares with a fair value of \$120,000 as payment of dividends. The amount was recorded as finance income on the consolidated statements of income (loss) and comprehensive income (loss).

The Company owns 1,506,904 warrants of AgriFORCE. The fair value of the warrants was determined to be \$500,000 (2019: \$nil) using the Black Scholes Option Pricing Model with the following assumptions: Risk-free rate of 0.28%; Expected life of 3.36 years and expected volatility of 75%.

The Company recorded \$500,000 as a fair value adjustment related to the warrants.

- ii) On March 30, 2020 (the "Closing Date") the Company acquired 100% of the issued and outstanding common shares in the capital of CBIO. In consideration for the CBIO shares, the Company issued an aggregate of 6,900,000 shares at a fair value of \$759,000 to the CBIO shareholders who have transferred their CBIO shares to the Company.

The aggregate of 6,900,000 shares will be held in escrow by the Company and released to the CBIO shareholders as follows:

- 1,725,000 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 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 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 (cancelled subsequent to the year end); and
- 1,725,000 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 (cancelled subsequent to the year end).

Any shares remaining in escrow on the Clawback Date will be cancelled and returned to treasury. Subsequent to December 31, 2020, 3,450,000 shares of CBIO were returned to treasury (Note 12).

During the year ended December 31, 2020, the Company fully impaired the CBIO investment and recorded an impairment of \$759,000.

- iii) On December 1, 2020, the Company acquired 70,000 shares of Nano Innovations Inc. at a price of \$0.30 per share for a fair value of \$21,000.
- iv) Subsequent to December 31, 2020, the Company sold 750,000 shares of MineHub Technologies Inc. for aggregate proceeds of \$262,500 (Note 12).

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5. Investments (continued)

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

v) On January 16, 2019, the Company purchased 1,000,000 units of 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. The fair value of 1,000,000 units of AgriFORCE was \$1,000,000 at December 31, 2019.

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 fair value of 1,000,000 units of AgriFORCE was 1,000,000 at December 31, 2019. 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.

vi) On April 4, 2019, the Company purchased 1,000,000 common shares of MineHub Technologies Inc. ("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.

The fair value of the Company's investments is determined as follows:

Listed securities

The fair value of securities traded in active markets are based on quoted market prices at the close of trading on the reporting date. The fair value of securities that are subject to trading restrictions are recorded at a value which takes into account the length and nature of the restrictions, if needed.

Unlisted securities

For investments that are not publicly traded, subsequent to initial recognition, the fair value of these investments is determined by the Company using the most appropriate valuation methodology in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio and are valued as follows:

- Investments are valued at cost for a limited period after the date of acquisition, if the purchase price remains representative of the fair value at the reporting date; otherwise, investments are valued using one of the other methodologies detailed below.

Investments in which there has been a recent or in-progress funding round involving significant financing from external investors are valued at the price of the recent funding, whereby the various shareholder categories rights are taken into account in the valuation. The price is adjusted, where appropriate.

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

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5. Investments (continued)***Unlisted securities (continued)***

- Investments in which there has been a recent private secondary market trade of meaningful volume and the transaction is undertaken by a sophisticated, arm's-length investor are valued at the price of the recent trade.
- Investments in early-stage companies not generating sustainable revenue or earnings and for which there has not been any recent independent funding are valued using alternative methodologies. The Company considers investee company performance relative to plan, going concern risk, continued funding availability, comparable peer group valuations, exit market conditions and general sector conditions and calibrates its valuation of each investment as appropriate.
- For public company warrants, options and conversion features on debt (i.e., the underlying security of which is traded on a recognized stock exchange), valuation models such as Black-Scholes Option Pricing Model are used when there are sufficient and reliable observable market inputs. These market inputs include risk-free interest rate, exercise price, market price at date of valuation, expected dividend yield, expected life of the instrument and expected volatility of the underlying security based on historical volatility. For private company warrants, the underlying security is not traded on a recognized stock exchange, therefore fair value is determined consistent with other investments that do not have an active market, as described above.
- Loans, debentures and promissory notes issued by investees are generally valued at the price at which the instrument was issued. The Company regularly considers whether any indications of deterioration in the value of the underlying business exist, which suggest that the debt instrument will not be fully recovered. The fair value of convertible debentures receivable is measured using valuation techniques including discounted cash flow models and modified Black Scholes Option Pricing Models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment and assumptions provided by Management is required in establishing fair values. Judgements include consideration of inputs such as credit risk, discount rates, volatility, probability of certain triggering events and IPO events, and share prices of private company borrowers. Changes in assumptions relating to these factors could affect the reported fair value of the financial instruments.

The Company may apply a further illiquidity discount to the fair value of an investment if conditions exist that could make it challenging to monetize the investment in the near term at a price indicated by the valuation models. The amount of illiquidity discount applied requires considerable judgment and is based on the facts and circumstances of each investment. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties, and the resulting values may differ significantly from values that would have been used had a ready market existed for the investments. These differences could be material to the fair value of investments in the portfolio. During the years ended December 31, 2020 and 2019, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

| | | |
|-----------------------------|----|-----------|
| Balance - December 31, 2018 | \$ | 157,500 |
| Purchases | | 1,710,000 |
| Change in unrealized gains | | 945,832 |
| Balance - December 31, 2019 | | 2,813,332 |
| Purchases | | 1,406,904 |
| Change in unrealized gains | | 1,756,428 |
| Impairment | | (759,000) |
| Balance - December 31, 2020 | \$ | 5,217,664 |

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

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5. Investments (continued)

The table below presents the valuation techniques and the nature of significant inputs used to determine the fair values of the Level 3 investments as at December 31, 2020:

| Investment | Method | Inputs |
|--------------------|------------------------------------|--|
| Equity Instruments | Transaction Price | Recent purchase price |
| Convertible Debt | Black Scholes Option Pricing Model | Market prices, volatility, discount rate |
| Warrants | Black Scholes Pricing Model | Market prices, volatility, discount rate |

As at December 31, 2020, if fair values were higher by 2% per annum, the potential effect to the Company would be a decrease in net unrealized losses on portfolio investments by \$104,353. If fair values were lower by 2% per annum, the potential effect to the Company would be an increase in net unrealized losses on portfolio investments by \$104,353.

6. 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 during the year ended December 31, 2019.

In February, 2020, the Company received notice from AgriFORCE that the convertible debenture had been converted to 506,904 units of AgriFORCE (500,000 units from the convertible debenture and 6,904 units from the interest). Each unit is comprised of one common share and one common share purchase warrant exercisable at \$2.00 per share (Note 5).

During the year ended December 31, 2020, the Company fair valued the convertible debenture receivable to \$300,000 that was previously impaired in 2018. The Company recorded a fair value of \$370,342 in convertible debenture receivable and change in fair value adjustment. The convertible debenture receivable is due on March 27, 2023.

7. Share capital

Authorized: unlimited number of common shares without par value

Issued and outstanding December 31, 2020: 38,812,878 (December 31, 2019: 24,112,878) common shares

On March 30, 2020, the Company consolidated its issued and outstanding share capital on the basis of one post consolidated common share for every two pre-consolidated common shares. No fractional shares were issued, as all fractional shares were rounded to the nearest whole number. All share and per share amounts in these consolidated financial statements are presented on a post-consolidation basis.

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7. Share capital (continued)**a) Share issuances***Share issuances during the year ended December 31, 2020*

On August 12, 2020, the Company issued 300,000 common shares in connection with a note receivable to CBIO (see note 4).

On May 20, 2020, the Company completed a non-brokered private placement whereby it issued 2,500,000 units at a price of \$0.10 per unit for proceeds of \$250,000. Each unit consists of one common share in the capital of the Company and one common share purchase warrant entitling the holder to purchase one additional common share of the Company, at an exercise price of \$0.35 per share, for a period of one year from the date of issuance. The warrants are subject to an acceleration right that allows the Company to give notice of an earlier expiry date if the Company's share price on the CSE (or such other stock exchange the Company's shares may be trading on) is equal to or greater than \$0.60 for a period of 10 consecutive trading days.

On January 15, 2020, the Company completed a non-brokered private placement whereby it issued 5,000,000 units at a price of \$0.10 per unit for proceeds of \$500,000. Each unit consists of one common share in the capital of the Company and one common share purchase warrant entitling the holder to purchase one additional common share of the Company, at an exercise price of \$0.35 per share, for a period of two years from the date of issuance. The warrants are subject to an acceleration right that allows the Company to give notice of an earlier expiry date if the Company's share price on the CSE (or such other stock exchange the Company's shares may be trading on) is equal to or greater than \$0.60 for a period of 10 consecutive trading days.

b) Share purchase warrants

The balance of warrants outstanding and exercisable for the year ended December 31, 2020 is as follows:

| | Number of warrants | Weighted average exercise price |
|---|-----------------------|------------------------------------|
| | | \$ |
| Balance, December 31, 2018 | 596,500 | 0.54 |
| Expired | (395,000) | 0.40 |
| Balance, December 31, 2019 | 201,500 | 0.80 |
| Issued | 7,500,000 | 0.35 |
| Expired | (201,500) | 0.80 |
| Balance, December 31, 2020 | 7,500,000 | 0.35 |
| Weighted average remaining contractual life | | 0.82 years |

During the year ended December 31, 2020, 201,500 warrants expired for which the fair value of \$119,754 was transferred to deficit. During the year ended December 31, 2019, 395,000 warrants expired for which the fair value of \$227,419 was transferred to deficit.

| Expiry Date | Warrants outstanding | | | Warrants exercisable | | |
|------------------|----------------------|-----------|---------------------------------|---|-----------|---------------------------------|
| | Exercise Price | Warrants | Weighted Average Exercise Price | Weighted average remaining contractual life (years) | Warrants | Weighted Average Exercise Price |
| | \$ | | \$ | | | \$ |
| January 15, 2022 | 0.35 | 5,000,000 | 0.23 | 0.69 | 5,000,000 | 0.23 |
| May 20, 2021 | 0.35 | 2,500,000 | 0.12 | 0.13 | 2,500,000 | 0.12 |

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7. Share capital (continued)**c) Stock options**

On May 4, 2020, the Company granted 1,685,000 stock options to directors and consultants of the Company at an exercise price of \$0.14 per common share for a period of five years ending May 4, 2025. The stock options vest 25% every three months after the grant date. The fair value of the options was \$196,120 determined using Black-Scholes Option Pricing Model with the following assumptions: Risk-free rate of 0.37%; expected life of 5 years, expected volatility of 195% and dividend rate of 0%.

During the year ended December 31, 2020, the Company recognized share-based payments of \$196,120 (2019 - \$6,237).

The balance of stock options outstanding and exercisable for the year ended December 31, 2020 is as follows:

| | Number of options | Weighted average exercise price |
|---|----------------------|---------------------------------------|
| | | \$ |
| Balance, December 31, 2018 | 2,082,500 | 0.66 |
| Cancelled | (450,000) | 0.86 |
| Balance, December 31, 2019 | 1,632,500 | 0.61 |
| Issued | 1,685,000 | 0.14 |
| Balance, December 31, 2020 | 3,317,500 | 0.37 |
| Weighted average remaining contractual life | | 2.95 years |

| Expiry Date | Options outstanding | | | Options exercisable | |
|------------------|---------------------|-----------|--|---------------------|-------------------|
| | Exercise Price | Options | Remaining contractual life (years) | Options | Exercise Price |
| | \$ | | | | \$ |
| December 8, 2021 | 0.33 | 762,500 | 0.94 | 762,500 | 0.33 |
| January 11, 2023 | 0.86 | 870,000 | 2.03 | 870,000 | 0.86 |
| May 4, 2025 | 0.14 | 1,685,000 | 4.34 | 421,250 | 0.14 |
| Weighted average | 0.37 | 3,317,500 | | 2,053,750 | |

For options cancelled during the year ended December 31, 2020, the fair value of \$Nil (2019 - \$384,860) was transferred to deficit.

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.

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8. 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, 2020, the Company incurred consulting fees of \$41,250 (2019 - \$25,125) to key management personnel.

During the year ended December 31, 2020, compensation to key management personnel included share-based payments of \$61,106 (2019 - \$nil).

At December 31, 2020, \$10,500 (2019 - \$nil) was due to related parties and included in accounts payables.

9. 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 and notes receivable. 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 for notes receivable is management by considering the entity to which the loan is made and the underlying business. The notes receivable were not past due as at December 31, 2020. 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, 2020 the Company had cash and cash equivalents of \$356,363 to settle current liabilities of \$88,588. 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. The Company is exposed to certain market risk that the value of, or future cash flows from, the Company's financial assets will significantly fluctuate due to changes in market prices. The value of the financial assets can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments, and unfavorable market conditions could result in dispositions of investments at less than favorable prices. Additionally, the Company is required to mark to market its fair value through profit or loss investments at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on the Company's financial position. The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers. The Board monitors changes in the market on an ongoing basis and adjusts the Company's lending and investing practices and policies when necessary to reduce the impact of the above risks.

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9. Financial instruments and risk management (continued)*Market risk (continued)*

The Company's investments include publicly-listed entities that are listed on a CSE. Changes in the fair value of investments designated as fair value through profit and loss are reported in the consolidated statement of income and comprehensive income. The following table shows the estimated sensitivity on the consolidated statement of comprehensive income for the year ended December 31, 2020 from a change in closing price of the Company's publicly-listed investments, with all other variables held constant as at December 31, 2020:

| Percentage of change in closing prices | Change in comprehensive income (net of tax) from % increase in closing price | Change in comprehensive income (net of tax) from % decrease in closing price |
|--|--|--|
| 5% | \$127,274 | \$(127,274) |
| 10% | \$254,548 | \$(254,548) |

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.

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 year ended December 31, 2020.

The following is a summary of the Company's financial instruments at fair value as at December 31, 2020:

| | Level 1 | Level 2 | Level 3 |
|----------------------------------|-----------|---------|-----------|
| | \$ | \$ | \$ |
| Cash | 356,363 | - | - |
| Note receivable | - | - | 250,000 |
| Convertible debenture receivable | - | - | 370,342 |
| Investments | 2,545,480 | - | 5,217,664 |
| | 2,901,843 | - | 5,838,006 |

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.

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10. 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 years ended December 31, 2020 or 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.

11. 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 December 31 2020 | Year ended December 31 2019 |
|---|--|--|
| | \$ | \$ |
| Income (loss) before taxes | 2,484,551 | 1,181,269 |
| Statutory tax rate | 27% | 27% |
| Expected income tax recovery | 670,829 | 318,943 |
| Non-deductible items | (893,226) | (358,512) |
| Change in estimates | 491,075 | 67,961 |
| Change in deferred tax asset not recognized | (268,678) | (28,392) |
| 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, 2020 | December 31, 2019. |
|-----------------------------------|------------------------------|-------------------------------|
| | \$ | \$ |
| Non-capital loss carry forwards | 2,739,147 | 2,492,462 |
| Capital losses | 85,247 | 85,247 |
| Exploration and evaluation assets | 2,240,068 | 2,240,068 |
| Property and equipment | 15,144 | 15,144 |
| Financing costs | 20,603 | 37,679 |
| Investments | (624,742) | (126,455) |
| Deferred tax asset not recognized | (4,475,467) | (4,744,145) |
| Deferred tax asset | - | - |

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

Notes to Consolidated Financial Statements

Expressed in Canadian dollars

December 31, 2020

11. Income taxes (continued)

As at December 31, 2020, the Company has the following losses available to reduce taxes in future years: non-capital losses of approximately \$10,145,000 (December 31, 2019 - \$9,231,000), financing costs of \$76,307 (2019: \$139,552), resource pool of approximately \$8,300,000 (December 31, 2019: \$8,300,000), capital losses of approximately \$1,130,000 (December 31, 2019: \$1,130,000), and equipment of \$56,000 (December 31, 2019: \$56,000).

12. Subsequent events

The following events occurred subsequent to December 31, 2020:

- i) On February 26, 2021 the Company announced that it issued 7,595,000 units in a non-brokered private placement at a price of \$0.079 per unit for gross proceeds of \$600,005. Each unit consists of one common share in the capital of the Company and one common share purchase warrant, each warrant entitling the holder to purchase one additional common share of the Company, at an exercise price of \$0.105 per share, for a period of five years from the date of issuance. The securities are subject to a four-month hold period under securities laws.
- ii) On March 9, 2021, the Company entered into a Joint Venture Option Agreement with arms-length vendors to acquire a 100% interest in Urban Barry Gold Project. The Company can acquire a 100% interest by issuing an aggregate of 9,000,000 common shares, paying \$1,300,000 over three years, and completing \$2,100,000 in exploration expenditures. In addition, a 1% Gross Overriding Royalty has been granted to the vendors, of which ½% can be purchased from the vendors for \$1,000,000.
- iii) The Company has incorporated CNV Mining Holdings Corp. as a wholly-owned subsidiary for its resource investments allowing these investments to develop through a series of subsidiaries with a focus on mining and mineral exploration.
- iv) On April 23, 2021, the Company announced that it has cancelled the remaining portion of the Brand X shares that were held in escrow by the Company to be released to the CBIO shareholders on the terms provided in the Company's agreement with the CBIO shareholders dated March 10, 2020. As the clawback date of March 1, 2021 has passed and the required gross revenue milestones were not met by CBIO, 3,450,000 common shares will be cancelled and returned to treasury (Note 5).
- v) On April 29, 2021, the Company announced that it entered into a private transaction whereby it sold 750,000 shares of its MineHub Technologies Inc. position for aggregate proceeds of \$262,500 (Note 5).