

BUSINESS ACQUISITION REPORT

Item 1 Identity of Company

1.1 Name and Address of Company

Looking Glass Labs Ltd. (formerly BluKnight Aquafarms Inc.)
(the “Company”)

Head Office:
810 – 789 West Pender Street
Vancouver, BC V6C 1H2

Registered and Records Office:
810 – 789 West Pender Street,
Vancouver, BC V6C 1H2

1.2 Executive Officer

The following individual is knowledgeable about the particulars described in this business acquisition report.

Dorian Banks, CEO
604-687-2038

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

The Company entered into a definitive share exchange agreement, effective September 29, 2021 (“the **Agreement**”), pursuant to which it acquired 100% of the issued and outstanding shares of HOK Technologies Inc. d/b/a House of Kibaa (“**HOK**”) (the “**HOK Shares**”), which acquisition closed on September 30, 2021 (the “**Acquisition**”).

HOK specializes in the creation of exclusive non-fungible tokens (NFTs) for extended reality (XR). The HOK studio enables users to express their own individual styles within the blockchain via an array of utilities throughout the metaverse. Additional information regarding HOK can be found via its corporate website: <https://houseofkibaa.com/>, as well as on HOK’s various social media platforms.

The Acquisition is more fully described in the press releases of the Company dated September 30, 2021 and October 7, 2021 filed on SEDAR at www.sedar.com under the Company’s SEDAR profile.

2.2 Acquisition Date

The Acquisition was completed on September 30, 2021.

2.3 Consideration

As consideration and in exchange for the HOK Shares, an aggregate of 45,000,000 common shares of the Company were issued to the existing shareholders of HOK (the "**Consideration Shares**"), with a deemed value of \$0.10 per Consideration Share. The Consideration Shares issued to the principal of HOK will be subject to the applicable escrow provisions pursuant to National Instrument 46-201. The Vendors are eligible to earn additional Consideration Shares (the "**Earn-Out Shares**") upon realization of certain revenue-related milestones achieved by HOK for the years ending December 31, 2021 and December 31, 2022. If these revenue milestones are achieved, the number of Earn-Out Shares will be determined in accordance with the market value of the Company's common shares at such time, and will be subject to the statutory four month and one day hold period. In connection with the acquisition of HOK, the Company has also agreed to issue an aggregate of 200,000 common shares at a deemed price of \$0.10 per share to extinguish certain of HOK's outstanding accounts payable. The common shares to be issued to satisfy certain trade debt are subject to a four month and one day hold period.

The Company paid a finder's fee of 2,250,000 common shares in the capital of the Company at a deemed price of \$0.10 per share to certain qualified third parties in connection with the closing of the Acquisition.

2.4 Effect on Financial Position

Following completion of the Acquisition, HOK became a wholly-owned subsidiary of the Company.

2.5 Prior Valuations

To the knowledge of the Company, there has not been any valuation opinion obtained within the last twelve months by the Company or HOK required by securities legislation or a Canadian exchange or market to support the consideration paid by the Company under the Acquisition.

2.6 Parties to Transaction

The Acquisition was not with an "informed person" (as such term is defined in Section 1.1 of National Instrument 51-102 -- *Continuous Disclosure Obligations*), associate or affiliate of the Company.

2.7 Date of Report

December 14, 2021

Item 3**Financial Statements and Other Information**

To address the requirements of Part 8 of National Instrument 51-102, attached hereto as Appendix A to this Business Acquisition Report is the following:

- Appendix A – Audited Financial Statements for the year ended July 31, 2021

Appendix "A"

See attached Audited Financial Statements for the year ended July 31, 2021.

HOK TECHNOLOGIES INC.

FINANCIAL STATEMENTS

For the year ended July 31, 2021 and

Period from inception on December 31, 2019 to July 31, 2020

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of:
HOK TECHNOLOGIES INC.

Opinion

We have audited the financial statements of HOK Technologies Inc. ("the Company"), which comprise the statements of financial position as at July 31, 2021 and the statements of changes in shareholders' equity, income and comprehensive income, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis. Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

SERVICE

INTEGRITY

TRUST



SUITE 420

1501 WEST BROADWAY

VANCOUVER, BRITISH COLUMBIA

CANADA V6J 4Z6

TEL: (604) 428-1866

FAX: (604) 428-0513

WWW.WDMCA.COM

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mike Kao.

WDM

Chartered Professional

Vancouver, B.C.

October 12, 2021

HOK Technologies Inc.
Statements of Financial Position
As at July 31, 2021
(Expressed in Canadian Dollars)

	Note	2021 \$	(Unaudited) 2020 \$
ASSETS			
CURRENT			
Cash		328,634	96
Accounts receivable		629	-
Digital assets	5	35,701	-
Due from related parties	8	-	6,716
Prepaid expenses		45,930	-
		410,894	6,812
LIABILITIES			
Accounts payable and accrued liabilities	6	206,368	-
Due to related parties	8	55,773	-
Income taxes payable		15,785	-
		277,926	-
SHAREHOLDERS' EQUITY			
Share capital	7	5	5
Retained earnings		132,963	6,807
		132,968	6,812
		410,894	6,812

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)
SUBSEQUENT EVENTS (Note 14)

Approved on behalf of the Board on October 12, 2021:

/s/ Jason Nguyen

Jason Nguyen, Director

The accompanying notes are an integral part of these financial statements

HOK Technologies Inc.

Statements of Income and Comprehensive Income

For the Year Ended July 31, 2021

(Expressed in Canadian Dollars)

	Notes	Year ended July 31, 2021 \$	(Unaudited) Period from December 31, 2019 to July 31, 2020 \$
REVENUES			
NFT sales	3, 9	487,692	-
Royalty income	3, 9	35,837	-
Miscellaneous income	9	10,749	10,578
		534,278	10,578
EXPENSES			
Computer		8,995	-
Management fees	8	190,000	-
Marketing		4,321	2,896
Office		1,892	25
Professional fees		20,325	850
Technology, research and development costs		123,056	-
Transaction fees		14,213	-
		362,802	3,771
INCOME BEFORE OTHER ITEM AND INCOME TAX		171,476	6,807
Foreign exchange loss		27,983	-
INCOME BEFORE INCOME TAX		143,493	6,807
Income tax expense	10	17,337	-
NET INCOME AND COMPREHENSIVE INCOME FOR THE PERIOD		126,156	6,807

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

HOK Technologies Inc.

Statements of Changes in Shareholders' Equity

For the Year Ended July 31, 2021

(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital	Retained Earnings	Total Shareholders' Equity
		\$	\$	\$
Balance on Incorporation, December 31, 2019 (Unaudited)	100	5	-	-
Net income and comprehensive income for the period	-	-	6,807	6,807
Balance, July 31, 2020 (Unaudited)	100	5	6,807	6,812
Net income and comprehensive income for the year	-	-	126,156	126,156
Balance, July 31, 2021	100	5	132,963	132,968

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

HOK Technologies Inc.
Statements of Cash Flows
For the Year Ended July 31, 2021
(Expressed in Canadian Dollars)

	Year ended July 31, 2021	(Unaudited) Period from December 31, 2019 to July 31, 2020
	\$	\$
CASH FLOWS PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net income and comprehensive income for the period	126,156	6,807
Adjusted for:		
Royalty revenues	(35,701)	-
Net changes in non-cash working capital items:		
(Increase) in accounts receivable	(629)	-
(Increase) in prepaid expenses	(45,930)	-
Increase in accounts payable	206,368	-
Increase in income taxes payable	15,785	-
NET CASH PROVIDED BY OPERATIONS	266,049	6,807
FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	5
Funds received from (paid to) related parties	62,489	(6,716)
NET CASH PROVIDED BY (USED IN) FINANCING	62,489	(6,711)
INCREASE IN CASH FOR THE PERIOD	328,538	96
CASH, BEGINNING OF PERIOD	96	-
CASH, END OF PERIOD	328,634	96

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

HOK Technologies Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2021
(Expressed in Canadian Dollars)

NOTE 1 - NATURE AND CONTINUANCE OF OPERATIONS

HOK Technologies Inc. (the “Company”, “HOK” or “House of Kibaa”) was incorporated on December, 31, 2019, in British Columbia. The Company specializes in the design, development, and sale of exclusive Non-Fungible Tokens (“NFT”) using 3D design principles suitable for personal and commercial application in extended reality (XR) environments. The HOK studio provides utilities and platform tools that enable users to showcase their individual style and NFT collections within a proprietary metaverse.

The corporate registered and records offices of the Company are located at 1428 E 20th Avenue, Vancouver, BC V5N 2K6.

The Company has only commenced earning revenue and does not have sufficient cash to meet its administrative overhead and service its obligations. Currently, based on its planned expenditures and expected cash flows, the Company will need to secure new sources of working capital to continue operations beyond twelve-month period. Management’s plan is to actively secure sources of funds, including possible equity and debt financing options, while at the same time focus on exercising careful cost control to sustain operations. If necessary, the Company will curtail discretionary spending.

These financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. During the year ended July 31, 2021, the Company earned a net comprehensive income of \$126,156 (2020 - \$6,807), and had retained earnings of \$132,963 (2020 - \$6,807) and working capital of \$132,968 as at July 31, 2021 (2020 –\$6,812). The Company anticipates that although the Company has earned income since inception, losses can occur in the future. The Company’s ability to continue as a going concern and meet its corporate objectives will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on terms advantageous to the Company. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue its existence.

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID- 19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

NOTE 2 – BASIS OF PREPARATION

a) 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”).

These audited financial statements were approved and authorized for issue by the Board of Directors on October 12, 2021.

b) Basis of presentation

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional currency of the Company is the Canadian dollar. The presentation currency of these financial statements is the Canadian dollar.

HOK Technologies Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2021
(Expressed in Canadian Dollars)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Company to the periods presented.

a) Presentation and functional currency

The functional currency of the Company is the Canadian dollar, which is also the presentation currency of the financial statements.

Transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the closing rate (the exchange rate at the reporting date). Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the original transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in the statement of comprehensive income.

b) Digital assets

Digital assets consist of crypto currency denominated assets such as Bitcoin and Ethereum and are included in current assets. Digital currencies meet the definition of intangible assets in IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substances. They are initially recorded at cost and the revaluation method is used to measure the digital currencies subsequently. Under the revaluation method, increases in fair value are recorded in other comprehensive income, while decreases are recorded in profit or loss. There is no recycling of gains from other comprehensive income to profit or loss. However, to the extent that an increase in fair value reverses a previous decrease in fair value that has been recorded in profit or loss, that increase is recorded in profit or loss.

Crypto currency held by the Company is valued at their fair value using an open market quoted price. The Company converts the best quoted USD price on the date the digital assets were generated. The Company converts the price from USD to CAD based on the closing exchange rate on the date of asset generation. Subsequent to initial recognition, digital assets are remeasured at each reporting period to the Canadian dollar price.

c) Research and development

The Company incurs costs on activities that relate to research and development of new products. Research and development costs are expensed, except in cases where development costs meet certain identifiable criteria for deferral, including technical and economic feasibility. Development costs are capitalized only if the expenditures can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. As at July 31, 2021, the Company has not capitalized any research and development costs. Expenses included in research and development include material costs, employee compensation, consulting, facility costs and equipment and technology costs.

d) Common shares

Share capital includes cash consideration received for share issuances, net of commissions and issue costs. Common shares issued for non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares as determined by the board of directors.

e) Earnings per share

Basic earnings (loss) per share is computed by dividing the net income (loss) for the year by the weighted average number of common shares outstanding during the year. To compute diluted earnings (loss) per share, adjustments are made to common shares outstanding. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would be outstanding if, at the beginning of the year or at time of issuance, if later, all options and warrants were exercised. The proceeds from exercise would be used to purchase the Company's common shares at their average market price during the year. If this computation is anti-dilutive, diluted loss per share is the same as basic loss per share.

HOK Technologies Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2021
(Expressed in Canadian Dollars)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Revenue recognition

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”), amended revenue recognition requirements and established principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The Company’s accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

1. Identifying the contract with a customer
2. Identifying the performance obligations within the contract
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

For NFT sales, an assessment is made at the execution of each contract to determine whether: i) the performance obligations are satisfied over time, or ii) the performance obligations are satisfied at a point in time. The Company recognizes its revenue at a point in time. The Company grants its NFT holders non-exclusive, non-sublicensable, non-transferrable, revocable, limited license to use its products. When performance obligations are satisfied at a point in time, revenue is recognized when all of the aforementioned recognition criteria are met.

Royalty revenue is accrued for royalty streams when the amount of revenue can be reliably measured based on relevant agreements and statements received from third party agents, and the underlying sales activity generating the royalty revenue has occurred.

g) Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

i) Current Income Tax

Current income tax assets and liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

ii) Deferred Income Tax

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

HOK Technologies Inc.
Notes to the Financial Statements
For the Year Ended July 31, 2021
(Expressed in Canadian Dollars)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company classifies cash and amounts due to related parties as FVTP, and accounts payable as amortized cost.

ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

HOK Technologies Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2021
(Expressed in Canadian Dollars)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial instruments (Continued)

iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are generally recognized in profit or loss.

i) Newly adopted accounting standards

Amendments to IAS 1

In January 2020, the IASB issued amendments to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions that exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2022, with early adoption permitted. The amendments are to be applied retrospectively. The Company does not intend to early adopt these amendments and is currently assessing the impact of these amendment on its financial statements.

NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting periods. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Actual results could differ materially from those reported.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the statement of financial position date, that could result in material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Significant Judgements are as follows:

Going concern

The assessment of whether the concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Digital assets

Digital assets are considered to be an identifiable non-monetary asset without physical substance. Management has determined that the digital assets are should be accounted for as intangible assets in accordance with IAS 38 *Intangible Assets*.

HOK Technologies Inc.
Notes to the Financial Statements
For the Year Ended July 31, 2021
(Expressed in Canadian Dollars)

NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Significant Estimates are as follows:

Digital currency valuation

Digital assets consist of cryptocurrency denominated assets (Note 5). Digital assets are carried at their fair market value determined by the spot rate based on the hourly volume weighted average from www.coinbase.com. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital assets would have a significant impact on the Company's earnings and financial position. In addition, management estimates that selling costs will be nominal. Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. A decline in the market prices for digital assets could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its digital assets.

NOTE 5 – DIGITAL ASSETS

Digital assets are recorded at their fair value on the acquisition date or when they are received as revenues and are revalued to their current market value at each reporting date. The fair value is determined using the spot rate based on the hourly volume weighted average from www.coinbase.com on the date the tokens are received or recorded as a receivable.

As at July 30, 2021 and July 30, 2020, the fair value of the digital assets is as follows:

	\$
Balance, on incorporation and at July 31, 2020	-
Digital assets earned from revenues	112,372
Digital assets sold	(112,508)
Royalties earned	35,837
<hr/>	
Balance, July 31, 2021	35,701

During the year ended July 31, 2021, the Company sold digital assets for proceeds totalling \$112,508 with a cost of \$112,372, and has earned royalties of \$35,837 on its holdings of Ethereum.

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
	\$	\$
Accounts payable	190,368	-
Accrued liabilities	16,000	-
<hr/>		
	206,368	-

NOTE 7 – SHARE CAPITAL

a) Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued and Outstanding Common Shares

Shares issued in 2021

No shares were issued during the year

Shares issued in the period from December 31, 2019 to July 31, 2020

The Company issued 100 common shares for \$5 to the founder of the Company.

HOK Technologies Inc.
Notes to the Financial Statements
For the Year Ended July 31, 2021
(Expressed in Canadian Dollars)

NOTE 8 – RELATED PARTY TRANSACTIONS

During the year ended July 31, 2021, the Company incurred \$190,000 in management fees to the shareholder of the Company (2020 - \$Nil).

As at July 31, 2021, \$245,773 is owed to (2020 - \$6,716 due from) the shareholder of the Company, of which \$190,000 (2020 - \$Nil) is recorded in accounts payable (Note 6).

Amounts owed to related parties do not bear interest, are unsecured, and are payable on demand.

NOTE 9 – REVENUES

The Company’s main source of revenue is the sale of digital goods to customers.

The following is a break-down of revenues earned:

	2021	2020
	\$	\$
NFT Sales	487,692	-
Royalty income (Note 5)	35,837	-
Miscellaneous income	10,749	10,578
	534,278	10,578

NOTE 10 – INCOME TAXES

The income tax expense of the Company is reconciled to the net income for the year as reported in the statements of comprehensive income by applying the combined federal and provincial income tax rate of 11.0% (2020 – 11.0%) as follows:

Income before income tax	\$ 143,493
Income tax rate	11%
Income tax expense	\$ 15,785

NOTE 11 – FINANCIAL RISK FACTORS

The Company’s risk exposures and the impact on the Company’s financial instruments are summarized below:

a) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company’s credit risk is primarily attributable to its liquid financial assets including cash. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. The credit risk is considered low.

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. As at July 31, 2021, the Company has cash of \$328,634 (2020 - \$96) and digital assets of \$35,701 (2020 - \$Nil) available to apply against short-term business requirements and current liabilities of \$277,926 (2020 - \$Nil).

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk. The Company is exposed to market risk of its digital assets held. As at July 31, 2021, management concluded the exposure to market risk was not material

HOK Technologies Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2021
(Expressed in Canadian Dollars)

NOTE 11 – FINANCIAL RISK FACTORS (CONTINUED)

d) Fair Value

The fair value of the Company's amounts receivable, due from related parties, accounts payable and accrued liabilities, advance payable and line of credit approximate carrying value due to their short terms to maturity, which is the amount recorded on the consolidated statement of financial position. The Company's loan payable is recorded at amortized cost, and the Company's cash and marketable securities are recorded at fair value using Level 1 quoted prices in active markets for identical assets or liabilities.

NOTE 12 – CAPITAL MANAGEMENT

The Company's capital structure consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing and related party loans.

Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management since the year ended July 31, 2021. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital for the development of its business and will need to raise additional capital by obtaining equity financing through private placements or debt financing. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

NOTE 13 – COVID-19 PANDEMIC

In March 2020, the World Health Organization declared, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", a pandemic. This has resulted in governments worldwide enacting emergency measures to limit the spread of the virus, including closure of non-essential businesses. As of the date of this report, the majority of the Company's operations are considered essential in all jurisdictions in which the Company operates. As such, to date the Company has been able to continue operating with no material impact to operations.

There have been no material revisions to the nature and number of estimates and judgments made in respect of the Company's consolidated financial statements of prior periods. However, the effects of COVID-19 have required significant judgements and estimates to be made in the preparation of the Company's consolidated financial statements.

Additionally, the effects of COVID-19 may require revisions to estimates of expected credit losses attributed to accounts receivable. To date no revisions to managements' estimates and judgements used in the preparation of the Company's consolidated financial statements have been necessary.

Due to rapid developments and uncertainty surrounding COVID-19 or the possible ending of COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's operations or financial results in the future, its suppliers, and its customers. Additionally, it is possible the Company's operations and consolidated financial results will change in the near term as a result of COVID-19 or the ending of COVID-19.

NOTE 14 – SUBSEQUENT EVENTS

On September 29, 2021, the Company and its shareholders entered into a Share Exchange Agreement (the "Agreement") with BluKnight Aquafarms Inc. ("BluKnight"). BluKnight acquired 100% of the issued and outstanding common shares of the Company from its shareholders in exchange for 45,000,000 common shares of BluKnight.

On September 30, 2021, the Company completed its GenZeros NFT Avatar sale. The Company sold 10,000 units for gross proceeds of 1,677.46 Ethereum coins (equivalent to approximately Cdn\$6,200,000 based on September 30, 2021 trading price on Kraken Exchange).