BLUKNIGHT AQUAFARMS INC.

Financial Statements

For the year ended July 31, 2019

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.

Opinion
I have audited the financial statements of BluKnight Aquafarms Inc. (the "Company"), which comprise the statements of financial position as at July 31, 2019 and July 31, 2018, and the statements of loss and comprehensive loss, statements of cash flows and statements of changes in equity for the years ended July 31, 2019 and July 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2019 and July 31, 2018, and its financial performance and its cash flow for the years ended July 31, 2019 and July 31, 2018 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material Uncertainty Related to Going Concern
I draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net income of $77,366 during the period ended July 31, 2019 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of $541,769 since its inception, and expects to incur further losses in the development of its business. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Other Information
Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I are required to report that fact. I 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 IFRSs, 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

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I are required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I 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 my independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Adam Kim, CPA, CA.

"Adam Sung Kim Ltd."
Chartered Professional Accountant

Unit# 168 – 4300 North Fraser Way
Burnaby, BC, Canada V5J 5J8
October 10, 2019

BluKnight Aquafarms Inc.
Statements of Financial Position
(Expressed in Canadian Dollars)

	Note		July 31, 2019		July 31, 2018
ASSETS					
Current assets					
Cash		$	361	$	633
GST receivable			4,072		8,673
TOTAL ASSETS		**$**	**4,433**	**$**	**9,306**
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current liabilities					
Accounts payable and accrued liabilities		$	38,780	$	119,509
Loans payable	4		-		1,510
			38,780		121,019
SHAREHOLDERS' DEFICIENCY					
Share capital	5		507,422		507,422
Accumulated deficit			(541,769)		(619,135)
TOTAL SHAREHOLDERS' EQUITY/DEFICIENCY			(34,347)		(111,713)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY/DEFICIENCY		**$**	**4,433**	**$**	**9,306**

Nature and continuance of operations (Note 1)
Subsequent event (Note 10)

Approved by the board of directors and authorized for issue on October 10, 2019:

"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, 2019 and July 31, 2018
(Expressed in Canadian Dollars)

	July 31, 2019	July 31, 2018
Expenses		
Consulting and management fees	$ 39,065	$ 126,098
Office and miscellaneous	418	4,644
Professional fees	14,861	30,398
Rent	4,800	16,000
Transfer agent and filing fees	2,302	10,570
Travel	485	8,676
	$ (61,931)	**$ (196,386)**
Other Items		
Forgiveness of debts	139,297	-
Loan receivable impairment (note 3)	-	(295,000)
Other Items	**$ 139,297**	**$ (295,000)**
Net Income (loss) and comprehensive income(loss) for the year	**$ 77,366**	**$ (491,386)**
Gain/Loss and comprehensive gain/(loss) per share – basic and diluted	**$ 0.00**	**$ (0.01)**
Weighted average number of common shares outstanding	**38,365,601**	**32,956,319**

BluKnight Aquafarms Inc.
Statements of Changes in Shareholders' 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 for the year	-	-	(491,386)	(491,386)
Shares issued for cash	17,900,000	195,000	-	195,000
Shares issued for loans	20,069,000	304,490	-	304,490
Balance at July 31, 2018	**38,365,601**	**$ 507,422**	**$ (619,135)**	**$ (111,713)**
Income for the year	-	-	77,366	77,366
Balance at July 31, 2019	**38,365,601**	**$ 507,422**	**$ (541,769)**	**$ (34,347)**

BluKnight Aquafarms Inc.
Statements of Cash Flows
For the years ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

	July 31, 2019	July 31, 2018
Operating activities		
Income (loss) for the year	$ 77,366	$ (491,386)
Adjustments for non-cash items:		
Forgiveness of debts	(139,297)	-
Loan receivable impairment	-	295,000
Changes in non-cash working capital items:		
Amounts receivable	4,601	(5,793)
Accounts payable and accrued liabilities	47,558	97,740
Net cash flows used in operating activities	(9,772)	(104,439)
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	-	(20,000)
Net cash flows provided by financing activities	9,500	176,500
Change in cash	(272)	(2,939)
Cash, beginning	633	3,572
Cash, ending	**$ 361**	**$ 633**

Other Supplementary Information

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.

2. Basis of presentation

Statement of compliance

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

Going Concern

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, 2019, the Company had not yet achieved profitable operations, had accumulated losses of $541,769 (2018 - $619,135) since its inception, and has negative working capital of $34,347 (2018 – $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.

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.

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.

2. Basis of presentation (cont'd)

Significant estimates and assumptions (cont'd)

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 are 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.

3. Significant accounting policies

Foreign currency translation

The results and financial position of subsidiaries whose functional currency differs from that of the parent company ("foreign operations") are translated into the Canadian dollar presentation currency as follows: (i) assets and liabilities are translated at the closing rate as at the reporting date, and (ii) income and expenses are translated at the average exchange rate of transactions for the period. All resulting exchange differences are recognized as other comprehensive income (loss).

A foreign currency translation is a transaction denominated or requiring settlement in a foreign currency and is initially recorded in the functional currency of the subsidiary by applying the spot exchange rate on the

3. Significant accounting policies

Foreign currency translation (cont'd)

date of the transaction. At the end of each reporting period, these balances are translated as: (i) foreign currency monetary assets and liabilities are translated using the prevailing exchange rate at the balance sheet date; (ii) non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; (iii) non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate when the fair value was measured; and (iv) income statement items denominated in foreign currencies are translated using the average monthly exchange rates, except for depreciation which is translated at historical exchange rates.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Financial instruments

Financial assets

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified at FVTPL, directly attributable transaction costs. Measurement of financial assets in subsequent periods depends on whether the financial instrument has been classified and measured at:

(i)amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL). All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. The classification determines the method by which financial assets are carried on the balance sheet subsequent to inception and how changes in value are recorded. Cash and cash equivalents, and accounts receivable are measured at amortized cost with subsequent impairments recognized in the statements of operations and comprehensive loss.

3. Significant accounting policies (continued)

Financial instruments (Continued)

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. Financial liabilities, other than financial liabilities classified as FVTPL, are measured in subsequent periods at amortized cost using the effective interest method. Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities and carried on the balance sheet at amortized cost.

Impairment of financial assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is considered impaired if objective evidence that can be estimated reliably indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If a financial asset measured at amortized cost is impaired, an amount equal to the difference between its carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate is recognized as an impairment loss in the consolidated statement of operations. If it has been determined that the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount to a maximum of the carrying amount that would have been determined had no impairment charge been recognized in prior periods. Reversals of impairment charges are recognized in the consolidated statements of operations and comprehensive loss in the period in which they occur.

Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed for impairment at each reporting date, or whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. If there are indicators of impairment, a review is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts. Reviews are undertaken on an asset-by-asset basis. If the carrying amount of a non-financial asset exceeds the recoverable amount, being the higher of its fair value less costs to sell and its value-in-use, an impairment loss is recognized in net earnings as the excess of the carrying amount over the recoverable amount.

Where the recoverable amount is assessed using discounted cash flow techniques, the resulting estimates are based on detailed production plans. The mine plan is the basis for forecasting production output in each future year and for forecasting production costs. For value-in-use calculations, production costs and output may be revised to reflect the continued use of the asset in its present form.

Share-based payments

The fair value of equity settled stock options awarded to employees (i.e. employees for legal and tax purpose, directors and certain consultants), determined as of the date of grant, and awarded to non-employees, as of the date of delivery of service, is recognized as share-based compensation expense, included in general and administrative expenses in the Consolidated Statements of Comprehensive Income (Loss), over the vesting period of the stock options based on the estimated number of options expected to vest, with a corresponding increase to equity. The fair value of stock options is determined using the Black-Scholes option pricing model with market related inputs as of the date of grant or the date of delivery of service. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. Changes to the estimated number of awards that will eventually vest are accounted for prospectively.

3. Significant accounting policies (continued)

Basic and diluted loss per share

Basic earnings or loss per share represents the income or loss for the year, divided by the weighted average number of common shares outstanding during the year. Diluted earnings or loss per share represents the income or loss for the year, divided by the weighted average number of common shares outstanding during the year plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive.

Changes in Accounting Standards not yet effective

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 16 will have a material impact on its financial statements and will continue to evaluate the impact of IFRS on its financial statements.

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.

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

4. Loans payable

At July 31, 2019, the Company owed loans in aggregate of $Nil (Year ending 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 year ended July 31, 2019, the Company received loans of $9,500 (2018 - $1,500) and repaid $Nil (2018 - $20,000). All loans were forgiven during the year ending July 31, 2019.

During the period 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). 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, 2019 there were 38,365,601 (Year-end July 31, 2018 – 38,365,601) issued and fully paid common shares outstanding.

Share issuances

Share issuances during the year ending July 31, 2019

During the year ending July 31, 2019, the Company did not issue any shares.

Share issuances during the year ended 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). 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, July 31, 2019 and 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 30, 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

i) Amounts due to related parties

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

		July 31, 2019		**July 31, 2018**
Companies controlled by directors of the Company	$	28,000	$	104,937

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

		July 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 year ended July 31, 2019, the Company paid and/or accrued accounting, management, consulting fees and rent of $44,500 (2018 - $101,798) 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 $3,000 (2018 - $50,500) to the former Chief Financial Officer of the Company.

During the year ended July 31, 2019, a company controlled by a director of the Company, as well as the former Chief Financial Officer of the Company forgave debts of $139,297.

During the year ended July 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.

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, 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.

(Expressed in Canadian Dollars)

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

Classification of financial instruments

Financial assets included in the statements of financial position are as follows:

		July 31, 2019		**July 31, 2018**
Cash	$	361	$	633

Financial liabilities included in the statements of financial position are as follows:

		July 31, 2019		**July 31, 2018**
Non-derivative financial liabilities:				
Trade payables	$	38,780	$	119,509
Loans payable		-		1,510
	$	38,780	$	121,019

8. Segmented information

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

9. Income taxes

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

		July 31, 2019		**July 31, 2018**
Income (loss) for the year	$	77,366	$	(196,386)
Statutory tax rate		27%		27%
Expected income taxes (recovery)		20,889		(53,024)
Permanent and other differences		-		90
Change in tax rates		-		(1,198)
Change in benefit not recognized		(20,889)		54,132
Deferred income tax recovery	$	-	$	-

The Company has approximately $239,000 of non-capital losses available, which begin to expire through to 2039 and may be applied against future taxable income. At July 31, 2019, 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, 2019		**July 31, 2018**
Non-capital and capital losses	$	104,491	$	125,109

10. Subsequent event

On September 21, 2019, 37,969,000 warrants expired unexercised.