

LOOKING GLASS LABS LTD.
(formerly Bluknight Aquafarms Inc.)

Unaudited Condensed Interim Consolidated Financial Statements
Three months ended October 31, 2021 and 2020
Expressed in Canadian Dollars

Looking Glass Labs Ltd.

(formerly Bluknight Aquafarms Inc.)

Unaudited Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	October 31, 2021 \$	(Audited) July 31, 2021 \$
ASSETS			
CURRENT			
Cash		7,160,507	2,442
Accounts receivable		16,520	-
Digital assets	4	283,220	-
Prepaid expenses		193,367	-
		7,653,614	2,442
Non-current assets			
Equipment	5	16,081	-
Goodwill	3	10,279,976	-
Total Assets		17,949,671	2,442
LIABILITIES			
Accounts payable and accrued liabilities	6,9	109,947	44,755
Due to related parties	9	90,132	-
Income taxes payable		15,785	-
Loans payable	7,9	40,000	105,000
Accrued acquisition costs	3	2,750,000	-
		3,005,864	149,755
Non-current liabilities			
Contingent liabilities	3	3,000,000	-
Total Liabilities		6,005,864	149,755
SHAREHOLDERS' EQUITY			
Share capital	8	6,711,899	456,899
Reserves	8	25,420	-
Subscriptions received	8	40,000	-
Retained earnings (deficit)	8	5,166,488	(604,212)
		11,943,807	(147,313)
		17,949,671	2,442

Nature and continuance of operations (Note 1)**Subsequent Events** (Note 15)

Approved by the board of directors and authorized for issue on December 15, 2021:

“Carl Chow”

Carl Chow, Director

“Patrick O’Flaherty”

Patrick O’Flaherty, Director

Looking Glass Labs Ltd.

(formerly Bluknight Aquafarms Inc.)

Unaudited Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss)

(Expressed in Canadian Dollars)

		Three months ended	
		October 31, 2021	October 31, 2020
Revenue			
NFT sales	13	\$ 6,245,675	\$ -
Royalty income	13	243,790	-
Miscellaneous income	13	7,398	-
Total Revenue		6,496,863	
Cost of Revenue		(321,073)	-
Gross Profit		6,175,790	-
Expenses			
Amortization	5	381	-
Consulting fees	9	47,721	5,617
Corporate service fees	9	60,545	-
Development costs		241,896	-
Marketing		77,137	-
Office expenses		22,404	18
Professional fees	9	36,380	6,762
Stock-based compensation		25,420	-
Transfer agent and filing fees	8	43,250	22
Wages and salaries		29,250	-
Operating Expenses		\$ (584,384)	\$ (12,419)
Other Items			
Acquisition costs	3	(225,000)	-
Gain on revaluation of digital assets	4	(3,135)	-
Gain on use of digital assets	4	402,429	-
Gain on settlement of debt	7	5,000	-
Total comprehensive income (loss)		\$ 5,770,700	\$ (12,419)
Net income (loss) per share:			
Basic		\$ 0.10	\$ (0.00)
Diluted		\$ 0.10	\$ (0.00)
Weighted average number of common shares outstanding:			
Basic		58,840,710	38,365,601
Diluted		58,840,710	38,365,601

Looking Glass Labs Ltd.

(formerly Bluknight Aquafarms Inc.)

Unaudited Condensed Interim Consolidated Statement of Shareholders' Equity

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian Dollars)

	Share capital			Obligation to issue shares	Retained Earnings (Deficit)	Total
	Number of shares	Amount	Reserve			
Balance at July 31, 2020	38,365,601	\$ 507,422	\$ -	\$ -	\$ (602,227)	\$ (94,805)
Loss for the period	-	-	-	-	(12,419)	(12,419)
Balance at October 31, 2020	38,365,601	\$ 507,422	\$ -	\$ -	\$ (614,646)	(107,224)
Balance at July 31, 2021	34,545,601	\$ 456,899	-	-	\$ (604,212)	\$ (147,313)
Common shares issued for cash	21,100,000	1,510,000	-	-	-	1,510,000
Shares issued to acquire HOK (Note 3)	45,000,000	4,500,000	-	-	-	4,500,000
Shares issued for finder's fees (Note 3)	2,250,000	225,000	-	-	-	225,000
Shares issued to settle debt	200,000	20,000	-	-	-	20,000
Subscriptions received in advance of issuance of shares	-	-	-	40,000	-	40,000
Share-based compensation	-	-	25,420	-	-	25,420
Income for the period	-	-	-	-	5,770,700	5,770,700
Balance at October 31, 2021	103,095,601	\$ 6,711,899	\$ 25,420	\$ 40,000	\$ 5,166,488	\$ 11,943,807

Looking Glass Labs Ltd.

(formerly Bluknight Aquafarms Inc.)

Unaudited Condensed Interim Consolidated Statements of Cash Flows

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian Dollars)

	Three months ended	
	October 31, 2021	October 31, 2020
Operating activities		
Income (Loss) for the period	\$ 5,770,700	\$ (12,419)
Adjustments for non-cash items:		
Digital assets converted to fiat currency	6,516,226	-
Digital assets received for sales	(6,496,862)	-
Digital assets paid for services	232,114	-
Depreciation	381	-
Gain on use of digital assets	(402,429)	-
Revaluation of digital assets	3,135	-
Shares issued for acquisition costs	225,000	-
Share-based compensation	25,420	-
Gain on forgiveness of debts	(5,000)	-
Changes in non-cash working capital items:		
Amounts receivable	(15,891)	-
Prepaid expenses	(193,367)	-
Accounts payable and accrued liabilities	(17,367)	5,051
Due to related parties	(79,868)	-
Net cash flows provided by (used in) operating activities	5,562,192	(7,368)
Investing activities		
Loans receivable	(100,539)	-
Purchase of equipment	(14,146)	-
Cash acquired from acquisition of HOK	225,558	-
Net cash flows provided by investing activities	110,873	-
Financing activities		
Loans repaid	(65,000)	-
Proceeds from share issuances	1,510,000	-
Subscriptions received	40,000	-
Net cash flows provided by financing activities	1,485,000	-
Change in cash	7,158,065	(7,368)
Cash, beginning	2,442	14,660
Cash, ending	\$ 7,160,507	\$ 7,292

Other Supplementary Information

Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

Looking Glass Labs Ltd.

(formerly Bluknight Aquafarms Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian Dollars)

1. Nature and continuance of operations

Looking Glass Labs Ltd. (formerly BluKnight Aquafarms Inc.) (the “Company”) was incorporated on June 19, 2015, under the laws of the province of British Columbia, Canada. On October 8, 2021, the Company changed its name from BluKnight Aquafarms Inc. to Looking Glass Labs Ltd. The Company changed its name to Bluknight Aquafarms Inc. on July 12, 2017. 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 head office, principal address, records office and registered address of the Company are located at 810 – 789 West Pender Street, Vancouver BC.

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 three months ended October 31, 2021, the Company earned a net comprehensive income of \$5,770,700 (2020 net loss - \$12,419), and had retained earnings of \$5,166,488 (July 31, 2021 accumulated deficit - \$604,212) and working capital of \$4,647,750 as at October 31, 2021 (July 31, 2021 working capital deficit –\$147,313). 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.

2. Statement of compliance and significant accounting policies

These unaudited condensed interim consolidated financial statements were authorized for issue on December 15, 2021 by the directors of the Company.

Statement of compliance

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee.

Looking Glass Labs Ltd.

(formerly Bluknight Aquafarms Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian Dollars)

2. Statement of compliance and significant accounting policies (continued)

These unaudited interim consolidated financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited financial statements of the Company for the year ended July 31, 2021.

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The significant accounting policies have been applied consistently to all periods presented.

Basis of presentation

These condensed interim consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the Company's functional currency.

Basis of Consolidation

The condensed interim consolidated financial statements include the accounts of the Company and its controlled entities. Control occurs when the Company is exposed to, or has the right to, variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Details of controlled entities are as follows:

Name	Jurisdiction of incorporation	Interest
HOK Technologies Inc.	Canada	100%

All inter-company transactions and balances have been eliminated in the consolidated financial statement presentation.

Significant accounting judgments, estimates and assumptions

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 and estimates in applying the Company's condensed interim consolidated financial statements include:

Going concern

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 involves significant judgement based on historical experience and other factors, including the expectation of future events that are believed to be reasonable under the circumstances.

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.

Looking Glass Labs Ltd.

(formerly Bluknight Aquafarms Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian Dollars)

2. Statement of compliance and significant accounting policies (continued)**Revenue recognition**

Management has exercised significant judgement in determining appropriate accounting treatment for the recognition of income, including whether contracts meet the definition of a contract within the scope of IFRS 15.

Digital currency valuation

Digital assets consist of cryptocurrency denominated assets (Note 4). 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.

Stock-based compensation

The fair value of stock-based compensation requires estimates of assumptions that are used in the Black-Scholes option pricing model.

Business combinations

Judgement is required to determine if the Company's acquisition represented a business combination or an asset purchase. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statement of financial position. In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

Recoverability of long-lived assets

The Company assesses at each reporting date if the intangible asset has indicators of impairment. In determining whether the intangible asset is impaired, the Company assesses certain criteria including observable decreases in value, significant changes with adverse effect on the entity, a change in market interest rates, and evidence of technological obsolescence. The application of the Company's accounting policy for intangible asset expenditures requires judgment in determining whether it is likely that the future economic benefits will flow to the Company, which are based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized in excess over the recoverable value is written off to profit or loss in the period the new information becomes available.

Looking Glass Labs Ltd.

(formerly Bluknight Aquafarms Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian Dollars)

2. Statement of compliance and significant accounting policies (continued)**Estimated useful life of long-lived assets**

Judgment is used to estimate each component of a long-lived asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit ("CGU") or group of CGUs which are expected to benefit from the synergies of the combination. Goodwill is not subject to amortization.

The goodwill balance is assessed for impairment annually or when facts and circumstances indicate that it is impaired. Goodwill is tested for impairment at a CGU level by comparing the carrying value to the recoverable amount, which is determined as the greater of fair value less costs of disposal and value in use. Any excess of the carrying amount over the recoverable amount is the impaired amount. The recoverable amount estimates are categorized as Level 3 according to the fair value hierarchy. Impairment charges are recognized in the statement of comprehensive loss. Goodwill is reported at cost less any accumulated impairment. Goodwill impairments are not reversed.

Impairment of Non-Financial Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit, or "CGU"). An impairment loss is recognized for the amount, if any, by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and the value in use (being the present value of expected future cash flows of the asset or CGU). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been previously recognized, with the exception of goodwill and indefinite lived intangible assets.

Business combination

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the fair value equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Company obtains control of the acquiree. The identifiable assets acquired, and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Goodwill represents the difference between total consideration paid and the fair value of the net-identifiable assets acquired. Acquisition costs incurred are expensed in the statement of comprehensive loss.

Looking Glass Labs Ltd.

(formerly Bluknight Aquafarms Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian Dollars)

2. Statement of compliance and significant accounting policies (continued)

Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to contingent consideration and intangible assets. Identified intangible assets are fair valued using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

New standards adopted

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

3. Business Combination

On September 29, 2021, the Company entered into a definitive share exchange agreement (the "Definitive Agreement") (the "Agreement") to acquire all of the issued and outstanding securities of HOK Technologies Inc. ("HOK") in consideration for 45,000,000 common shares of the Company (each a "Consideration Share") payable to the existing shareholders of HOK (the "Vendors").

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 calendar years ending December 31, 2021 and December 31, 2022. At October 31, 2021, HOK had achieved all revenue related milestones for the calendar year ended December 31, 2021, and the Company is obligated to pay the Vendors \$750,000 and \$2,000,000 of Earn-Out Shares. The Company has recorded the \$2,750,000 earned as accrued acquisition costs.

The revenue-related milestones for the period commencing on January 1, 2022 and ending December 31, 2022 are either:

- \$1,500,000 of Earn-Out Shares and \$500,000 if, by no later than December 31, 2022, \$5,000,000 of revenue is achieved by HOK; or
- \$2,500,000 of Earn-Out Shares and \$500,000 if, by no later than December 31, 2022, \$10,000,000 of revenue is achieved by HOK.

The Company has recorded the fair value of the additional consideration for revenue milestones for the year ended December 31, 2022 as a contingent liability. The number of Earn-Out Shares issuable upon the achievement of revenue-related milestones 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.

Looking Glass Labs Ltd.

(formerly Bluknight Aquafarms Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. Business Combination (continued)

In connection with the acquisition of HOK, the Company has also agreed to issue an aggregate of 200,000 common shares of the Company to extinguish certain of HOK's outstanding accounts payable. The Company agreed to pay a finder's fee of 2,250,000 common shares of the Company to certain qualified third parties in connection with the closing of the Acquisition. On September 30, 2021, the Company completed the acquisition of all the issued and outstanding ordinary shares in the capital of HOK and the Company issued 47,450,000 common shares of the Company in connection with this acquisition.

The acquisition of HOK constituted a business combination as HOK met the definition of a business under IFRS 3 - Business Combinations.

Purchase price:	\$
45,000,000 common shares	4,500,000
Contingent consideration	5,750,000
Total consideration paid	10,250,000
Cash	225,558
Accounts receivable	629
Digital assets	772,072
Equipment	2,316
Accounts payable and accrued liabilities	(87,559)
Income taxes payable	(15,785)
Deferred Revenue	(636,668)
Due to related parties	(190,000)
Advances payable	(100,539)
Net liabilities assumed	(29,976)
Goodwill	10,279,976
Total	10,250,000

The Company determined that HOK's technology and business objectives were synergistic with the Company's business plans and objectives. Goodwill consists of an assembled workforce, cost synergies and future economic potential of HOK.

Advances payable include \$100,539 that relates to working capital advanced to HOK by the Company.

During the period from October 1, 2021 to October 31, 2021, the Company recorded a net income of \$6,226,899 in the Consolidated Statement of Loss and Comprehensive Loss in connection with HOK.

Net income for the Company would have been lower by approximately \$162,943, for the period ended October 31, 2021, if the acquisition had taken place on August 1, 2021. In connection with this transaction, the Company also issued 2,250,000 common shares with a fair value of \$0.10 per share as finders' fees. Finders' fees are considered acquisition costs under IFRS and are expensed through profit and loss. As a result, the \$225,000 fair value of the finders' fee shares have been recorded as acquisition costs.

The accounting for this acquisition has been provisionally determined at October 31, 2021. The fair value of total consideration has been determined provisionally and subject to adjustment. Upon completion of a comprehensive valuation and finalization of the purchase price allocation, the amounts above may be adjusted retrospectively to the acquisition date in future reporting periods.

Looking Glass Labs Ltd.

(formerly Bluknight Aquafarms Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian Dollars)

4. 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 weighted average from www.coinbase.com on the date the tokens are received or recorded as a receivable.

Digital assets consist solely of Ethereum. Ethereum earned and transacted during the period was as follows:

	\$	Ethereum
Balance, on acquisition at September 30, 2021	772,072	201.936
Digital assets received for revenues	5,860,194	1,393.058
Digital assets traded for cash	(6,516,226)	(1,486.250)
Digital assets paid for expenses	(232,114)	(55.434)
Gain on sale of digital assets	402,429	
Revaluation of digital assets	(3,135)	
Balance, October 31, 2021	283,220	53.308

- i) During the three months ended October 31, 2021, the Company exchanged its Ethereum for cash, and other services totaling \$6,748,340 with a cost of \$6,345,911, which resulted in a realized gain on sale of \$402,429.
- ii) Digital assets held are revalued each reporting period based on the fair market value of the price of Ethereum on the reporting date. As at October 31, 2021, the price of Ethereum was \$5,313 resulting in a revaluation loss of \$3,135.

5. Property and Equipment

	Computer Equipment \$
Cost	
Balance, July 31, 2021 and 2020	-
Additions	16,462
Balance, October 31, 2021	16,462
Accumulated amortization	
Balance, July 31, 2021 and 2020	-
Amortization	(381)
Balance, October 31, 2021	(381)
Net book values	
July 31, 2021	-
Balance, October 31, 2021	16,081

Looking Glass Labs Ltd.

(formerly Bluknight Aquafarms Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian Dollars)

6. Accounts Payable and Accrued Liabilities

	October 31, 2021	July 31, 2021
	\$	\$
Accounts payable	79,447	38,755
Accrued liabilities	30,500	6,000
	109,947	44,755

7. Loans Payable

During the year ended July 31, 2020, the Company received loans of \$117,500 from a private company controlled by a former director (Note 9). The loans were unsecured, non-interest bearing and due on demand. During the same year, the Company repaid \$12,500.

At July 31, 2021 and 2020, \$105,000 in loans payable remained outstanding. During the three months ended October 31, 2021, the Company paid \$100,000 and the remaining balance of \$5,000 loan was forgiven and recorded as a gain on settlement of debt.

8. Share capital***Authorized share capital***

Unlimited number of common shares without par value.

Issued share capital

At October 31, 2021 there were 103,095,601 (July 31, 2021 – 34,545,601) issued and fully paid common shares outstanding.

Share issuances

On September 15, 2021, the Company closed a non-brokered private placement of 7,500,000 units of the Company issued at a price of \$0.02 per unit for gross proceeds of \$150,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one warrant share for a period of 5 years at an exercise price of \$0.10 per share.

On September 29, 2021, the Company issued 11,600,000 common shares of the Company issued at a price of \$0.10 per common share in connection with a private placement.

On September 30, 2021, the Company issued 45,000,000 common shares of the Company with a fair value of \$4,500,000 in consideration for the acquisition of HOK as described in Note 3.

On September 30, 2021, the Company issued 2,250,000 common shares of the Company with a fair value of \$225,000 as finders fees for the acquisition of HOK as described in Note 3.

On September 30, 2021, the Company issued 200,000 common shares with a fair value of \$20,000 to settle \$20,000 of accounts payable.

Looking Glass Labs Ltd.

(formerly Bluknight Aquafarms Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian Dollars)

8. Share capital (continued)

On October 7, 2021, the Company issued 2,000,000 common shares of the Company at a price of \$0.10 per common share for proceeds of \$20,000 in connection with a private placement.

During the period ending October 31, 2020, 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, 2020 and July 31, 2021	-	-	-
Granted	7,500,000	0.10	September 15, 2026
Balance, October 31, 2021	7,500,000	0.10	September 15, 2026

Details of warrants outstanding as at October 31, 2021 are as follows:

Exercise price	Number of Warrants outstanding	Expiry date
\$0.10	7,500,000	September 15, 2026
	7,500,000	

Stock options

The Company has an incentive stock option plan in place under which it is authorized to grant options to directors, officers, employees and consultants to acquire up to 20% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 5 years prior to listing on an exchange, and 10 years after being listed on an exchange. Vesting periods are determined by the Board of Directors.

On October 14, 2021, the Company granted incentive stock options officers and consultants to purchase an aggregate of 6,000,000 common shares at an exercise price of \$0.10 per common share for up to five years. The options vest 1/3 every six months following the grant date. The grant date fair value of the options was measured at \$446,482. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - \$0.10; exercise price - \$0.10; expected life - 5 years; volatility - 100%; dividend yield - \$0; and risk-free rate - 1.18%.

The following is a summary of the Company's option activity for the three month period ended October 31, 2021. The Company did not have any stock options outstanding at July 31, 2021.

	Number of Options
Balance, July 31, 2020 and July 31, 2021	-
Issued	6,000,000
Outstanding, October 31, 2021	6,000,000

Looking Glass Labs Ltd.

(formerly Bluknight Aquafarms Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian Dollars)

8. Share capital (continued)

Details of options outstanding as at October 31, 2021 are as follows:

Exercise price	Number of Options outstanding	Expiry date
\$0.10	6,000,000	October 14, 2026
Total	6,000,000	

Restricted Stock Units

The Company has adopted a Restricted Stock Unit (“RSU”) plan (“RSU Plan”). The purpose of the RSU Plan is to secure for the Company and its shareholders the benefits of incentive inherent in share ownership by certain directors, officers, other key employees and consultants of the Company (“Participants”) who, in the judgment of the Board, will be responsible for its future growth and success. RSUs granted pursuant to this RSU Plan will be used to compensate Eligible Persons who have forgone salary to assist the Company in cash management in exchange for the grant of RSUs and incentive stock options under the Company’s stock option plan.

Under the terms of the plan, RSU’s are granted to Participants and the RSUs expire the earlier of 5 years from the date of vesting of the RSU and 10 years from the grant date. Each RSU gives the Participant the right to receive one common share of the Company. The aggregate number of common shares that may be reserved for issuance, at any time, under this Plan and under any other share compensation arrangement adopted by the Company, including the Company’s incentive stock option plan, shall not exceed up to a maximum of 20% of the issued and outstanding Shares at the time of grant pursuant to awards granted under all share compensation plans. As at October 31, 2021, no units were issued under the RSU plan.

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.

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.

Looking Glass Labs Ltd.

(formerly Bluknight Aquafarms Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian Dollars)

8. Share capital (continued)**Net income per share**

	Three months ended	
	October 31, 2021 \$	October 31, 2020 \$
Net income (loss) attributable to common shareholders	5,770,700	(12,419)
Basic weighted average number of common shares outstanding	58,840,710	38,365,601
Effect of dilutive securities:		
Stock options	-	-
Warrants	-	-
Diluted weighted average number of common shares outstanding	58,840,710	38,365,601
Basic net income (loss) per common share	0.10	(0.00)
Diluted income (loss) per common share	0.10	(0.00)

9. Related parties***Related party balances***

Amounts due to related parties:

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

	October 31, 2021	July 31, 2021
A private company controlled by a former director of the Company	\$ -	\$ 36,876

The following amounts are included in amounts owed to related parties:

	October 31, 2021	July 31, 2021
Amounts owed to a shareholder of the Company	\$ 19,630	\$ -
A private company controlled by a former director of the Company	70,502	-
	\$ 90,132	\$ -

The following amounts are included in loans payable by the Company (Note 7):

	October 31, 2021	July 31, 2021
A private company controlled by a former director of the Company	\$ 40,000	\$ 105,000

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

Related party transactions

During the three months ended October 31, 2021, the Company paid and/or accrued accounting, management and consulting fees of \$25,175 (2020 - \$11,130) to the Company's key management.

All related party transactions are in the normal course of operations and have been measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties.

Looking Glass Labs Ltd.

(formerly Bluknight Aquafarms Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian Dollars)

10. Financial risk and capital management

(a) Fair value measurements:

Financial hierarchy:

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly from observable market data; and

Level 3: Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets and liabilities measured at fair value as at October 31, 2021 and July 31, 2021:

	As at October 31, 2021		
	Level 1	Level 2	Level 3
Cash	\$ 7,160,507	\$ -	\$ -
Digital assets	\$ -	\$ 283,220	\$ -

	As at July 31, 2021		
	Level 1	Level 2	Level 3
Cash	\$ 2,442	\$ -	\$ -

Digital assets and risk management

Digital assets are measured using Level 2 fair values, determined by taking the rate from coinbase.com. Digital asset 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 sales of digital assets.

Digital assets have a limited history and the fair value historically has been relatively volatile. Historical performance of digital assets is not indicative of their future price performance. The Company's digital assets currently solely consist of Ethereum. As October 31, 2021, had the market price of Ethereum increased or decreased by 10% with all other variables held constant, the corresponding digital assets value increase or decrease respectively would amount to \$28,322.

(b) Financial risk management:

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

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.

Looking Glass Labs Ltd.

(formerly Bluknight Aquafarms Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian Dollars)

10. Financial risk and capital management (continued)**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 October 31, 2021, the Company has cash of \$7,160,507 (2020 - \$2,442) and digital assets of \$283,220 (July 31, 2021 - \$Nil) available to apply against short-term business requirements and current liabilities of \$3,005,864 (July 31, 2021 - \$Nil).

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 October 31, 2021, Management concludes the exposure to market risk is not material

11. Segmented information

The Company operates in a single reportable operating segment – the design, development, and sale of exclusive Non-Fungible Tokens in Canada.

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.

13. 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	6,245,675	-
Royalty income	243,790	-
Miscellaneous income	7,398	-
	6,496,863	10,578

Looking Glass Labs Ltd.

(formerly Bluknight Aquafarms Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian Dollars)

14. 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.

15. Subsequent events

On November 10, 2021, the Company completed a non-brokered private placement of 5,000,000 units of the Company (the “Units”) issued at a price of \$0.50 per Unit for gross proceeds of \$2,500,000 (the “Offering”). Each Unit is comprised of one common share (a “Share”) and one share purchase warrant (each, a “Warrant”). Each Warrant entitles the holder to purchase one additional Share for a period of 60 months at an exercise price of \$1.25 per Share. The Company paid finder’s fees of \$15,900 in cash, issued 145,950 common shares and 31,800 in broker warrants. The Broker Warrants have been issued with the same terms as the Warrants.