

BLUKNIGHT AQUAFARMS INC.

Condensed Interim Financial Statements
Six-month period ended January 31, 2019 and 2018
(Unaudited)

Expressed in Canadian Dollars

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the condensed interim financial statements.

The accompanying unaudited condensed interim financial statements of Bluknight Aquafarms Inc. (the “Company”) have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the condensed interim financial statements by an entity’s auditor.

BluKnight Aquafarms Inc.

Condensed Interim Statements of Financial Position

(Expressed in Canadian Dollars - unaudited)

	Note	January 31, 2019	July 31, 2018
ASSETS			
Current assets			
Cash		\$ 397	\$ 633
GST/HST receivable		9,933	8,673
TOTAL ASSETS		\$ 10,330	\$ 9,306
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 7,030	\$ 119,509
Loans payable	4	-	1,510
		7,030	121,019
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	5	507,422	507,422
Accumulated deficit		(504,122)	(619,135)
TOTAL SHAREHOLDERS' EQUITY(DEFICIENCY)		3,300	(111,713)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		\$ 10,330	\$ 9,306

Nature and continuance of operations (Note 1)

Approved by the board of directors and authorized for issue on April 1, 2019:

"Eugene Beukman"
Eugene Beukman, Director

"Joel Dumaresq"
Joel Dumaresq, Director

BluKnight Aquafarms Inc.

Condensed Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars - unaudited)

	For the three-month period ended		For the six-month period ended	
	January 31, 2019	January 31, 2018	January 31, 2019	January 31, 2018
Expenses				
Consulting and management fees (Note 6)	\$ -	\$ 15,300	\$ 7,500	\$ 103,163
Office and miscellaneous	18	481	71	3,346
Professional fees	2,540	7,500	11,008	12,898
Rent (Note 6)	-	7,000	4,500	7,000
Transfer agent and filing fees	540	3,644	1,205	8,680
Travel	-	7,030	-	8,376
Net loss for the period	(3,098)	(40,955)	(24,284)	(143,463)
Other Items				
Accounts payable recovery (Note 6)	128,287	-	128,287	-
Loan forgiveness (Notes 4 and 6)	11,010	-	11,010	-
	\$ 139,297	\$ -	\$ 139,297	\$ -
Income (loss) and comprehensive income (loss) for the period	\$ 136,199	\$ (40,955)	\$ 115,013	\$ (143,463)
Income (loss) and comprehensive income (loss) per share – basic and diluted	\$ 0.00	\$ (0.00)	\$ 0.00	\$ (0.01)
Weighted average number of common shares outstanding	38,365,601	38,365,601	38,365,601	27,635,231

See accompanying notes to the condensed interim financial statements

BluKnight Aquafarms Inc.

Condensed Interim Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars - Unaudited)

	Share capital			
	Number of shares	Amount	Deficit	Total
Balance at July 31, 2017	396,601	\$ 7,932	\$ (127,749)	\$ (119,817)
Loss and comprehensive loss for the period	-	-	(143,463)	(143,463)
Shares issued for cash	17,900,000	195,000	-	195,000
Shares issued for loans	20,069,000	304,490	-	304,490
Balance at January 31, 2018	38,365,601	\$ 507,422	\$ (271,212)	\$ 236,210
Balance at July 31, 2018	38,365,601	\$ 507,422	\$ (619,135)	\$ (111,713)
Income and comprehensive income for the period	-	-	115,013	115,013
Balance at January 31, 2019	38,365,601	\$ 507,422	\$ (504,122)	\$ 3,300

See accompanying notes to the consolidated interim financial statements

BluKnight Aquafarms Inc.

Condensed Interim Statements of Cash Flows

(Expressed in Canadian Dollars - unaudited)

	For the six-month period ended	
	January 31, 2019	January 31, 2018
Operating activities		
Income (loss) and comprehensive income (loss) for the period	\$ 115,013	\$ (143,463)
Adjustments for non-cash items:		
Accounts payable recovery	(128,287)	-
Loan forgiveness	(11,010)	-
Changes in non-cash working capital items:		
Amounts receivable	(1,260)	(3,282)
Accounts payable and accrued liabilities	15,808	42,521
Net cash flows used in operating activities	(9,736)	(104,224)
Investing activity		
Loan to a related company	-	(75,000)
Net cash flows used in investing activity	-	(75,000)
Financing activities		
Proceeds on issuance of common shares	-	195,000
Loans received	9,500	1,500
Loans repaid	-	(20,179)
Net cash flows provided by financing activities	9,500	176,321
Change in cash	(236)	(2,903)
Cash, beginning	633	3,572
Cash, ending	\$ 397	\$ 669
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -
Loans settled for shares	\$ -	\$ 304,490

BluKnight Aquafarms Inc.

Notes to the Condensed Interim Financial Statements

For the six-month period ended January 31, 2019 and 2018

(Expressed in Canadian Dollars - unaudited)

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 condensed interim 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 January 31, 2019, the Company had not yet achieved profitable operations, had accumulated losses of \$504,122 (2018 - \$619,315) since its inception, and has working capital (deficiency) of \$3,300 (2018 – (117,713)). 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. Basis of presentation

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and in accordance with IAS 34 – Interim Financial Reporting. The condensed interim financial statements do not include all the information required for annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended July 31, 2018. These financial statements have been prepared following the same accounting policies as the Company’s audited financial statements for the year ended July 31, 2018.

The Board of Directors approved these financial statements on April 1, 2019.

Basis of presentation

The condensed interim 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.

BluKnight Aquafarms Inc.

Notes to the Condensed Interim Financial Statements

For the six-month period ended January 31, 2019 and 2018

(Expressed in Canadian Dollars - unaudited)

2. Basis of presentation (cont'd)

Significant estimates and assumptions

The preparation of the Company's condensed interim 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.

Gain (loss) per share

Basic gain (loss) per share is calculated by dividing the gain (loss) attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the gain (loss) attributable to common shareholders equals the reported gain (loss) attributable to owners of the Company. Diluted gain (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 gain (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.

BluKnight Aquafarms Inc.

Notes to the Condensed Interim Financial Statements

For the six-month period ended January 31, 2019 and 2018

(Expressed in Canadian Dollars - unaudited)

3. Significant accounting policies

In preparing these condensed interim financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited financial statements for the year ended July 31, 2018, with exception to the new accounting standards adopted by the Company discussed below.

The preparation of condensed interim financial statements requires that the Company's management make judgments and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual future outcomes could differ from present estimates and judgments, potentially having material future effects on the Company's condensed interim financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

IFRS 9 – Financial Instruments

IFRS 9 was issued by the International Accounting Standards Board ("IASB") in November 2009 and October 2010 and replaced IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, FVTPL and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. IFRS 9 introduces an 'expected credit loss' model for the impairment of financial assets. The measurement of the Company's financial assets and liabilities will not significantly change on transition to IFRS 9. Additionally, the Company is exposed to minimal expected credit losses due to the fact that it has an insignificant amount of accounts receivable. The Company has adopted the amendments to IFRS 9 in its financial statements for the annual period beginning on August 1, 2018 with no resulting adjustments

IFRS 15 – Revenue with Contracts

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It has replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Company has adopted the amendments to IFRS 15 in its financial statements for the annual period beginning on August 1, 2018 with no resulting adjustments

Changes in accounting standards

The following is an overview of new accounting standards that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates. The Company does not expect that the adoption of IFRS 15 will have a material impact on its condensed interim financial statements and will continue to evaluate the impact of IFRS on its condensed interim financial statements.

BluKnight Aquafarms Inc.

Notes to the Condensed Interim Financial Statements

For the six-month period ended January 31, 2019 and 2018

(Expressed in Canadian Dollars - unaudited)

3. Significant accounting policies (Cont'd)

IFRS 16 Leases

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Applicable to the Company's annual period beginning August 1, 2019.

4. Loans payable

At January 31, 2019, the Company owed loans in aggregate of \$Nil (July 31, 2018 - \$1,510) to a private company controlled by a director (Note 6). The loans were unsecured, non-interest bearing and due on demand.

During the six-month period ended January 31, 2019, the Company received loans of \$9,500 (2018 - \$1,500) and repaid \$Nil (2018 - \$20,179) from a private company controlled by a director. As at January 31, 2019, the lender forgave the outstanding loan balance of \$11,010.

During the period ended January 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). 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.

BluKnight Aquafarms Inc.

Notes to the Condensed Interim Financial Statements

For the six-month period ended January 31, 2019 and 2018

(Expressed in Canadian Dollars - unaudited)

5. Share capital*Authorized share capital*

Unlimited number of common shares without par value.

Issued share capital

At January 31, 2019 there were 38,365,601 (July 31, 2018 – 38,365,601) issued and fully paid common shares outstanding.

*Share issuances**Share issuances during the period ending January 31, 2019*

During the period ending January 31, 2019, the Company did not issue any shares.

Share issuances during the period ended January 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). 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.

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, January 31, 2019 and July 31, 2018	37,969,000		

BluKnight Aquafarms Inc.

Notes to the Condensed Interim Financial Statements

For the six-month period ended January 31, 2019 and 2018

(Expressed in Canadian Dollars - unaudited)

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

The Company has not issued any stock options and no stock options are outstanding as at January 31, 2019 and July 31, 2018.

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***

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

	January 31, 2019		July 31, 2018
Companies controlled by directors of the Company	\$ -	\$	104,937

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

	January 31, 2019		July 31, 2018
A private company controlled by a director of the Company	\$ -	\$	1,510

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

Related party transactions

During the period ended January 31, 2019, the Company paid and/or accrued accounting, management, consulting fees and rent of \$16,500 (2018 - \$67,863) to a company controlled by the Corporate Secretary of the Company.

During the period ended January 31, 2019, the Company paid and/or accrued management and consulting fees and rent of \$3,000 (2018 - \$37,500) to a company controlled by the Chief Financial Officer of the Company.

During the period ended January 31, 2019, a company controlled by the Corporate Secretary forgave accounts payable and loans of \$108,612 and \$11,010, respectively. A company controlled by the Chief Financial Officer forgave accounts payable of \$16,800.

During the period ended January 31, 2018, the Company issued 11,800,000 units at \$0.01 per unit to settle several loans payable to current and former directors and/or officers of the Company in the amount of \$118,000.

BluKnight Aquafarms Inc.

Notes to the Condensed Interim Financial Statements

For the six-month period ended January 31, 2019 and 2018

(Expressed in Canadian Dollars - unaudited)

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 January 31, 2019, the Company did not have any cash equivalents or interest-bearing debt and is not subject to interest rate risk.

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.

BluKnight Aquafarms Inc.

Notes to the Condensed Interim Financial Statements

For the six-month period ended January 31, 2019 and 2018

(Expressed in Canadian Dollars - unaudited)

7. Financial risk and capital management (cont'd)*Classification of financial instruments*

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

	January 31, 2019	July 31, 2018
Cash	\$ 397	\$ 633

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

	January 31, 2019	July 31, 2018
Non-derivative financial liabilities:		
Trade payables	\$ 7,030	\$ 119,509
Loans payable	-	1,510
	\$ 7,030	\$ 121,019

8. Segmented information

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