# BLUKNIGHT AQUAFARMS INC.

## Financial Statements

## For the Year Ended July 31, 2018

**Expressed in Canadian Dollars**

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**Adam Kim**
ADAM SUNG KIM LTD.
CHARTERED PROFESSIONAL ACCOUNTANT

## INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of
BluKnight Aquafarms Inc.

I have audited the accompanying financial statements of BluKnight Aquafarms Inc. (the "Company"), which comprise the statements of financial position as at July 31, 2018 and July 31, 2017, and the statements of loss and comprehensive loss, statements of cash flows and statements of changes in equity for the years ended July 31, 2018 and July 31, 2017, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**
Management is responsible for the preparation and fair presentation of these 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.

**Auditors' Responsibility**
My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**
In my opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2018 and July 31, 2017, and its financial performance and its cash flow for the year ended July 31, 2018 and July 31, 2017 in accordance with International Financial Reporting Standards.

**Emphasis of Matter**
Without qualifying my opinion, I draw attention to Note 1 in the financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

***"Adam Sung Kim Ltd."***
Chartered Professional Accountant

Burnaby, British Columbia
November 28, 2018

**BluKnight Aquafarms Inc.**
Statements of Financial Position
As at July 31, 2018 and July 31, 2017
(Expressed in Canadian Dollars)

| | Note | | July 31, 2018 | | July 31, 2017 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash | | $ | 633 | $ | 3,572 |
| GST/HST receivable | | | 8,673 | | 2,880 |
| Loan receivable | 3 | | - | | 220,000 |
| **TOTAL ASSETS** | | **$** | **9,306** | **$** | **226,452** |
| **LIABILITIES AND SHAREHOLDERS' DEFICIENCY** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable and accrued liabilities | | $ | 119,509 | $ | 21,590 |
| Loans payable | 4 | | 1,510 | | 324,679 |
| | | | 121,019 | | 346,269 |
| **SHAREHOLDERS' DEFICIENCY** | | | | | |
| Share capital | 5 | | 507,422 | | 7,932 |
| Accumulated deficit | | | (619,135) | | (127,749) |
| TOTAL SHAREHOLDERS' DEFICIENCY | | | (111,713) | | (119,817) |
| **TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY** | | **$** | **9,306** | **$** | **226,452** |

**Nature and continuance of operations** (Note 1)

Approved by the board of directors and authorized for issue on November 28, 2018:

| | |
|---|---|
| *"Eugene Beukman"* | *"Joel Dumaresq"* |
| Eugene Beukman, Director | Joel Dumaresq, Director |

**BluKnight Aquafarms Inc.**
Statements of Loss and Comprehensive Loss
For the years ended July 31, 2018 and July 31, 2017
(Expressed in Canadian Dollars)

| | July 31, 2018 | July 31, 2017 |
|---|---|---|
| **Expenses** | | |
| Consulting and management fees | $ 126,098 | $ - |
| Office and miscellaneous | 4,644 | 3,910 |
| Professional fees | 30,398 | 110,671 |
| Rent | 16,000 | - |
| Transfer agent & filing fees | 10,570 | 2,486 |
| Travel | 8,676 | - |
| | (196,386) | (117,067) |
| **Other item** | | |
| Loan receivable impairment (note 3) | 295,000 | - |
| **Loss and comprehensive loss for the year** | **$ (491,386)** | **$ (117,067)** |
| **Loss per share – basic and diluted** | **$ (0.00)** | **$ (0.30)** |
| **Weighted average number of common shares outstanding** | **32,956,319** | **396,601** |

**BluKnight Aquafarms Inc.**
Statements of Changes in Shareholders' Deficiency
For the years ended July 31, 2018 and July 31, 2017
(Expressed in Canadian Dollars)

| | Share capital | | | |
|---|---|---|---|---|
| | Number of shares | Amount | Deficit | Total |
| **Balance at July 31, 2016** | **396,601** | **$ 7,932** | **$ (10,682)** | **$ (2,750)** |
| Loss and comprehensive loss for the year | - | - | (117,067) | (117,067) |
| **Balance at July 31, 2017** | **396,601** | **$ 7,932** | **$ (127,749)** | **$ (119,817)** |
| Loss and comprehensive loss for the year | - | - | (491,386) | (491,386) |
| Shares issued for cash | 17,900,000 | 195,000 | - | 195,000 |
| Shares issued to settle loans | 20,069,000 | 304,490 | - | 304,490 |
| **Balance at July 31, 2018** | **38,365,601** | **$ 507,422** | **$ (619,135)** | **$ (111,713)** |

**BluKnight Aquafarms Inc.**
Statements of Cash Flows
For the years ended July 31, 2018 and 2017
(Expressed in Canadian Dollars)

| | July 31, 2018 | July 31, 2017 |
|---|---|---|
| **Operating activities** | | |
| Loss and comprehensive loss for the year | $ (491,386) | $ (117,067) |
| Item not involving cash: | | |
| Loan receivable impairment | 295,000 | - |
| Changes in non-cash working capital items: | | |
| GST receivable | (5,793) | (2,880) |
| Accounts payable and accrued liabilities | 97,740 | 18,840 |
| **Net cash flows used in operating activities** | (104,439) | (101,107) |
| **Investing activity** | | |
| Loan to a related company | (75,000) | (220,000) |
| **Net cash flows used in investing activity** | (75,000) | (220,000) |
| **Financing activities** | | |
| Proceeds on issuance of common shares | 195,000 | - |
| Proceeds from loans | 1,500 | 324,679 |
| Loans repaid | (20,000) | - |
| **Net cash flows provided by financing activities** | 176,500 | 324,679 |
| Change in cash | (2,939) | 3,572 |
| Cash, beginning | 3,572 | - |
| **Cash, ending** | **$ 633** | **$ 3,572** |
| Cash paid during the year for interest | $ - | $ - |
| Cash paid during the year for income taxes | $ - | $ - |
| Loans settled for shares | $ 304,490 | $ - |

## 1. Nature and continuance of operations

BluKnight Aquafarms Inc. (the "Company") was incorporated on June 19, 2015, under the laws of the province of British Columbia, Canada. The Company changed its name to Bluknight Aquafarms Inc. on July 12, 2017. The Company is a business development services company. It provides business development services to new and emerging businesses, including making introductions to accountants, lawyers, brokers, transfer agents, and various other professionals and service providers to assist companies in raising capital and going public.

The head office, principal address, records office and registered address of the Company are located at 810 – 789 West Pender Street, Vancouver BC.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. At July 31, 2018, the Company had not yet achieved profitable operations, had accumulated losses of $619,135 since its inception, and has working capital deficiency of $111,713. The Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon the successful results from its business activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or profits from its business activities.

## 2. Significant accounting policies

***Statement of compliance***

These financial statements, including comparatives, have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee.

***Basis of presentation***

The financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

***Comparative figures***

Certain comparative figures have been reclassified to conform to the current period's presentation. Such reclassification is for presentation purpose only and has no effect on previously reported results.

**2. Significant accounting policies** (cont'd)

***Significant estimates and assumptions***

The preparation of the Company's financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation relate to the fair value measurements for financial instruments and stock-based compensation and other equity-based payments, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability of deferred tax assets. Actual results may differ from those estimates and judgments.

***Significant judgments***

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements is the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

***Foreign currency translation***

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Canadian dollars which is the company's functional and presentation currency.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of loss and comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

**2. Significant accounting policies** (cont'd)

***Share-based payments***

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

***Loss per share***

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

***Financial instruments***

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

**2. Significant accounting policies** (cont'd)

**Financial instruments** (cont'd)

Non-derivative financial liabilities (excluding financial guarantees) classified as other financial liabilities are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company's cash and receivables are classified as loans and receivables. The Company's trade payables and deposits are classified as other financial liabilities.

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

The Company does not have any derivative financial assets or liabilities.

***Impairment of assets***

The carrying amount of the Company's assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

**2. Significant accounting policies** (cont'd)

***Impairment of* assets** (cont'd)

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

***Income taxes***

<u>Current income tax:</u>

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

<u>Deferred income tax:</u>

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

## 2. Significant accounting policies (cont'd)

***New accounting standards issued but not yet effective***

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the IFRIC that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company has not yet assessed the impact, if any, that the new amended standards will have on its condensed consolidated interim financial statements or whether to early adopt any of the new requirements. The following standard will be effective for annual periods beginning on or after August 1, 2018:

IFRS 9, Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning August 1, 2018. The Company is currently evaluating the potential impact of the adoption of IFRS 9.

## 3. Loan receivable

During the year ended July 31, 2018, the Company advanced $75,000 (2017 - $220,000) to a private company controlled by the former CEO. As at July 31, 2018, the Company has determined that the recoverable amount is $Nil and recorded a loss on loan receivable of $295,000. The loan was unsecured, non-interest bearing and due on demand.

## 4. Loans payable

During the year ended July 31, 2018, the Company owed loans in aggregate of $1,510 (2017 - $324,679) to directors, officers, and various arm's length parties (Note 6). The loans were unsecured, non-interest bearing and due on demand.

During the year ended July 31, 2018, the Company received loans of $1,500 and repaid $20,000.

During the year ended July 31, 2018, the Company issued 20,069,000 units with a fair value of $304,490 to settle loans payable in the amount of $304,490 (Notes 5 and 6). Each unit consists of a common share and one share purchase warrant, with each whole warrant entitles the holder thereof to acquire an additional common share of the Company at a price of $0.05 per share for a period of 2 years.

(Expressed in Canadian Dollars)

## 5. Share capital

***Authorized share capital***

Unlimited number of common shares without par value.

***Issued share capital***

At July 31, 2018 there were 38,365,601 (2017 - 396,601) issued and fully paid common shares outstanding.

***Share issuances***

***Share issuances during the year ending July 31, 2018***

On September 21, 2017, the Company closed a non-brokered private placement of 17,500,000 units at $0.01 per unit for gross proceeds of $175,000. Each unit consists of a common share and one share purchase warrant, with each whole warrant entitles the holder thereof to acquire an additional common share of the Company at a price of $0.05 per share for a period of 2 years.

On September 21, 2017, the Company closed a non-brokered private placement of 400,000 units at $0.05 per unit for gross proceeds of $20,000. Each unit consists of a common share and one share purchase warrant, with each whole warrant entitles the holder thereof to acquire an additional common share of the Company at a price of $0.05 per share for a period of 2 years.

On September 21, 2017, the Company issued 17,999,000 units at $0.01 per unit, 1,650,000 units at $0.05 per unit and 420,000 units at $0.10 per unit to settle loans payable in the amount of $304,490 (Notes 4 and 6). Each unit consists of a common share and one share purchase warrant, with each whole warrant entitles the holder thereof to acquire an additional common share of the Company at a price of $0.05 per share for a period of 2 years.

***Share issuances during the year ending July 31, 2017***

During the year ended July 31, 2016, pursuant to the Plan of Arrangement, the Company issued 396,600 for $1,000 and paid transaction costs $6,932 which has been included on the statement of loss and comprehensive loss.

***Warrants***

The following table summarizes the continuity of the Company's share purchase warrants:

| | Warrants outstanding # | Exercise price $ | Expiry date |
|---|---|---|---|
| Balance, July 31, 2017 | - | - | |
| Issued | 37,969,000 | 0.05 | September 21, 2019 |
| Balance, July 31, 2018 | 37,969,000 | | |

(Expressed in Canadian Dollars)

**5. Share capital** (Cont'd)

***Stock options***

The Company has not issued any stock options and no stock options are outstanding as at July 31, 2018 and 2017.

***Share-based payment reserve***

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

**6. Related parties**

***Related party balances***

i) Amounts due to related parties

The following amounts due to related parties are included in trade payables and accrued liabilities:

| | | **July 31, 2018** | | **July 31, 2017** |
|---|---|---|---|---|
| Companies controlled by directors of the Company | $ | 104,937 | $ | 15,410 |

The following amounts are included in loans payable by the Company (Note 4):

| | | **July 31, 2018** | | **July 31, 2017** |
|---|---|---|---|---|
| Directors and officers of the Company | $ | 1,510 | $ | 108,179 |

The loans are unsecured, non-interest bearing and due on demand.

ii) Amounts due from related parties

The following amounts are included in loan receivable (Note 3):

| | | **July 31, 2018** | | **July 31, 2017** |
|---|---|---|---|---|
| Private company controlled by a former CEO of the Company | $ | - | $ | 220,000 |

## 6. Related parties (cont'd)

***Related party transactions***

During the year ended July 31, 2018, the Company paid and/or accrued accounting, management, consulting fees and rent of $101,798 (2017 - $5,450) to a company controlled by a director of the Company.

During the year ended July 31, 2018, the Company paid and/or accrued management and consulting fees and rent of $50,500 (2017 - $Nil) to the Chief Financial Officer of the Company.

During the year ended July 31, 2018, the Company issued 11,800,000 units at $0.01 per unit (Notes 4 and 5) to settle several loans payable to current and former directors and/or officers of the Company in the amount of $118,000.

The Company recorded a loan receivable impairment of $295,000 (2017 -$Nil) owed by a private company controlled by the former Chief Operating Officer.

## 7. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

***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. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its GST receivable. This risk is minimal as receivables consist of refundable government general sales taxes.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

***Interest rate 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. As at July 31, 2018, the Company did not have any cash equivalents or interest-bearing debt and is not subject to interest rate risk.

(Expressed in Canadian Dollars)

**7. Financial risk and capital management** (cont'd)

***Capital Management***

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

***Classification of financial instruments***

Financial assets included in the condensed consolidated interim statement of financial position are as follows:

| | | July 31, 2018 | | July 31, 2017 |
|---|---|---|---|---|
| Cash | $ | 633 | $ | 3,572 |

Financial liabilities included in the condensed consolidated interim statement of financial position are as follows:

| | | July 31, 2018 | | July 31, 2017 |
|---|---|---|---|---|
| Non-derivative financial liabilities: | | | | |
| Trade payables | $ | 119,509 | $ | 21,590 |
| Loans payable | | 1,510 | | 324,679 |
| | $ | 121,019 | $ | 346,269 |

**8. Income taxes**

A reconciliation of income taxes at statutory tax rates is as follows:

| | | July 31, 2018 | | July 31, 2017 |
|---|---|---|---|---|
| Loss for the year | $ | 196,386 | $ | 117,067 |
| Statutory tax rate | | 27% | | 26% |
| Expected recovery of income taxes | | 53,024 | | 30,437 |
| Permanent and other differences | | (90) | | - |
| Change in tax rates | | 1,198 | | - |
| Change in benefit not recognized | | (54,132) | | (30,437) |
| Deferred income tax recovery | $ | - | $ | - |

(Expressed in Canadian Dollars)

**8. Income taxes** (cont'd)

At July 31, 2018, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years. The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statements of financial position are as follows:

| | | July 31, 2018 | | July 31, 2017 |
|---|---|---|---|---|
| Non-capital losses | $ | 85,284 | $ | 31,152 |

The Company's non-capital losses expire as follows if not utilized to reduce income in future periods.

| | | Non-capital losses |
|---|---|---|
| 2036 | $ | 2,750 |
| 2037 | $ | 117,067 |
| 2038 | $ | 196,051 |

**9. Segmented information**

The Company operates in a single reportable operating segment – business development services in Canada.