

BLUKNIGHT AQUAFARMS INC.

Financial Statements

For the year ended July 31, 2020

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, 2020 and July 31, 2019, and the statements of loss (income) and comprehensive loss (income), statements of cash flows and statements of changes in shareholders' deficiency for the years ended July 31, 2020 and July 31, 2019, 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, 2020 and July 31, 2019, and its financial performance and its cash flow for the years ended July 31, 2020 and July 31, 2019 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 loss of \$60,458 during the year ended July 31, 2020 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of \$602,227 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 am 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 am 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
November 13, 2020

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

	Note	July 31, 2020	July 31, 2019
ASSETS			
Current assets			
Cash		\$ 14,660	\$ 361
GST/HST receivable		-	4,072
TOTAL ASSETS		\$ 14,660	\$ 4,433
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 4,465	\$ 38,780
Loans payable	4	105,000	-
		109,465	38,780
SHAREHOLDERS' DEFICIENCY			
Share capital	5	507,422	507,422
Accumulated deficit		(602,227)	(541,769)
TOTAL SHAREHOLDERS' EQUITY/DEFICIENCY		(94,805)	(34,347)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY/DEFICIENCY		\$ 14,660	\$ 4,433

Nature and continuance of operations (Note 1)

Approved by the board of directors and authorized for issue on November 13, 2020:

"Eugene Beukman"
 Eugene Beukman, Director

"Gregory Baron"
 Gregory Baron, Director

BluKnight Aquafarms Inc.

Statements of Loss (Income) and Comprehensive Loss (Income)

For the Years ended July 31, 2020 and July 31, 2019

(Expressed in Canadian Dollars)

	July 31, 2020	July 31, 2019
Expenses		
Consulting and management fees	\$ 25,447	\$ 39,065
Office and miscellaneous	165	418
Professional fees	33,868	14,861
Rent	725	4,800
Transfer agent and filing fees	1,676	2,302
Travel	-	485
	\$ (61,881)	\$ (61,931)
Other Items		
Gain on forgiveness of debt	1,423	139,297
	\$ 1,423	\$ 139,297
Net (loss) income and comprehensive (loss) income for the year	\$ (60,458)	\$ 77,366
(Loss) Gain and comprehensive (loss) gain per share – basic and diluted	\$ (0.00)	\$ 0.00
Weighted average number of common shares outstanding	38,365,601	38,365,601

BluKnight Aquafarms Inc.

Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars)

	Share capital		Deficit	Total
	Number of shares	Amount		
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)
Loss for the year	-	-	(60,458)	(60,458)
Balance at July 31, 2020	38,365,601	\$ 507,422	\$ (602,227)	\$ (94,805)

See accompanying notes to the financial statements

BluKnight Aquafarms Inc.
 Statements of Cash Flows
 For the years ended July 31, 2020 and 2019
 (Expressed in Canadian Dollars)

	July 31, 2020	July 31, 2019
Operating activities		
Income (loss) for the year	\$ (60,458)	\$ 77,366
Adjustments for non-cash items:		
Gain on forgiveness of debts	(1,423)	(139,297)
Changes in non-cash working capital items:		
Amounts receivable	4,072	4,601
Accounts payable and accrued liabilities	(32,892)	47,558
Net cash flows used in operating activities	(90,701)	(9,772)
Financing activities		
Loans received	117,500	9,500
Loans repaid	(12,500)	-
Net cash flows provided by financing activities	105,000	9,500
Change in cash	14,299	(272)
Cash, beginning	361	633
Cash, ending	\$ 14,660	\$ 361
Other Supplementary Information		
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

BluKnight Aquafarms Inc.

Notes to the Financial Statements

For the years ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

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 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, 2020, the Company had not yet achieved profitable operations, had accumulated losses of \$602,227 (2019 - \$541,769) since its inception, and has negative working capital of \$94,805 (2019 – \$34,347). 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.

During the year ended July 31, 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus (COVID-19). The Company continues to operate its business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2020 and beyond.

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.

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.

BluKnight Aquafarms Inc.

Notes to the Financial Statements

For the years ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

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 risks 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

BluKnight Aquafarms Inc.

Notes to the Financial Statements

For the years ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

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.

BluKnight Aquafarms Inc.

Notes to the Financial Statements

For the years ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

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.

BluKnight Aquafarms Inc.

Notes to the Financial Statements

For the years ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

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**IFRS 16 Leases**

This new standard, applicable to the Company's annual period beginning August 1, 2019, sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The adoption of IFRS 16 had no material impact on the Company's financial statements.

4. Loans payable

During the year ended July 31, 2020, the Company received loans of \$117,500 (2019 - \$9,500) and repaid \$12,500 (2019 - \$Nil).

At July 31, 2020, the remaining loans in the aggregate amount of \$105,000 (July 31, 2019 - \$Nil) was due to a private company controlled by directors (Note 6). The loans were unsecured, non-interest bearing and due on demand.

During the year ended July 31, 2019, loans in the amount of \$11,010 was forgiven.

BluKnight Aquafarms Inc.

Notes to the Financial Statements

For the years ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

5. Share capital*Authorized share capital*

Unlimited number of common shares without par value.

Issued share capital

At July 31, 2020 there were 38,365,601 (July 31, 2019 – 38,365,601) issued and fully paid common shares outstanding.

Share issuances

During the years ending July 31, 2020 and 2019, the Company did not issue any shares.

Warrants

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

	Warrants outstanding #	Exercise price \$	Expiry date
Balance, July 31, 2019 and July 31, 2018	37,969,000	0.05	September 21, 2019
Expired	(37,969,000)	0.05	
Balance, July 31, 2020	-	-	

Stock options

The Company has not issued any stock options and no stock options are outstanding as at July 30, 2020 and July 31, 2019.

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.

BluKnight Aquafarms Inc.

Notes to the Financial Statements

For the years ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

6. Related parties*Related party balances*

Amounts due to related parties:

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

	July 31, 2020	July 31, 2019
A private company controlled by a director of the Company	\$ 105,000	\$ -

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

Related party transactions

During the year ended July 31, 2020, the Company paid and/or accrued accounting, management, consulting fees and rent of \$47,600 (2019 - \$44,500) to companies controlled by a director of the Company.

During the year ended July 31, 2020, a company controlled by a director of the Company, as well as the former Chief Financial Officer of the Company forgave debts of \$Nil (2019 - \$139,297).

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.

BluKnight Aquafarms Inc.

Notes to the Financial Statements

For the years ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

7. Financial risk and capital management (continued)*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, 2020, 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.

Classification of financial instruments

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

	July 31, 2020	July 31, 2019
Cash	\$ 14,660	\$ 361

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

	July 31, 2020	July 31, 2019
Non-derivative financial liabilities:		
Trade payables	\$ 4,465	\$ 38,780
Loans payable	105,000	-
	\$ 109,465	\$ 38,780

8. Segmented information

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

BluKnight Aquafarms Inc.

Notes to the Financial Statements

For the years ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

9. Income taxes

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

	July 31, 2020	July 31, 2019
Income (loss) for the year	\$ (60,458)	\$ 77,366
Statutory tax rate	27%	27%
Expected income taxes (recovery)	16,324	20,889
Change in benefit not recognized	(16,324)	(20,889)
Deferred income tax recovery	\$ -	\$ -

The Company has approximately \$300,000 of non-capital losses available, which begin to expire through to 2040 and may be applied against future taxable income. The Company also has approximately \$295,000 of capital losses that may be carried forward and applied against future capital gains. At July 31, 2020, 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, 2020	July 31, 2019
Non-capital and capital losses	\$ 120,815	\$ 104,491