

AFRICA HYDROCARBONS INC.

FILING STATEMENT FOR A CHANGE OF BUSINESS

Dated as of May 22, 2018

Neither the TSX Venture Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Change of Business described in this filing statement.

TABLE OF CONTENTS

FORWARD-LOOKING INFORMATION	i
GLOSSARY OF TERMS	iii
EXCHANGE RATE INFORMATION.....	vii
SUMMARY OF FILING STATEMENT	1
RISK FACTORS	8
PART I - INFORMATION CONCERNING THE COMPANY	17
PART II - INFORMATION CONCERNING THE RESULTING ISSUER.....	33
PART III - GENERAL MATTERS	56
CERTIFICATE OF AFRICA HYDROCARBONS INC.	1
ACKNOWLEDGEMENT OF PERSONAL INFORMATION.....	2

Appendix A – Financial Statements of the Company for the interim period ended December 31, 2017

Appendix B - Financial Statements of the Company for the years ended September 30, 2017 and 2016

Appendix C - Financial Statements of the Company for the years ended September 30, 2016 and 2015

Appendix D – Management Discussion and Analysis of the Company for the period ended December 31, 2017

Appendix E – Management Discussion and Analysis of the Company for the year ended September 30, 2017

Appendix F – Pro Forma Financial Statements as of December 31, 2017

FORWARD-LOOKING INFORMATION

This Filing Statement contains forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "does not expect", "is expected", "estimates", "intends", "anticipates", "does not anticipate", or "believes", or variations of such words and phrases or states that certain actions, events or results "may", "could", "would", "might" or "will" be taken to occur or be achieved.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company or the Resulting Issuer to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Known and unknown factors could cause actual results or events to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, completion of the Transactions and Exchange approval; liquidity and future financing risk; fluctuations in the currency markets; changes in interest rates; disruption to the credit markets and delays in obtaining financing; inflationary pressures; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada or other countries in which the Resulting Issuer may, upon completion of the Transactions carry on business; business opportunities that may be presented to, or pursued by the Resulting Issuer upon completion of the Transactions; operating or technical difficulties in connection with business activities; the possibility of cost overruns or unanticipated expenses; employee relations; the risks of obtaining and renewing necessary licenses and permits; and the occurrence of natural disasters, hostilities, acts of war or terrorism; the Resulting Issuer will require additional funds in order to acquire additional cryptocurrency mining equipment, to expand the Facility, and for general working capital and will be reliant on the sale of equity or liquidation of mined output (coins) for such funds; there can be no assurance the Resulting Issuer will be able to obtain such funds and as a result, the Resulting Issuer may not be able to advance its business plan or make further acquisitions or continue operations; there is no assurance the Resulting Issuer will be able to obtain insurance for its operations; the Resulting Issuer's directors and officers serve on the boards and as officers of other companies whose interests may conflict with the Resulting Issuer; there may not be an active or liquid market for the Resulting Issuer Shares after completion of the Transactions; the Resulting Issuer may never pay any dividends; the Resulting Issuer's cryptocurrency inventory may lose or may be severely reduced in value as a result of flaws in the cryptocurrency code or malicious actors; regulatory changes or actions may alter or prohibit investment in the Resulting Issuer's cryptocurrency business and may result in a restriction in the use of cryptocurrencies; the current value of cryptocurrencies and the value of the Resulting Issuer's future holdings of cryptocurrencies may be overvalued and volatile as a result of momentum pricing; there may be fraud or security failures of the cryptocurrency exchanges on which the Resulting Issuer's cryptocurrencies are exchanged resulting in closures of the cryptocurrency exchanges or complete losses of the Resulting Issuer's cryptocurrency balance; banks may refuse to provide cryptocurrency-related services resulting in a decrease in the usefulness of cryptocurrency and reduction in the value of the Resulting Issuer's cryptocurrency inventory; the algorithm for cryptocurrencies may change resulting in the Resulting Issuer losing its competitive advantage; the Resulting Issuer's operations, investment strategies and profitability may be adversely affected by competition from other cryptocurrencies or financial vehicles; the Resulting Issuer may be subject to incorrect or fraudulent transactions resulting in its coins being lost or irretrievable; the number of coins awarded for solving a block in the Blockchain may be decreased resulting in the value

of a cryptocurrency mined by or held in the inventory of the Resulting Issuer to decrease and may be decreased to a level where there is not an adequate incentive for the Resulting Issuer to continue mining; the sale of coins by other vehicles investing in coins or tracking cryptocurrency markets may negatively affect cryptocurrency prices and reduce the value of the Resulting Issuer's inventory; and the introduction of new services and technologies may make the Resulting Issuer's hardware and equipment at the Facility obsolete and it may be cost-prohibitive to upgrade the Resulting Issuer's hardware and equipment at the Facility to remain competitive. The factors identified above are not intended to represent a complete list of the factors that could affect the Company or the Resulting Issuer. Additional factors are noted under the heading "*Risk Factors*".

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this Filing Statement. These factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date of this Filing Statement. All subsequent forward-looking information attributable to the Company or the Resulting Issuer herein is expressly qualified in its entirety by the cautionary statements contained in or referred to herein. The Company and the Resulting Issuer do not undertake any obligation to release publicly any revisions to this forward-looking information to reflect events or circumstances that occur after the date of this Filing Statement or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

GLOSSARY OF TERMS

The following is a glossary of certain definitions used in this Filing Statement. Terms and abbreviations used in the appendices to this Filing Statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

"**ABCA**" means the *Business Corporations Act* (Alberta), including the regulations made thereunder, in each case as now in effect and as may be amended or replaced from time to time prior to the Closing;

"**Acceleration Right**" means the acceleration right in favor of the Company contained in the Resulting Issuer Warrants, which allows the Company to accelerate the time of expiry of the Resulting Issuer Warrants to a date that is a minimum of thirty (30) days following the delivery of the applicable acceleration notice to the holders of the Resulting Issuer Warrants, if at any time following the issuance of the Resulting Issuer Warrants, the volume weighted average price of the Resulting Issuer Shares is equal to or greater than \$2.50 for a period of twenty (20) consecutive trading days on the Exchange;

"**Affiliate**", a company is an "Affiliate" of another company if (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same Person. A company is "controlled" by a Person if (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company. A Person beneficially owns securities that are beneficially owned by (a) a company controlled by that Person, or (b) an Affiliate of that Person or an Affiliate of any company controlled by that Person;

"**Agent**", means Mackie Research Capital Corporation;

"**Associate**" when used to indicate a relationship with a Person, means: (a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to all outstanding voting securities of the issuer, (b) any partner of the Person, (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which the Person serves as trustee or in a similar capacity, and (d) in the case of a Person who is an individual, (i) that Person's spouse or child, or (ii) any relative of that Person or of his spouse who has the same residence as that Person; but where the Exchange determines that two Persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D.1.00 of the Exchange with respect to that Member firm, Member corporation or holding company;

"**Bitcoin**" means Bitcoin cryptocurrency;

"**Bitcoin Network**" means the network of computers running the software protocol underlying Bitcoin and which network maintains the database of Bitcoin ownership and facilitates the transfer of Bitcoin among parties;

"**Blockchain**" means the public transaction ledger which records the financial transactions in cryptocurrency in chronological order;

"**Board of Directors**" means the board of directors of the Company or the Resulting Issuer as applicable;

"**Broker Equity Units**" means 20,000 equity units of the Company, each Broker Equity Unit consisting of one (1) common share in the capital of the Company, and one-half of one (1/2) Broker Equity Units Warrant;

"Broker Equity Units Warrants" means 10,000 agent's warrants issued as a portion of the corporate finance fee paid to the Agent in connection with the Brokered Equity Financing, with each whole Broker Equity Units Warrant entitling the Agent to purchase one (1) common share of the Company at an exercise price of \$2.00 per share for 12 months from the date of issuance, and which contain the Acceleration Right;

"Brokered Equity Financing" means the concurrent brokered private placement of 400,000 Subscription Receipts sold by the Agent on a commercially reasonable efforts agency basis, each issued at the Subscription Price for aggregate gross proceeds to the Company in the amount of \$500,000;

"Brokered Equity Financing Agent's Warrants" means 28,000 agent's warrants issued in connection with the Brokered Equity Financing, with each whole warrant entitling the holder thereof to purchase one (1) Resulting Issuer Share and one-half of one (1/2) Resulting Issuer Warrant at an exercise price of \$1.25 for 24 months from the date of issuance;

"Change of Business" means, collectively, the Transactions which will result in a "Change of Business", as such term is defined in the policies of the Exchange;

"Closing" means the closing of the Transactions;

"Company" means Africa Hydrocarbons Inc., a company continued under the laws of the Province of Alberta, to be renamed BlockchainK2 Corp.;

"Company AGM" means the annual general and special meeting of the Company's shareholders held on January 4, 2018;

"Computershare" means Computershare Investor Services Inc.;

"Control Person" means any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer;

"cryptocurrency" means a digital asset designed to work as a medium of exchange that uses cryptography to secure its transactions, to control the creation of additional units, and to verify the transfer of assets;

"Current Stock Option Plan" means the 10% rolling stock option plan of the Company adopted by Board of Directors, re-approved by the shareholders of the Company at the Company AGM;

"Equity Financings" means, collectively, the Non-Brokered Equity Financing and the Brokered Equity Financing;

"Equity Financings Escrow Agent" means Computershare Trust Company of Canada;

"Escrow Deadline" means 4:00 pm (Calgary time) on May 31, 2018, or such later date as the Company and the subscribers to the Equity Financings (including the Agent in the case of the Brokered Equity Financing) may agree;

"Escrow Release Conditions" has the meaning ascribed under "*Part I – Information Concerning the Company – General Development of Business – Equity Financings*" of this Filing Statement;

"Exchange" or **"TSXV"** means the TSX Venture Exchange;

"Facility" means the cryptocurrency mining operation of the Resulting Issuer to be hosted and managed at a third-party data centre located in Edmonton, Alberta;

"Facility Agreements" means the agreements that the Company proposes to enter into which will set out the terms and conditions by which (a) the lease agreement by which the Facility will be hosted and managed, and (b) a third-party contractor will provide such services as are necessary for the design, installation, configuration, operation, security, maintenance and support of the Facility;

"fiat currency" means currency that a government has declared to be legal tender, but it is not backed by a physical commodity. The value of fiat money is derived from the relationship between supply and demand rather than the value of the material that the money is made of;

"Filing Statement" means this filing statement, together with all appendices attached hereto and including the summary hereof;

"Final Exchange Bulletin" means the bulletin which is issued by the Exchange following the Closing and the submission of all documentation required by the Exchange in connection therewith, that evidences the final Exchange acceptance of the Transactions and any related transactions;

"hash rate" is the speed at which a compute is completing an operation in the Bitcoin code. A higher hash rate is better when mining as it increases the opportunity of finding the next block and receiving the reward. Hash rate, also hash power, is the measuring unit that measures how much power the Bitcoin Network is consuming to be continuously functional;

"IFRS" means the International Financial Reporting Standards;

"Insider" if used in relation to an issuer, means: (a) a director or senior officer of the issuer; (b) a director or senior officer of a company that is an Insider or subsidiary of the issuer; (c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or (d) the issuer itself if it holds any of its own securities;

"Insider Grants" has the meaning ascribed under "*Part I – Information Concerning the Company – New Stock Option Plan – Exemptions in Connection with Issuance of Options to Insiders*" in this Filing Statement;

"MD&A" means management's discussion and analysis;

"Mining Equipment" means the Mining Rigs to be acquired pursuant to the Mining Equipment Purchase Order;

"Mining Equipment Purchase Order" means the cryptocurrency Mining Equipment purchase order to be completed by the Resulting Issuer on completion of the Change of Business;

"Mining Rig" means a computer system used for mining Bitcoins and other cryptocurrencies. The rig might be a dedicated miner where it was procured, built and operated specifically for mining or it could otherwise be a computer that fills other needs, such as performing as a gaming system, and is used to mine only on a part-time basis;

"New Stock Option Plan" means the 20% fixed stock option plan of the Company approved by the shareholders of the Company at the Company AGM and that is proposed to replace the Current Stock Option Plan, effective upon completion of the Change of Business;

"NEX" means the NEX trading board of the TSX Venture Exchange;

"Non-Arm's Length Party" means: (a) in relation to a company, (i) a Promoter, officer, director, other Insider or Control Person of that company and any Associates or Affiliates of any such Persons; or (ii) another entity or an Affiliate of that entity, if that entity or its Affiliate have the same Promoter, officer, director, Insider or Control Person as the company; and (b) in relation to an individual, any Associate of the individual or any company of which the individual is a Promoter, officer, Insider or Control Person;

"Non-Brokered Equity Financing" means the concurrent non-brokered private placement of 2,935,334 Subscription Receipts, each issued at the Subscription Price for aggregate gross proceeds to the Company in the amount of \$3,669,167.50;

"Non-Brokered Equity Financing Finder's Warrants" means 176,773 finder's warrants issued in connection with the Non-Brokered Equity Financing, with each whole warrant entitling the holder thereof to purchase one (1) Resulting Issuer Share at an exercise price of \$1.25 per Resulting Issuer Share for 12 months from the date of issuance;

"Person" includes any individual, firm, partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, governmental entity, syndicate or other entity, whether or not having legal status;

"Promoter" has the meaning ascribed to it in the *Securities Act (Alberta)*;

"Resulting Issuer" means the Company after giving effect to the Transactions / Change of Business;

"Resulting Issuer Escrow Agreement" means the agreement to be entered into among the Resulting Issuer, Computershare and certain shareholders of the Resulting Issuer pursuant to which the Resulting Issuer Escrow Shares owned by such shareholders will be held in escrow in accordance with the requirements of the Exchange;

"Resulting Issuer Escrow Shares" means the Resulting Issuer Shares to be held in escrow pursuant to the Resulting Issuer Escrow Agreement;

"Resulting Issuer Options" means options to purchase Resulting Issuer Shares granted under the Current Stock Option Plan and New Stock Option Plan, as applicable;

"Resulting Issuer Shares" means the common shares in the capital of the Resulting Issuer, as constituted after giving effect to the Change of Business;

"Resulting Issuer Warrants" means the Resulting Issuer Shares warrants that will be automatically issued upon exchange of the Subscription Receipts upon satisfaction of the Escrow Release Conditions, with each whole Resulting Issuer Warrant entitling the holder thereof to purchase one (1) Resulting Issuer Share at an exercise price of \$2.00 per Resulting Issuer Share for 12 months from the date of issuance, and which contain the Acceleration Right;

"Sponsor" has the meaning specified in Exchange Policy 2.2 - *Sponsorship and Sponsorship Requirements*.

"Subscription Price" means \$1.25 per Subscription Receipt;

"Subscription Receipts" means the subscription receipts issued by the Company pursuant to the Equity Financings, with each such subscription receipt convertible, for no additional consideration, into one (1) Resulting Issuer Share and one-half of one (1/2) Resulting Issuer Warrant following the satisfaction of the Escrow Release Conditions;

"Transactions" means, collectively, the transactions contemplated by the Change of Business, including the Equity Financings and the execution and delivery of the Mining Equipment Purchase Order and Facility Agreements;

"wallet" refers to storage for cryptocurrencies. Cryptocurrencies are stored in "wallets" with unique information that confirms the holder as the temporary owners of their units. A cryptocurrency wallet is a software program that stores private and public keys and interacts with various blockchains to enable users to send and receive digital currency and monitor their balance. Wallets can be stored on the cloud, an internal hard drive, or an external storage device (referred to as a "cold wallet" or "cold storage"); and

"Wu Grant" has the meaning ascribed under "*Part I – Information Concerning the Company – New Stock Option Plan – Exemptions in Connection with Issuance of Options to Insiders*" in this Filing Statement;

Words importing the singular number only include the plural and vice versa, and words importing any gender include all genders.

All dollar amounts in this Filing Statement are expressed in Canadian dollars unless otherwise indicated.

EXCHANGE RATE INFORMATION

In this Filing Statement, all references to "\$" or "CDN\$" refer to Canadian dollars, all references to "US\$" refer to U.S. dollars.

The indicative exchange rate on May 1, 2018 as reported by the Bank of Canada for the conversion of U.S. dollars into Canadian dollars was CDN\$1.2867 equals US\$1.00.

SUMMARY OF FILING STATEMENT

The following is a summary of information relating to the Company, the Change of Business and the Resulting Issuer (assuming completion of the Change of Business) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement. Reference is made to the Glossary of Terms for the definitions of certain abbreviations and terms used in this Filing Statement and in this summary.

This Filing Statement is being prepared in accordance with Exchange Form 3D2 in connection with the Change of Business.

Parties to the Transactions

The Company

Until recently, the Company's principal business was the exploration and development of oil and gas properties. The Company was incorporated in the province of British Columbia on April 11, 1983 under the name Orotek Resources Corporation. On December 29, 1992, the Company consolidated its share capital on a 4.7:1 basis and changed its name to Doucette Developments Corp. Effective August 30, 1995, the Company changed its name to Traders International Franchise Systems Inc. The Company subsequently consolidated its share capital on a 3:1 basis and changed its name to Newquest Ventures Corp. on May 21, 1998. On May 26, 1999, the Company consolidated its share capital on a 2:1 basis and changed its name to Aster Ventures Corp. The Company subsequently consolidated its share capital on a 2:1 basis and changed its name to Knight Petroleum Corp. on March 22, 2001. On March 7, 2003, the Company changed its name to Knight Resources Ltd. On May 25, 2011, the Company's common shares were consolidated on a 19 old common shares for 1 new common share basis and the Company changed its name to Knight Metals Ltd. Effective February 2, 2012, the Company's name was changed to Africa Hydrocarbons Inc.

On March 2, 2015, the Company filed a Form 51-101F5, wherein management and the board of directors of the Company at that time confirmed that it had determined that at such date, the Company was no longer engaged, directly or indirectly, in oil and gas activities.

On June 30, 2017, the Company's common shares were consolidated on a 20 old common shares for 1 new common share basis.

The Company's head office is located at Suite 800, 1199 West Hastings Street, Vancouver, British Columbia, V6E 3T5, and the Company's registered office is located at Suite 1600, 421 7th Avenue SW, Calgary, AB T2P 4K9.

The Company is currently listed on the NEX, under the symbol "NFK.H". Until July 21, 2015, the Company was listed on the Exchange under the symbol "NFK". The Company transferred to the NEX on July 21, 2015 for failure to maintain the requirements of the Exchange for a Tier 2 company.

On November 23, 2017, the Company's common shares were halted from trading on the NEX in anticipation of the announcement via news release of the Change of Business. The last closing price of the Company's common shares on the NEX prior to the trading halt was \$1.31. Subject to the approval of the Exchange, and the Resulting Issuer meeting all of the conditions set forth in the approval of the Exchange, it is anticipated that the Resulting Issuer Shares will resume trading on the Exchange under the symbol "BITK" following Closing.

See "*Part I – Information Concerning the Company*" for more detail.

Summary of the Transactions

Blockchain is the technology that underpins the digital currency Bitcoin – but it has far wider applications and is being commercialized in a growing number of areas. Blockchain technology has generated much interest in technology and financial circles, because of the new possibilities it opens up in financial services, the public sector, healthcare, and virtually every other industry vertical.

Management of the Company recognized the opportunity in the Blockchain industry, due to investor interest and a growing number of companies seeking to develop Blockchain solutions. Cryptocurrency mining is a relatively low-cost, low-risk entry point into the Blockchain market.

The Company is undertaking the Change of Business by undertaking to acquire the Mining Equipment and constructing its operations at the Facility, after completion of the Change of Business, in order for the Resulting Issuer to commence cryptocurrency mining operations. Under the Facility Agreements, the Mining Equipment will be installed and made operational at the Facility, and further services related to hosting, maintaining and related operations of the Facility will be conducted. See "*Part II – Information Concerning the Resulting Issuer – Summary of the Transactions*" below for further detail.

The commencement of operations at the Facility will be the Resulting Issuer's first step towards its goal of building a Blockchain company, first through the development and ownership of cryptocurrency infrastructure and thereafter through investments in other Blockchain businesses or technologies.

Following completion of the Transactions, the Resulting Issuer intends on mining cryptocurrencies at the Facility, with proceeds from mining operations deposited into a designated "cold wallet" of the Resulting Issuer, which is a secure external storage device used to store digital currencies. The Resulting Issuer may liquidate from time to time a portion of mined coins in a ratio derived from future forecasted expenses while holding the remainder as inventory to benefit from price appreciation/volatility. See "*Part II – Information Concerning the Resulting Issuer – Stated Business Objectives*" below for further detail.

The Resulting Issuer will initially mine Bitcoin, for many reasons, but the two most significant reasons being network size and proven security - both of which result in substantial advantages over other digital currencies currently available. Bitcoin has an established history of being a store of value. Given the number of cryptocurrencies flooding the market, most new cryptocurrencies try to create differentiation based on smaller use cases, such as smart contracts, anonymous transactions and predictive markets. Bitcoin has an enormous lead as a store of value over other coins because it has existed eight years without failure. The security of Bitcoin has been proven far longer than any of its newly created competitors.

Also following Closing, the Resulting Issuer may seek to expand the Facility, acquire additional cryptocurrency mining equipment, and / or make investments in other Blockchain and/or cryptocurrency related companies and technologies, which will entail additional equity financings by the Resulting Issuer in connection with such acquisitions. See "*Part II – Information Concerning the Resulting Issuer – Summary of the Transactions*" below for further detail.

Equity Financings

In connection with the Change of Business and in order to fund the Transactions, the Company will complete the Equity Financings.

On January 19, 2018, the Company closed the first tranche of the Non-Brokered Equity Financing. A total of 2,865,334 Subscription Receipts were issued at a price of \$1.25 per Subscription Receipt pursuant to this closing, for aggregate gross proceeds of \$3,581,667.50, which proceeds have been

deposited with the Equity Financings Escrow Agent. The Company agreed to pay finders fees of \$249,841.72 and issue 176,773 Non-Brokered Equity Financing Finder's Warrants in connection with this closing of the Non-Brokered Equity Financing.

On April 4, 2018, the Company closed the second tranche of the Non-Brokered Equity Financing. A total of 70,000 Subscription Receipts were issued at a price of \$1.25 per Subscription Receipt pursuant to this closing, for aggregate gross proceeds of \$87,500, which proceeds have been deposited with the Equity Financings Escrow Agent. The Company agreed to pay finders fees of \$6,125 in connection with this closing of the Non-Brokered Equity Financing.

On April 4, 2018, the Company closed the Brokered Equity Financing. A total of 400,000 Subscription Receipts were issued at a price of \$1.25 per Subscription Receipt pursuant to this closing, for aggregate gross proceeds of \$500,000, which proceeds have been deposited with the Equity Financings Escrow Agent. The Company has agreed to pay cash commissions of \$35,000 and issue 28,000 Brokered Equity Financing Agent's Warrants in connection with this closing of the Brokered Equity Financing.

The Agent acts as agent to the Company to sell Subscription Receipts on a commercially reasonable efforts basis in connection with the Brokered Equity Financing, and besides the cash commissions and the Brokered Equity Financing Warrants, has received as compensation a corporate finance fee of (i) \$52,500 (inclusive of taxes), (ii) 20,000 Broker Equity Units and (iii) \$1,250 representing the tax portion of the Broker Equity Units, and the payment of the Agent's reasonable out-of-pocket expenses, including legal fees, up to a maximum of \$35,000 plus disbursements and taxes

Each Subscription Receipt will be automatically exchanged for one Resulting Issuer Share and one-half of one Resulting Issuer Warrant, and the proceeds of the Equity Financings will be released to the Company, upon satisfaction of the Escrow Release Conditions. See "*Part I – Information Concerning the Company – Equity Financings*" for more detail.

See "*Part II – Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*".

Mining Equipment Purchase Order

Upon completion of the Change of Business (unless the Exchange grants early approval for expenditure of requisite funds), the Resulting Issuer undertakes to complete the Mining Equipment Purchase Order, wherein the Resulting Issuer will order no less than \$2.25 million worth of Mining Rigs and other equipment necessary to commence operations. At current costs, such amount should allow the Resulting Issuer to acquire approximately 978 Mining Rigs. The Resulting Issuer proposes to make an order for 200 of the Mining Rigs shortly after the Exchange has issued its conditional acceptance for the Change of Business and the Transactions. The remaining Mining Rigs will be ordered as soon as possible thereafter, subject to the Resulting Issuer sourcing the most up to date equipment and at the most favorable prices. Delivery of such equipment is expected to occur within two months of payment therefor.

The Company has executed a non-binding agreement with a cryptocurrency mining equipment supplier in connection with the proposed Mining Equipment Purchase Order.

See "*Part II – Information Concerning the Resulting Issuer – Mining Equipment Purchase Order*" for further detail.

Facility Agreements

Upon completion of the Change of Business (unless the Exchange grants early approval for expenditure of requisite funds), the Resulting Issuer (or a subsidiary of the Resulting Issuer) shall enter into the

Facility Agreements which will set out the terms and conditions by which the Facility will be hosted and managed and a third-party contractor will provide such services as are necessary for the design, installation, configuration, operation, security, maintenance and support of the Facility. It is expected that the Facility Agreements will include a one-time installation fee, and the payment of monthly service fees for certain services, which are expected to include: set up; internet access and network connectivity; security; regulation of Facility environment; power; systems operations; and equipment and systems maintenance and support.

See "Part II – Information Concerning the Resulting Issuer – Facility Agreements" for further detail.

Interests of Insiders

Except as disclosed below, Insiders of the Company will be treated in the same manner as all other Company shareholders in connection with the Transactions.

Non-Arm's Length Party Transactions

The Company has not acquired any assets or any services from a director or officer, principal securityholder or an Associate or Affiliate of any such person in the 24 months prior to the date of this Filing Statement, other than those disclosed in the Company's financial statements attached to this Filing Statement as Appendixes A, B and C.

Available Funds and Principal Purposes

The Resulting Issuer is expected to have approximately \$2,059,179 in working capital available on Closing based on (i) the Company's April 30, 2018 working capital, (ii) completion of the Equity Financings and release of those gross proceeds from escrow, (iii) estimated costs of the Transactions, and (iv) estimated payment under the Mining Equipment Purchase Order. The Resulting Issuer is expected to use the funds available to it in furtherance of its stated business objectives which are summarized in the table appearing below.

	Estimated Amount
Sources of Funds	
Estimated working capital of the Company as at April 30, 2018	\$665,012
Gross Proceeds from the Non-Brokered Equity Financing	\$3,669,167
Gross Proceeds from the Brokered Equity Financing	\$500,000
Estimated Revenues for the 12 month period following Closing	Nil ⁽¹⁾
Total Sources	\$4,834,179
Uses of Funds⁽²⁾	
Estimated costs of the Transactions	\$525,000
Estimated payments under the Mining Equipment Purchase Order	\$2,250,000
Estimated payments under the Facility Agreements for the 12 month period following Closing	\$265,000
Estimated general and administrative expenses for the first 12 months	\$940,000
Unallocated working capital to fund ongoing operations and additional acquisitions or investments	\$854,179
Total Uses	\$4,834,179

Note:

- (1) Based on computational capacity of the 978 Mining Rigs to be acquired pursuant to the Mining Equipment Purchase Order, 10 months of production capacity, 0.0775 Bitcoin mined per Mining Rig per month, a Bitcoin price of CDN\$11,065 (US\$8,600), and assuming immediate sale of the Bitcoin coins once mined, the Company projects it would have \$8,386,716, director costs of \$780,930 and operating expenses of \$1,408,600 for the first 12 months of operations following completion of the Transactions; the Company therefore believes future operations to be cash flow positive, however has presented \$nil revenues for the purposes of this table.
- (2) For additional information, see "Part II - Information Concerning the Resulting Issuer – Available Funds and Principal Purposes", "Part II – Information Concerning the Resulting Issuer – Milestones" and "Part II – Information Concerning the Resulting Issuer – Facility Agreements".

Based on current projections, the Resulting Issuer's working capital available for funding ongoing operations is expected to meet its expenses for a minimum period of 12 months commencing immediately after the completion of the Transactions, assuming successful mining and sales of coins.

Notwithstanding the proposed uses of available funds discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. It is difficult, at this time, to definitively project the total funds necessary to effect the planned activities of the Resulting Issuer, including, without limitation, the demand for mining equipment and other related equipment once the Company has the approval from the Exchange to expend such funds. For these reasons, management of the Resulting Issuer considers it to be in the best interests of the Resulting Issuer and its shareholders to afford management a reasonable degree of flexibility as to how the funds are employed among the uses identified above, or for other purposes, as the need arises. Further, the above uses of available funds should be considered estimates. See "Forward-Looking Information".

Directors and Officers of the Resulting Issuer

Following the Company's AGM and in connection with the Transactions, the Board of Directors is to consist of: Douglas Wu, Sergei Stetsenko and Andri Stytsenko. Management of the Company following the Company's AGM is proposed to consist of Douglas Wu, Chief Executive Officer ("**CEO**"), Anthony Jackson, Chief Financial Officer and Corporate Secretary ("**CFO**"). For additional information, see "Part II - Information Concerning the Resulting Issuer – Directors, Officers and Promoters".

Selected Pro Forma Consolidated Financial Information

The following table contains certain financial information regarding the Resulting Issuer.

Pro Forma Statement of Financial Position:

	Pro Forma Statement of Financial Position as at December 31, 2017
Total assets	\$4,913,631
Total long and short term liabilities	\$29,444

See the "Unaudited Pro Forma Statement of Financial Position of the Resulting Issuer as at December 31, 2017" included as Appendix F to this Filing Statement.

Sponsorship

Pursuant to the Exchange Policy 2.2 – *Sponsorship and Sponsorship Requirements*, sponsorship is generally required in conjunction with a "change of business" transaction.

The Company has received an exemption from the sponsorship requirement on the basis that the Agent, as a Member of the Exchange, has acted as the Agent for the Brokered Equity Financing and provided the Exchange with confirmation that it has completed appropriate due diligence that is generally in compliance with the relevant standards and guidelines applicable in Exchange Policy 2.2 – *Sponsorship and Sponsorship Requirements*.

Conflicts of Interest

Some of the individuals acting as directors or officers of the Resulting Issuer upon the completion of the Transactions are also directors, officers and/or Promoters of other reporting and non-reporting issuers. Except as disclosed below, as of the date of this Filing Statement and to the knowledge of the directors and officers of the Company, there are no existing conflicts of interest between the Resulting Issuer and any of the individuals acting as directors or officers following the Company AGM.

Conflicts of interest will be subject to, and will be resolved in accordance with, the procedures and remedies under the ABCA.

Interest of Experts and Others

The audited financial statements of the Company for the fiscal years ended September 30, 2017, 2016 and 2015 described or included in this Filing Statement were audited by MNP LLP.

MNP LLP, does not beneficially own, directly or indirectly, any securities; nor does it have any interest in the property of the Company or the Resulting Issuer (on Closing). Moreover, none of the foregoing Persons or any of their respective directors, officers or employees is, or expects to be, elected, appointed or employed as a director, officer or employee of the Resulting Issuer or its Associates or Affiliates.

MNP LLP, are the auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed in the relevant professional bodies in Canada and any applicable legislation or regulation.

The Agent has advised that neither it nor any members of its pro group currently hold, directly or indirectly, more than 1% of any securities of the Company or any Associate or Affiliate of the Company.

Moreover, none of the foregoing Persons nor any of their respective directors, officers or employees is, or expects to be, elected, appointed or employed as a director, officer or employee of the Resulting Issuer or its Associates or Affiliates.

Summary of Risk Factors Associated with the Change of Business

AN INVESTMENT IN SECURITIES OF THE COMPANY AND THE RESULTING ISSUER, FOLLOWING THE COMPLETION OF THE TRANSACTIONS IS HIGHLY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK AND SHOULD ONLY BE MADE BY INVESTORS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT.

Company shareholders should consider that the Company may not realize the anticipated benefits of the Transactions. Other risk factors include risks associated with completion of the Transactions and Exchange approval; fluctuations in the currency markets; changes in interest rates; disruption to the credit markets and delays in obtaining financing; inflationary pressures; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Iceland and Canada, or other countries in which the Resulting Issuer may, upon completion of the Transactions carry on business; business opportunities that may be presented to, or pursued by the Resulting Issuer upon completion of the Transactions; operating or technical difficulties in connection with business activities; the possibility of cost overruns or unanticipated expenses; employee relations; the risks of

obtaining and renewing necessary licenses and permits; and the occurrence of natural disasters, hostilities, acts of war or terrorism; the Resulting Issuer will require additional funds for general working capital and will be reliant on the sale of equity or liquidation of mined output (coins) for such funds; there can be no assurance the Resulting Issuer will be able to obtain such funds and as a result, the Resulting Issuer may not be able to advance its business plan or make further acquisitions or continue operations; there is no assurance the Resulting Issuer will be able to obtain insurance for its operations; the Resulting Issuer's directors and officers serve on the boards and as officers of other companies whose interests may conflict with the Resulting Issuer; there may not be an active or liquid market for the Resulting Issuer Shares after completion of the Transactions; the Resulting Issuer may never pay any dividends; the Resulting Issuer's cryptocurrency inventory may lose or may be severely reduced in value as a result of flaws in the cryptocurrency code or malicious actors; regulatory changes or actions may alter or prohibit investment in the Resulting Issuer's cryptocurrency business and may result in a restriction in the use of cryptocurrencies; the current value of cryptocurrencies and the value of the Resulting Issuer's future holdings of cryptocurrencies may be overvalued and volatile as a result of momentum pricing; there may be fraud or security failures of the cryptocurrency exchanges on which the Resulting Issuer's cryptocurrencies are exchanged resulting in closures of the cryptocurrency exchanges or complete losses of the Resulting Issuer's cryptocurrency balance; banks may refuse to provide cryptocurrency-related services resulting in a decrease in the usefulness of cryptocurrency and reduction in the value of the Resulting Issuer's cryptocurrency inventory; the algorithm for cryptocurrencies may change resulting in the Resulting Issuer losing its competitive advantage; the Resulting Issuer's operations, investment strategies and profitability may be adversely affected by competition from other cryptocurrencies or financial vehicles; the Resulting Issuer may be subject to incorrect or fraudulent transactions resulting in its coins being lost or irretrievable; the number of coins awarded for solving a block in the Blockchain may be decreased resulting in the value of a cryptocurrency mined by or held in the inventory of the Resulting Issuer to decrease and may be decreased to a level where there is not an adequate incentive for the Resulting Issuer to continue mining; the sale of coins by other vehicles investing in coins or tracking cryptocurrency markets may negatively affect cryptocurrency prices and reduce the value of the Resulting Issuer's inventory; and the introduction of new services and technologies may make the Resulting Issuer's hardware and equipment at the Facility obsolete and it may be cost-prohibitive to upgrade the Resulting Issuer's hardware and equipment at the Facility to remain competitive. This Filing Statement contains "forward looking statements" which reflect the current expectations of management of the Resulting Issuer regarding the Resulting Issuer's future growth, results of operations, performance and business prospects and opportunities.

For a comprehensive discussion of the risk factors relating to the Resulting Issuer, see "*Risk Factors*".

Conditional Approval of Exchange

The Exchange has conditionally accepted the Change of Business and the Transactions subject to the Company fulfilling all of the requirements of the Exchange.

RISK FACTORS

In addition to the other information contained in this Filing Statement, investors should give careful consideration to the following, factors, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Filing Statement. If any of the following events described as risks or uncertainties actually occurs, the business, prospects, financial condition and operating results of the Company and the Resulting Issuer would likely suffer, possibly materially. In that event, the market price of the Resulting Issuer Shares could decline and investors could lose all or part of their investment. Additional risks and uncertainties presently unknown, or that are not believed to be material at this time, may also impair or have a material adverse effect on the Company and the Resulting Issuer's operations. In addition to the risks described elsewhere and the other information contained in this Filing Statement, prospective investors should carefully consider each of and the cumulative effect of all of the following risk factors. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

Transaction and General Risk Factors

Completion of the Transactions and Exchange Approval

The completion of the Transactions is subject to several conditions precedent. There can be no assurances that the Transactions will be completed. In the event that any of the conditions precedent are not satisfied or waived, the Transactions may not be completed. In addition, there is no guarantee that the Company will be able to satisfy the requirements of the Exchange such that it will issue the Final Exchange Bulletin.

Liquidity and Future Financing Risk

The Company will likely operate at a loss until its business becomes established and the Company may require additional financing in order to fund future operations and expansion plans. The Company's ability to secure any required financing to sustain operations will depend in part upon prevailing capital market conditions and business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management. If additional financing is raised by issuance of additional shares from treasury, control may change and shareholders may suffer dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may be required to scale back its current business plan or cease operating.

Limited Market for Securities

Upon completion of the proposed Transactions, the Resulting Issuer's share will be listed on the TSXV, however, there can be no assurance that an active and liquid market for the Resulting Issuer Shares will develop or be maintained.

Conflicts of Interest

Certain of the officers and directors of the Company are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Resulting Issuer will be required by law to act honestly and in good faith with a view to the best interests of the Resulting Issuer and to disclose any interest which they may have in any project or opportunity of the Resulting Issuer. If a conflict arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or

not the Resulting Issuer will participate in any project or opportunity, the director will primarily consider the degree of risk to which the Resulting Issuer may be exposed and its financial position at that time.

Dividends

To date, the Company has not paid any dividends on its outstanding securities and the Resulting Issuer does not expect to do so in the foreseeable future. Any decision to pay dividends on the Resulting Issuer Shares will be made by the Board of Directors.

Going Concern Risk

The Company's financial statements attached to this Filing Statement as Appendixes A and B have been prepared on a going-concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing equity or debt financing or in achieving profitability. These financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

Tax Risk

The Company is subject to various taxes including, but not limited to the following: income tax; goods and services tax; provincial / state sales tax; land transfer tax; and payroll tax. The Company's tax filings will be subject to audit by various taxation authorities. While the Company intends to base its tax filings and compliance on the advice of its tax advisors, there can be no assurance that its tax filing positions will never be challenged by a relevant taxation authority resulting in a greater than anticipated tax liability.

General Cryptocurrency Risks

Regulatory changes or actions may alter the nature of an investment in the Company or restrict the use of cryptocurrencies in a manner that adversely affects the Resulting Issuer's operations.

As cryptocurrencies have grown in both popularity and market size, governments around the world have reacted differently to cryptocurrencies with certain governments deeming them illegal while others have allowed their use and trade. On-going and future regulatory actions may alter, perhaps to a materially adverse extent, the ability of the Company to continue to operate.

The effect of any future regulatory change on the Company or any cryptocurrency that the Resulting Issuer may mine is impossible to predict, but such change could be substantial and adverse to the Resulting Issuer.

Governments may in the future curtail or outlaw, the acquisition, use or redemption of cryptocurrencies. Ownership of, holding or trading in cryptocurrencies may then be considered illegal and subject to sanction. Governments may also take regulatory action that may increase the cost and/or subject cryptocurrency companies to additional regulation.

For example, on July 25, 2017 the United States Securities and Exchange Commission released an investigative report which indicates that the United States Securities and Exchange Commission would, in some circumstances, consider the offer and sale of Blockchain tokens pursuant to an initial coin offering subject to U.S. securities laws. Similarly, on August 24, 2017, the Canadian Securities Administrators published CSA Staff Notice 46-307 – *Cryptocurrency Offerings*, providing guidance on

whether initial coin offerings, pursuant to which tokens are offered to investors, are subject to Canadian securities laws.

Governments may in the future take regulatory actions that prohibit or severely restrict the right to acquire, own, hold, sell, use or trade cryptocurrencies or to exchange cryptocurrencies for fiat currency. By extension, similar actions by other governments, may result in the restriction of the acquisition, ownership, holding, selling, use or trading in the Resulting Issuer Shares. Such a restriction could result in the Resulting Issuer liquidating its Bitcoin inventory at unfavorable prices and may adversely affect the Resulting Issuer's shareholders.

The value of cryptocurrencies may be subject to momentum pricing risk.

Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. Cryptocurrency market prices are determined primarily using data from various exchanges, over-the-counter markets, and derivative platforms. Momentum pricing may have resulted, and may continue to result, in speculation regarding future appreciation in the value of cryptocurrencies, inflating and making their market prices more volatile. As a result, they may be more likely to fluctuate in value due to changing investor confidence in future appreciation (or depreciation) in their market prices, which could adversely affect the value of the Resulting Issuer's Bitcoin inventory and thereby affect the Resulting Issuer's shareholders.

The Resulting Issuer's cryptocurrency inventory may be exposed to cybersecurity threats and hacks.

As with any other computer code, flaws in the cryptocurrency codes have been exposed by certain malicious actors. Several errors and defects have been found and corrected, including those that disabled some functionality for users and exposed users' information. Discovery of flaws in or exploitations of the source code that allow malicious actors to take or create money have been relatively rare.

Cryptocurrency exchanges and other trading venues are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure.

To the extent that cryptocurrency exchanges or other trading venues are involved in fraud or experience security failures or other operational issues, this could result in a reduction in cryptocurrency prices.

Cryptocurrency market prices depend, directly or indirectly, on the prices set on exchanges and other trading venues, which are new and, in most cases, largely unregulated as compared to established, regulated exchanges for securities, derivatives and other currencies. For example, during the past three years, a number of Bitcoin Exchanges have been closed due to fraud, business failure or security breaches. In many of these instances, the customers of the closed Bitcoin Exchanges were not compensated or made whole for the partial or complete losses of their account balances in such Bitcoin Exchanges. While smaller exchanges are less likely to have the infrastructure and capitalization that provide larger exchanges with additional stability, larger exchanges may be more likely to be appealing targets for hackers and "malware" (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems) and may be more likely to be targets of regulatory enforcement action.

Banks may not provide banking services, or may cut off banking services, to businesses that provide cryptocurrency-related services or that accept cryptocurrencies as payment.

A number of companies that provide Bitcoin and/or other cryptocurrency-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to Bitcoin and/or other cryptocurrency-related companies or companies that accept cryptocurrencies for a number of reasons, such as perceived compliance risks or costs. The difficulty that many businesses that provide Bitcoin and/or other cryptocurrency-related services have and may continue to have in finding banks willing to provide them with bank accounts and other banking services may be currently decreasing the usefulness of cryptocurrencies as a payment system and harming public perception of cryptocurrencies or could decrease its usefulness and harm its public perception in the future. Similarly, the usefulness of cryptocurrencies as a payment system and the public perception of cryptocurrencies could be damaged if banks were to close the accounts of many or of a few key businesses providing Bitcoin and/or other cryptocurrency-related services. This could decrease the market prices of cryptocurrencies and adversely affect the value of the Resulting Issuer's Bitcoin inventory.

The impact of geopolitical events on the supply and demand for cryptocurrencies is uncertain.

Crises may motivate large-scale purchases of cryptocurrencies which could increase the price of cryptocurrencies rapidly. This may increase the likelihood of a subsequent price decrease as crisis-driven purchasing behavior wanes, adversely affecting the value of the Resulting Issuer's Bitcoin inventory.

The possibility of large-scale purchases of cryptocurrencies in times of crisis may have a short-term positive impact on the prices of.

As an alternative to fiat currencies that are backed by central governments, cryptocurrencies such as Bitcoin, which are relatively new, are subject to supply and demand forces based upon the desirability of an alternative, decentralised means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of Bitcoin either globally or locally. Large-scale sales of cryptocurrencies would result in a reduction in their market prices and adversely affect the Resulting Issuer's operations and profitability.

The further development and acceptance of the cryptographic and algorithmic protocols governing the issuance of and transactions in cryptocurrencies is subject to a variety of factors that are difficult to evaluate.

The use of cryptocurrencies to, among other things, buy and sell goods and services and complete other transactions, is part of a new and rapidly evolving industry that employs digital assets based upon a computer-generated mathematical and/or cryptographic protocol. The growth of this industry in general, and the use of cryptocurrencies in particular, is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may adversely affect the Resulting Issuer's operations. The factors affecting the further development of the industry, include, but are not limited to:

- continued worldwide growth in the adoption and use of cryptocurrencies;
- governmental and quasi-governmental regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of the network or similar cryptocurrency systems;
- changes in consumer demographics and public tastes and preferences;
- the maintenance and development of the open-source software protocol of the network;

- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- general economic conditions and the regulatory environment relating to digital assets; and
- negative consumer sentiment and perception of Bitcoin specifically and cryptocurrencies generally.

Acceptance and/or widespread use of cryptocurrency is uncertain.

Currently, there is relatively small use of Bitcoin and/or other cryptocurrencies in the retail and commercial marketplace in comparison to relatively large use by speculators, thus contributing to price volatility that could adversely affect the Resulting Issuer's operations, investment strategies, and profitability.

As relatively new products and technologies, Bitcoin, the Bitcoin Network, and its other cryptocurrency counterparts have not been widely adopted as a means of payment for goods and services by major retail and commercial outlets. Conversely, a significant portion of cryptocurrency demand is generated by speculators and investors seeking to profit from the short-term or long-term holding of cryptocurrencies. The relative lack of acceptance of cryptocurrencies in the retail and commercial marketplace limits the ability of end-users to use them to pay for goods and services. A lack of expansion by cryptocurrencies into retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in their market prices, either of which could adversely impact the Resulting Issuer's operations, investment strategies, and profitability.

Resulting Issuer Cryptocurrency Risks

The Resulting Issuer may be required to sell its Bitcoin to maintain its Facility and/or operations.

The Resulting Issuer may sell its Bitcoin to pay expenses incurred, irrespective of then-current prices. Consequently, the Resulting Issuer's Bitcoin may be sold at a time when the price is low, resulting in a negative effect on the Resulting Issuer's profitability.

The Resulting Issuer's operations, investment strategies, and profitability may be adversely affected by competition from other methods of investing in cryptocurrencies.

The Resulting Issuer competes with other users and/or companies that are mining cryptocurrencies and other potential financial vehicles, possibly including securities backed by or linked to cryptocurrencies through entities similar to the Company. Market and financial conditions, and other conditions beyond the Resulting Issuer's control, may make it more attractive to invest in other financial vehicles, or to invest in cryptocurrencies directly which could limit the market for the Resulting Issuer Shares and reduce their liquidity.

The Company's Bitcoin may be subject to loss, theft or restriction on access.

There is a risk that some or all of the Resulting Issuer's coins could be lost or stolen. Access to the Resulting Issuer's coins could also be restricted by cybercrime (such as a denial of service ("DDoS") attack) against a service at which the Resulting Issuer maintains a hosted online wallet. Any of these events may adversely affect the operations of the Resulting Issuer and, consequently, its investments and profitability.

The loss or destruction of a private key required to access the Resulting Issuer's digital wallets may be irreversible. The Resulting Issuer's loss of access to its private keys or its experience of a data loss relating to the Resulting Issuer's digital wallets could adversely affect its investments.

Cryptocurrencies are controllable only by the possessor of both the unique public and private keys relating to the local or online digital wallet in which they are held, which wallet's public key or address is reflected in the network's public Blockchain. The Resulting Issuer will publish the public key relating to digital wallets in use when it verifies the receipt of Bitcoin transfers and disseminates such information into the network, but it will need to safeguard the private keys relating to such digital wallets. To the extent such private keys are lost, destroyed or otherwise compromised, the Resulting Issuer will be unable to access its coins and such private keys will not be capable of being restored by network. Any loss of private keys relating to wallets used to store the Resulting Issuer's Bitcoin could adversely affect its investments and profitability.

Incorrect or fraudulent coin transactions may be irreversible.

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred coins may be irretrievable. As a result, any incorrectly executed or fraudulent coin transactions could adversely affect the Resulting Issuer's investments.

Coin transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction. In theory, cryptocurrency transactions may be reversible with the control or consent of a majority of processing power on the network. Once a transaction has been verified and recorded in a block that is added to the Blockchain, an incorrect transfer of a coin or a theft of coin generally will not be reversible and the Resulting Issuer may not be capable of seeking compensation for any such transfer or theft. Although the Resulting Issuer's transfers of coins will regularly be made by experienced members of the management team, it is possible that, through computer or human error, or through theft or criminal action, the Resulting Issuer's coins could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts.

If the award of coins for solving blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations.

As the number of coins awarded for solving a block in the Blockchain decreases, the incentive for miners to continue to contribute processing power to the network will transition from a set reward to transaction fees. Either the requirement from miners of higher transaction fees in exchange for recording transactions in the Blockchain or a software upgrade that automatically charges fees for all transactions may decrease demand for the relevant coins and prevent the expansion of the network to retail merchants and commercial businesses, resulting in a reduction in the price of the relevant cryptocurrency that could adversely impact the Resulting Issuer's Bitcoin inventory and investments.

In order to incentivize miners to continue to contribute processing power to the network, the network may either formally or informally transition from a set reward to transaction fees earned upon solving for a block. This transition could be accomplished either by miners independently electing to record on the blocks they solve only those transactions that include payment of a transaction fee or by the network adopting software upgrades that require the payment of a minimum transaction fee for all transactions. If transaction fees paid for the recording of transactions in the Blockchain become too high, the marketplace may be reluctant to accept network as a means of payment and existing users may be motivated to switch between cryptocurrencies or back to fiat currency. Decreased use and demand for coins may adversely affect their value and result in a reduction in the market price of coins.

If the award of coins for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending processing power to solve blocks and confirmations of transactions on the Blockchain could be slowed temporarily. A reduction in the processing power expended by miners could increase the likelihood of a malicious actor or botnet obtaining control in excess of 50 percent of the processing power active on the Blockchain, potentially

permitting such actor or botnet to manipulate the Blockchain in a manner that adversely affects the Resulting Issuer's mining activities.

If the award of coins for solving blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations. Miners ceasing operations would reduce collective processing power, which would adversely affect the confirmation process for transactions (i.e., decreasing the speed at which blocks are added to the Blockchain until the next scheduled adjustment in difficulty for block solutions) and make the network more vulnerable to a malicious actor or botnet obtaining control in excess of 50 percent of the processing power. Any reduction in confidence in the confirmation process or processing power of the network may adversely impact the Resulting Issuer's mining activities, inventory of coins, and future investment strategies.

The price of coins may be affected by the sale of coins by other vehicles investing in coins or tracking cryptocurrency markets.

To the extent that other vehicles investing in coins or tracking cryptocurrency markets form and come to represent a significant proportion of the demand for coins, large redemptions of the securities of those vehicles and the subsequent sale of coins by such vehicles could negatively affect cryptocurrency prices and therefore affect the value of the inventory held by the Resulting Issuer.

Risk related to technological obsolescence and difficulty in obtaining hardware.

To remain competitive, the Resulting Issuer will continue to invest in hardware and equipment at the Facility required for maintaining the Resulting Issuer's mining activities. Should competitors introduce new services/software embodying new technologies, the Company recognizes its hardware and equipment and its underlying technology may become obsolete and require substantial capital to replace such equipment.

The increase in interest and demand for cryptocurrencies has led to a shortage of mining hardware as individuals purchase equipment for mining at home. Equipment in the Facility will require replacement from time to time. Shortages of graphics processing units may lead to unnecessary downtime as the Resulting Issuer searches for replacement equipment to ensure the Facility is running smoothly.

Risks related to insurance.

The Resulting Issuer intends to insure its operations in accordance with technology industry practice. However, given the novelty of cryptocurrency mining and associated businesses, such insurance may not be available, uneconomical for the Resulting Issuer, or the nature or level may be insufficient to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the Resulting Issuer.

Risks associated with the Bitcoin Network.

The open-source structure of the Bitcoin Network protocol means that the core developers of the Bitcoin Network and other contributors are generally not directly compensated for their contributions in maintaining and developing the Bitcoin Network protocol. A failure to properly monitor and upgrade the Bitcoin Network protocol could damage the Bitcoin Network. The core developers of the Bitcoin Network can propose amendments to the Bitcoin Network's source code through software upgrades that alter the protocols and software of the Bitcoin Network and the properties of Bitcoins, including the irreversibility of transactions and limitations on the mining of new Bitcoins. Proposals for upgrades and related discussions take place on online forums, including GitHub.com and Bitcointalk.org. To the extent that a significant majority of the users and miners on the Bitcoin Network install such software upgrade(s), the Bitcoin Network would be subject to new protocols and software. The acceptance of Bitcoin Network

software patches or upgrades by a significant, but not overwhelming, percentage of the users and miners in the Bitcoin Network could result in a “fork” in the Blockchain underlying the Bitcoin Network, resulting in the operation of two separate networks. Without an official developer or group of developers that formally control the Bitcoin Network, any individual can download the Bitcoin Network software and make desired modifications, which are proposed to users and miners on the Bitcoin Network through software downloads and upgrades, typically posted to the Bitcoin development forum. A substantial majority of miners and Bitcoin users must consent to such software modifications by downloading the altered software or upgrade; otherwise, the modifications do not become a part of the Bitcoin Network. Since the Bitcoin Network’s inception, modifications to the Bitcoin Network have been accepted by the vast majority of users and miners, ensuring that the Bitcoin Network remains a coherent economic system.

If, however, a proposed modification is not accepted by a vast majority of miners and users, but is nonetheless accepted by a substantial population of participants in the Bitcoin Network, a “fork” in the Blockchain underlying the Bitcoin Network could develop, resulting in two separate Bitcoin Networks. Such a fork in the Blockchain typically would be addressed by community-led efforts to merge the forked Blockchains, and several prior forks have been so merged. However, in some cases, there may be a permanent “hard fork” in the Blockchain and a new cryptocurrency may be formed as a result of that “hard fork”. For example, Bitcoin Cash™, a new cryptocurrency, was recently created through a fork in the Blockchain. Where such forks occur on the Blockchain, the Resulting Issuer may follow the chain with the greatest proof of work in the fork. If a hard fork results in the Resulting Issuer holding an alternative coin, the Resulting Issuer may dispose of such alternative coin and either distribute the proceeds of such disposition to shareholders or reinvest the proceeds in additional Bitcoins.

Further development and acceptance of the Bitcoin Network.

The further development and acceptance of the Bitcoin Network and other cryptographic and algorithmic protocols governing the issuance of transactions in Bitcoins and other digital currencies, which represent a new and rapidly changing industry, are subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of the Bitcoin Network may adversely affect the value of Bitcoin. The use of digital currencies, such as Bitcoins, to, among other things, buy and sell goods and services, is part of a new and rapidly evolving industry that employs digital assets based upon a computer generated mathematical and/or cryptographic protocol. Bitcoin is a prominent, but not a unique, part of this industry. The growth of this industry in general, and the Bitcoin Network in particular, is subject to a high degree of uncertainty. The factors affecting the further development of this industry, include, but are not limited to:

- continued worldwide growth in the adoption and use of Bitcoins and other digital currencies;
- government and quasi-government regulation of Bitcoins and other digital assets and their use, or restrictions on, or regulation of, access to and operation of the Bitcoin Network or similar digital asset systems;
- changes in consumer demographics and public tastes and preferences;
- the maintenance and development of the open-source software protocol of the Bitcoin Network;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- general economic conditions and the regulatory environment relating to digital assets; and
- negative consumer perception of Bitcoins specifically and cryptocurrencies generally.

The Resulting Issuer will not have any strategy relating to the development of the Bitcoin Network. Furthermore, the Resulting Issuer cannot be certain what impact, if any, the listing of the Resulting Issuer

Common Shares and the expansion of its Bitcoin holdings may have on the digital asset industry and the Bitcoin Network.

Potential failure to maintain the Bitcoin Network.

The Bitcoin Network operates based on an open-source protocol maintained by the core developers of the Bitcoin Network and other contributors, largely on the GitHub resource section dedicated to Bitcoin development. As the Bitcoin Network protocol is not sold and its use does not generate revenues for its development team, the core developers are generally not compensated for maintaining and updating the Bitcoin Network protocol. Consequently, there is a lack of financial incentive for developers to maintain or develop the Bitcoin Network and the core developers may lack the resources to adequately address emerging issues with the Bitcoin Network protocol. Although the Bitcoin Network is currently supported by the core developers, there can be no guarantee that such support will continue or be sufficient in the future. To the extent that material issues arise with the Bitcoin Network protocol and the core developers and open-source contributors are unable to address the issues adequately or in a timely manner, the Bitcoin Network and an investment in the Resulting Issuer Common Shares may be adversely affected.

Potential manipulation of Blockchain.

If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains control of more than 50% of the processing power dedicated to mining on the Bitcoin Network, it may be able to alter or manipulate the Blockchain on which the Bitcoin Network and most Bitcoin transactions rely by constructing fraudulent blocks or preventing certain transactions from completing in a timely manner, or at all. The malicious actor or botnet could control, exclude or modify the ordering of transactions, though it could not generate new Bitcoins or transactions using such control. The malicious actor could “double-spend” its own Bitcoins (i.e., spend the same Bitcoins in more than one transaction) and prevent the confirmation of other users’ transactions for so long as it maintained control. To the extent that such malicious actor or botnet did not yield its control of the processing power on the Bitcoin Network or the Bitcoin community did not reject the fraudulent blocks as malicious, reversing any changes made to the Blockchain may not be possible.

Although there are no known reports of malicious activity or control of the Bitcoin Blockchain achieved through controlling over 50% of the processing power on the network, it is believed that certain mining pools may have exceeded the 50% threshold. The possible crossing of the 50% threshold indicates a greater risk that a single mining pool could exert authority over the validation of Bitcoin transactions. To the extent that the Bitcoin ecosystem, including the core developers and the administrators of mining pools, do not act to ensure greater decentralization of Bitcoin mining processing power, the feasibility of a malicious actor obtaining control of the processing power on the Bitcoin Network will increase.

PART I - INFORMATION CONCERNING THE COMPANY

The following information is presented on a pre-Change of Business basis and prior to giving effect to the Change of Business. See "Part II - Information Concerning the Resulting Issuer" for information relating to the Resulting Issuer.

Corporate Structure

Name and Incorporation

The full name of the Company is Africa Hydrocarbons Inc. The Company's head office is located at Suite 800, 1199 West Hastings Street, Vancouver, British Columbia, V6E 3T5, and the Company's registered office is located at Suite 1600, 421 7th Avenue SW, Calgary, AB T2P 4K9.

The Company was incorporated in the province of British Columbia on April 11, 1983. The Company was incorporated in the province of British Columbia on April 11, 1983 under the name Orotek Resources Corporation. On December 29, 1992, the Company consolidated its share capital on a 4.7:1 basis and changed its name to Doucette Developments Corp. Effective August 30, 1995, the Company changed its name to Traders International Franchise Systems Inc. The Company subsequently consolidated its share capital on a 3:1 basis and changed its name to Newquest Ventures Corp. on May 21, 1998. On May 26, 1999, the Company consolidated its share capital on a 2:1 basis and changed its name to Aster Ventures Corp. The Company subsequently consolidated its share capital on a 2:1 basis and changed its name to Knight Petroleum Corp. on March 22, 2001. On March 7, 2003, the Company changed its name to Knight Resources Ltd. On May 25, 2011, the Company's common shares were consolidated on a 19 old common shares for 1 new common share basis and the Company changed its name to Knight Metals Ltd. Effective February 2, 2012, the Company's name was changed to Africa Hydrocarbons Inc.

On June 27, 2017, the Company's common shares were consolidated on a 20 old common shares for 1 new common share basis.

The Company intends to change its name to BlockchainK2 Corp. on or prior to Closing.

The Company is currently listed on the NEX, under the symbol "NFK.H". Until July 20, 2015, the Company was listed on the Exchange under the symbol "NFK". The Company transferred to the NEX on July 20, 2015 for failure to maintain the requirements of the Exchange for a Tier 2 company.

On November 23, 2017, the Company's common shares were halted from trading on the NEX in anticipation of the announcement via news release of the Change of Business. The last closing price of the Company's common shares on the NEX prior to the trading halt was \$1.31. Subject to the approval of the Exchange, and the Resulting Issuer meeting all of the conditions set forth in the approval of the Exchange, it is anticipated that the Resulting Issuer Shares will resume trading on the Exchange under the symbol "BITK" following Closing.

Intercorporate Relationships

The Company has three subsidiaries that it owns (directly or indirectly): Africa Hydrocarbons (Bahamas) Ltd. (incorporated in Bahamas and 100% owned or controlled by the Company), Africa Hydrocarbons Tunisia Ltd. (incorporated in Bahamas and 100% owned or controlled by the Company) and Watutatu Inc. (incorporated in Ontario and owned 100% by the Company).

General Development of Business

History

Until recently, the Company's principal business was the exploration and development of oil and gas properties. On March 2, 2015, the Company filed a Form 51-101F5, wherein management and the board of directors of the Company at that time confirmed that it had determined that at such date, the Company was no longer engaged, directly or indirectly, in oil and gas activities.

On November 23, 2017, the Company announced the proposed Change of Business.

The Transactions are described in more detail in "*Part II – Information Concerning the Resulting Issuer – Summary of the Transactions*".

Equity Financings

In connection with the Transactions, the Company completed the Equity Financings.

On January 19, 2018, the Company closed the first tranche of the Non-Brokered Equity Financing. A total of 2,865,334 Subscription Receipts were issued at a price of \$1.25 per Subscription Receipt pursuant to this closing, for aggregate gross proceeds of \$3,581,667.50, which proceeds have been deposited with the Equity Financings Escrow Agent. The Company agreed to pay finders fees of \$249,841.72 and issue 176,773 Non-Brokered Equity Financing Finder's Warrants in connection with this closing of the Non-Brokered Equity Financing.

On April 4, 2018, the Company closed the second tranche of the Non-Brokered Equity Financing. A total of 70,000 Subscription Receipts were issued at a price of \$1.25 per Subscription Receipt pursuant to this closing, for aggregate gross proceeds of \$87,500, which proceeds have been deposited with the Equity Financings Escrow Agent. The Company agreed to pay finders fees of \$6,125 in connection with this closing of the Non-Brokered Equity Financing.

On April 4, 2018, the Company closed the Brokered Equity Financing. A total of 400,000 Subscription Receipts were issued at a price of \$1.25 per Subscription Receipt pursuant to this closing, for aggregate gross proceeds of \$500,000, which proceeds have been deposited with the Equity Financings Escrow Agent. The Company has agreed to pay cash commissions of \$35,000 and issue 28,000 Brokered Equity Financing Agent's Warrants in connection with this closing of the Brokered Equity Financing.

The Agent acts as agent to the Company to sell Subscription Receipts on a commercially reasonable efforts basis in connection with the Brokered Equity Financing, and besides the cash commissions and the Brokered Equity Financing Warrants, has received as compensation a corporate finance fee of (i) \$52,500 (inclusive of taxes), (ii) 20,000 Broker Equity Units and (iii) \$1,250 representing the tax portion of the Broker Equity Units, and the payment of the Agent's reasonable out-of-pocket expenses, including legal fees, up to a maximum of \$35,000 plus disbursements and taxes

Each Subscription Receipt will be automatically exchanged for one (1) Resulting Issuer Share and one-half of one (1/2) Resulting Issuer Warrant, and the proceeds of the Equity Financings will be released to the Company upon satisfaction of the following conditions (the "**Escrow Release Conditions**"):

1. any required regulatory approvals and Exchange in respect of the Mining Equipment Purchase Order and Facility Agreements;
2. the securities of the Company issuable pursuant to the Equity Financing being conditionally approved by the Exchange; and

3. the Company having delivered notice to the Equity Financings Escrow Agent that the conditions above have been met or waived.

In the event that the Escrow Release Conditions are not satisfied by the Escrow Deadline, the proceeds of the Equity Financings be returned pro rata to each holder of the Subscription Receipts and the Subscription Receipts will automatically terminate.

See "*Part II – Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*".

Selected Financial Information and Management's Discussion and Analysis

A summary of selected financial information of the Company for the interim period ended December 31, 2017 and the financial years ended September 30, 2017, 2016 and 2015, is as follows:

	Interim Period ended December 31, 2017 (unaudited)	Fiscal Year ended September 30, 2017 (audited)	Fiscal Year ended September 30, 2016 (audited)	Fiscal Year ended September 30, 2015 (audited)
Total expenses	\$538,903	\$539,834	\$365,255	\$1,154,230
Amounts deferred in connection with the Change of Business	nil	nil	nil	nil

The "Total expenses" set forth above do not include expenses in connection with the Equity Financings. Additional financial information for the Company is set out in the financial statements of the Company included in Appendixes A, B and C of this Filing Statement.

Management's Discussion and Analysis

The MD&A for the interim period ended December 31, 2017 and the financial year ended September 30, 2017 is included in this Filing Statement as Appendixes D and E of this Filing Statement.

Description of Securities

Common and Preferred Shares

Following the Company AGM, the authorized capital of the Company consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

The holders of the Company's common shares are entitled to dividends, if, as and when declared by the Board of Directors, to one vote per common share at meetings of the Company's shareholders and, upon liquidation, to share equally in such assets of the Company as are distributable to the holders of the Company's common shares. All of the Company's common shares to be outstanding after completion of the proposed Transactions will be fully paid and non-assessable and are not subject to any pre-emptive rights, conversion or exchange rights, redemption, retraction, purchase for cancellation or surrender provisions, sinking or purchase fund provisions, provisions permitting or restricting the issuance of additional securities or provisions requiring a shareholder to contribute additional capital.

There were 12,566,291 common shares of the Company issued and outstanding as of the close of business on May 1, 2018. There are no preferred shares issued and outstanding.

Warrants

As of the date of this Filing Statement, the Company has outstanding, 1,406,250 share purchase warrants, which were issued in connection with a July 31, 2017 private placement financing by the Company, and which entitle the holders thereof to acquire up to 1,406,250 common shares of the Company at a price of \$0.21 per share, until July 31, 2018.

Subscription Receipts

There were 3,335,334 Subscription Receipts issued and outstanding as of the close of business on May 1, 2018.

Finder's / Agent's Options

As of the date of this Filing Statement, the Company has 410,392 finder's warrants / agent's options outstanding, which were issued in connection with private placement financings by the Company, as follows:

- on July 31, 2017, 24,062 finder's warrants, exercisable at \$0.16 for one year, expiring July 31, 2018;
- on August 25, 2017, 140,000 finder's warrants, exercisable at \$0.50 for one year, expiring August 25, 2018;
- on November 8, 2017, 31,557 finder's warrants, exercisable at \$0.61 for one year, expiring November 8, 2018;
- in connection with the Non-Brokered Equity Financing, on January 19, 2018, 176,773 Non-Brokered Equity Financing Finder's Warrants; and
- in connection with the Brokered Equity Financing, on April 4, 2018, 28,000 Brokered Equity Financing Agent's Warrants, and (ii) 10,000 Broker Equity Units Warrants.

Stock Options

As at Closing, it is anticipated that 1,254,629 Resulting Issuer Options will be issued and outstanding. See "*Part II – Information Concerning the Resulting Issuer – Options to Purchase Securities*" below for more detail.

Current Stock Option Plan

The Company has obtained shareholder approval at the Company AGM to adopt the Current Stock Option Plan. As of the date of this Filing Statement, there are 1,254,629 options to purchase the Company's common shares issued and outstanding. See "*Part II – Information Concerning the Resulting Issuer – Options to Purchase Securities*" below for more detail.

The summary of relevant provisions of the Current Stock Option Plan included below is qualified by the full text of the Current Stock Option Plan. Copies of the Current Stock Option Plan are available for inspection at the registered offices of the Company, Suite 1600, 421 – 7th Avenue SW, Calgary, Alberta, T2P 4K9, during ordinary business hours.

The Current Stock Option Plan complies with the policies of the TSXV. Under the Current Stock Option Plan, the Board of Directors may, from time to time, grant options to purchase common shares of the

Company to certain directors, officers, employees and consultants of the Company and of its subsidiaries and affiliates. The aggregate number of common shares issuable upon the exercise of all options granted under the Current Stock Option Plan shall not exceed 10% of the issued and outstanding common shares from time to time, subject to the following additional limitations:

- (a) the aggregate number of common shares reserved for issuance to any one person under the Current Stock Option Plan in any 12 month period, together with all other security based compensation arrangements of the Company, must not exceed 5% of the then outstanding common shares (on a non-diluted basis);
- (b) in the aggregate, no more than 10% of the issued and outstanding common shares (on a non-diluted basis) may be reserved at any time for insiders as defined in subsection 1(aa) of the *Securities Act* (British Columbia) and includes an associate, as defined in subsection 1(c) of the *Securities Act* (British Columbia) under the Current Stock Option Plan, together with all other security based compensation arrangements of the Company;
- (c) the number of securities of the Company issued to Insiders, within any one year period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding common shares;
- (d) options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued common shares of the Company in any 12 month period to any one consultant of the Company (or any of its subsidiaries); and
- (e) options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued common shares of the Company in any 12 month period to persons employed to provide investor relations activities. Options granted to consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than 1/4 of the options vesting in any 3 month period.

If any option granted pursuant to the Current Stock Option Plan shall expire or terminate for any reason in accordance with the terms of the Current Stock Option Plan without being exercised, the unpurchased common shares subject thereto shall again be available for the purpose of the Current Stock Option Plan.

Pursuant to the Current Stock Option Plan, the maximum length of any option shall be 10 years from the date the option is granted. Notwithstanding the above, a participant's options shall expire within 90 days after a participant ceases to act for the Company, other than by reason of death, subject to adjustment at the discretion of the Board of Directors. Options of a participant that provides investor relations activities will expire 30 days after the cessation of the participant's services to the Company. Under the Current Stock Option Plan, in the event of the death of a participant, the participant's estate shall have 12 months in which to exercise the outstanding options.

The Current Stock Option Plan includes a black out provision. Pursuant to the policies of the Company respecting restrictions on trading, there are a number of periods each year during which directors, officers and certain employees are precluded from trading in the Company's securities. These periods are referred to as "black-out periods". A black out period is designed to prevent a person from trading while in possession of material information that is not yet available to other shareholders. The TSXV recognizes these black-out periods might result in an unintended penalty to employees who are prohibited from exercising their options during that period because of their company's internal trading policies. As a result, the TSXV provides a framework for extending options that would otherwise expire during a black out period. The Current Stock Option Plan includes a provision that should an option

expiration date fall within a black out period or immediately following a black out period, the expiration date will automatically be extended for 10 business days following the end of the black-out period.

The Current Stock Option Plan also includes a provision that provides the Company with authority to take steps for the deduction and withholding, or for the advance payment or reimbursement by an option holder to the Company, of any taxes or other required source deductions which the Company is required by law or regulation of any governmental authority whatsoever to remit in connection with the Current Stock Option Plan, or any issuance of common shares.

Subject to applicable approval of the TSXV, the Board of Directors may, at any time, suspend or terminate the Current Stock Option Plan. Subject to applicable approval of the TSXV, the Board of Directors may also at any time amend or revise the terms of the Current Stock Option Plan, provided that no such amendment or revision shall result in a material adverse change to the terms of any options theretofore granted under the Current Stock Option Plan, unless shareholder approval, or disinterested shareholder approval, as the case may be, is obtained for such amendment or revision.

New Stock Option Plan

In anticipation of the Change of Business, the Company proposed to shareholders at the Company AGM that the Current Stock Option Plan be cancelled and the New Stock Option Plan be implemented to, among other things, fix the maximum number of common shares in respect of which options may be outstanding under the New Stock Option Plan at such as shall represent 20% of the total number of the common shares issued and outstanding as at the date the Change of Business is completed.

Management believes that the adoption of New Stock Option Plan to replace the Current Stock Option Plan is appropriate as, it will allow better align the interests of management, employees and consultants with shareholder interests and to link performance compensation to enhancement of shareholder value.

At the Company AGM, requisite shareholder approval was granted for the replacement of the Current Stock Option Plan with the New Stock Option Plan. Adoption of the New Stock Option Plan is subject to all regulatory approvals, including approval of the TSXV. Assuming such regulatory approvals are obtained, it is proposed that the New Stock Option Plan would be implemented in connection with the completion of the Change of Business.

The New Stock Option Plan complies with the policies of the TSXV.

All previously granted and outstanding options of the Company will be governed by the provisions of the New Stock Option Plan, except if the terms of the New Stock Option Plan adversely affect optionees holding options granted under the Current Stock Option Plan, such options will be subject to the Current Stock Option Plan to the extent necessary only to avoid the adverse effect, but otherwise will be subject to the terms of New Stock Option Plan.

The following is a summary of the material terms of the New Stock Option Plan and is subject to the text of the New Stock Option Plan. All capitalized terms used in the summary below, but not otherwise defined herein, shall have the meaning given to them in the New Stock Option Plan:

The following summary of relevant provisions of the New Stock Option Plan included below is qualified by the full text of the New Stock Option Plan. Copies of the New Stock Option Plan are be available for inspection at the registered offices of the Company, Suite 1600, 421 – 7th Avenue SW, Calgary, Alberta, T2P 4K9, during ordinary business hours:

Eligible Persons: any employee, director or consultant are eligible to participate in the New Stock Option Plan.

Purpose: The principal purposes of the New Stock Option Plan are to (a) provide the Company with the advantages of the incentive inherent in equity ownership on the part of Eligible Persons who are responsible for the continued success of the Company; (b) to create in those Eligible Persons a proprietary interest in, and a greater concern for, the welfare and success of the Company; to encourage Eligible Persons to remain with the Company and any subsidiaries; and to attract new employees, directors and consultants.

Plan Limits: The number of common shares that may be reserved for issuance under the New Stock Option Plan (and under any other share compensation arrangement) will not exceed, in the aggregate the number of common shares equal to 20% of the issued and outstanding number of common shares of the Company (on a non-diluted basis) on the effective date of the Change of Business (which assumes all Subscription Receipts have been converted into Resulting Issuer Shares and Resulting Issuer Warrants).

Limits on Certain Grants: The New Stock Option Plan imposes the following limitations on the grant of the options under the New Stock Option Plan:

- (a) in the aggregate, no more than 10% of the issued and outstanding common shares (on a non-diluted basis) may be reserved at any time for Insiders under the New Stock Option Plan, together with all other security based compensation arrangements of the Company, unless any disinterested shareholder approval required by the TSXV has been obtained (which disinterested shareholder approval was obtained at the Company AGM) and subject to TSXV approval;
- (b) the number of securities of the Company issued to Insiders, within any one year period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding common shares, unless any disinterested shareholder approval required by the Exchange has been obtained (which disinterested shareholder approval was obtained at the Company AGM) and subject to TSXV approval;
- (c) options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued common shares in any one-year period to consultants; and
- (d) options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued common shares in any one-year period to investor relations participants. Options granted to investor relations participants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than 1/4 of the options vesting in any 3 month period.

Option Exercise Price and Expiry Date: The Board of Directors will set the option exercise price in respect of each common share issuable under an option granted to a participant, such price may not be less than the "Discounted Market Price". On the grant date, the Board of Directors will also set the option expiry date of each option granted, provided however such date may not be any later than 10 years after the grant date and is subject to the early termination provisions set out in the New Stock Option Plan.

Blackout Periods: The options are subject to certain blackout periods if the holder is restricted from trading in common shares pursuant to an applicable laws or policies of the Company. In certain circumstances the New Stock Option Plans extends the expiry date of options, should such date fall within a blackout period.

Amendments to Plan or Options: The Board of Directors may amend the New Stock Option Plan or any Option at any time, subject to the requirements of the TSXV (or any other stock exchange or market on which the common shares are listed), including any shareholder approval requirements, provided that:

- (a) if an amendment materially impairs an option or is materially adverse to its holder, the amendment will not take effect in respect of that option until the consent of the participant holding the option has been obtained; and
- (b) any reduction in the Option Exercise Price for an Option held by an Insider is subject to the receipt of disinterested shareholder approval as required by the TSXV.

Termination: Subject to the provisions of the New Stock Option Plan, if a participant ceases to be an Eligible Person:

- (a) any unvested portion of any option held by that participant will immediately expire as of the termination date; and
- (b) any vested portion of any option held by that participant will expire on the earlier of the option expiry date set by the Board of Directors under Section 4.4 of the New Stock Option Plan (without including any extended expiry terms determined under Section 4.7 4 of the New Stock Option Plan) and:
 - (i) in the case of termination of employment by the Company or a subsidiary without cause, or the failure of a director standing for election to be re-elected, or the failure by the Company or a subsidiary to renew a contract for services at the end of its term, the date which is 90 days after the termination date;
 - (ii) in the case of the death of the participant, the date which is one year after the death;
 - (iii) in the case of the disability or retirement of the participant, the date which is 180 days after the termination date; and
 - (iv) in all other cases, the termination date,(the date determined under (i) through (iv), the "**Early Expiry Date**").
- (c) Unless otherwise determined by the Board of Directors, options will not be affected by any change of employment or provision of services within or among the Company or any subsidiaries, so long as the participant continues to be an Eligible Person.
- (d) The Early Expiry Date will be determined based on the first of the events described in items (b) (i) through (iv) above to occur.

Exemptions in Connection with Issuance of Options to Insiders

Wu Grant

Following implementation of the New Stock Option Plan and following the completion of the Change of Business, the Company intends to issue to Douglas Wu, a director and Chief Executive Officer of the Company (who is proposed to remain in such positions for the Resulting Issuer), an option grant under the New Stock Option Plan equal to up to 10% of the then issued and outstanding Resulting Issuer Shares (or such lesser number as permitted by the TSXV) (the "**Wu Grant**").

The Wu Grant will, in the aggregate, exceeds the 5% of the total issued and outstanding common shares reserved for issuance to any one optionee within a 12 month period permitted by TSXV Policy 4.4 – *Incentive Stock Options*. At the Company AGM, approval by a majority of disinterested shareholders of the Company was obtained with respect to the Wu Grant.

As a result, subject to TSXV approval, after the Resulting Issuer has been trading for no less than 10 trading days, the Resulting Issuer intends on granting stock options to Mr. Wu under the New Stock Option Plan to purchase an aggregate of 962,848 Resulting Issuer Shares with a 10 year term. The exercise price will be set in accordance with the policies of the TSXV and the New Stock Option Plan, at the time of grant.

See "*Part II – Information Concerning the Resulting Issuer – Options to Purchaser Securities*" below for more detail.

Insider Grants

Following implementation of the New Stock Option Plan, and following the completion of the Change of Business, the Company may issue to Insiders (as such term is defined in the policies of the TSXV) (as a group), option grants under the New Stock Option Plan equal to up to 20% of the then issued and outstanding Resulting Issuer Shares (or such lesser number as permitted by the TSXV) (the "**Insider Grants**"), inclusive of the Wu Grant.

The Insider Grants will, in the aggregate, exceed the 10% of the total issued and outstanding Resulting Issuer Shares, as at the completion of the Change of Business, reserved for issuance to Insiders, permitted by TSXV Policy 4.4 – *Incentive Stock Options*. At the Company AGM, approval by a majority of disinterested shareholders of the Company was obtained with respect to the Insider Grants.

As a result, subject to TSXV approval, after the Resulting Issuer has been trading for no less than 10 trading days, the Resulting Issuer intends on granting stock options under the New Stock Option Plan to (i) Mr. Stetsenko to purchase an aggregate of 167,766 Resulting Issuer Shares with a 10 year term, and (ii) Mr. Stytsenko to purchase and aggregate of 795,081 Resulting Issuer Shares with a 10 year term. The exercise prices will be set in accordance with the policies of the TSXV and the New Stock Option Plan, at the time of grant.

Prior Sales

No securities of the Company have been sold during the 12 months prior to the date of this Filing Statement, except as follows:

Date Issued	Type of Security Issued	Transaction	Number of Securities	Issue Price Per Security
April 4, 2018	Subscription Receipts	Brokered Equity Financing	400,000	\$1.25 per Subscription Receipt
April 4, 2018	Subscription Receipts	Non-Brokered Equity Financing (second tranche)	70,000	\$1.25 per Subscription Receipt
January 19, 2018	Subscription Receipts	Non-Brokered Equity Financing (first tranche)	2,865,334	\$1.25 per Subscription Receipt
October 27, 2017	Common shares	Private Placement Offering	450,819	\$0.61 per share
August 25, 2017	Common shares	Private Placement Offering	2,000,000	\$0.50 per share

Date Issued	Type of Security Issued	Transaction	Number of Securities	Issue Price Per Security
July 31, 2017	Units with each unit consisting of one common share and one share purchase warrant entitling the holder to purchase one additional common share exercisable at \$0.21 per share expiring on July 31, 2018	Private Placement Offering	1,406,250	\$0.16 per unit

Stock Exchange Price

The Company's common shares trade on the NEX. The following table sets out trading information for the Company's common shares for the periods indicated as reported by the NEX:

Period	High	Low	Trading Volume
May 1, 2018	\$1.31	\$1.31	Not applicable
Month ended April 30, 2018	\$1.31	\$1.31	Not applicable
Month ended March 31, 2018	\$1.31	\$1.31	Not applicable
Month ended February 28, 2018	\$1.31	\$1.31	Not applicable
Month ended January 31, 2018	\$1.31	\$1.31	Not applicable
Month ended December 31, 2017	\$1.31	\$1.31	Not applicable
Month ended November 30, 2017	\$1.31	\$0.65	679,633
Month ended October 31, 2017	\$1.01	\$0.68	556,025
Month ended September 30, 2017	\$1.10	\$0.56	696,038
Month ended August 31, 2017	\$0.96	\$0.57	447,908
Month ended July 31, 2017	\$0.73	\$0.18	833,277
Quarter ended June 30, 2017	\$0.60	\$0.005	53,091,720
Quarter ended March 31, 2017	\$0.01	\$0.005	6,255,527
Quarter ended December 31, 2016	\$0.01	\$0.005	11,497,635
Quarter ended September 30, 2016	\$0.02	\$0.005	12,588,953
Quarter ended June 30, 2016	\$0.01	\$0.005	3,097,536
Quarter ended March 31, 2016	\$0.015	\$0.005	7,464,257
Quarter ended December 31, 2015	\$0.015	\$0.005	3,951,090
Quarter ended September 30, 2015	\$0.015	\$0.005	12,756,709

Note:

- (1) At the request of the Company, trading in the Company's shares was halted on November 24, 2017 pending the announcement of the Change of Business.

Executive Compensation

Definitions: For the purpose of this Executive Compensation section of this Filing Statement:

"Chief Executive Officer" or **"CEO"** of the Company means an individual who acted as chief executive officer of the Company or acted in a similar capacity for any part of the most recently completed financial year;

"Chief Financial Officer" or **"CFO"** of the Company means an individual who acted as chief financial officer of the Company or acted in a similar capacity for any part of the most recently completed financial year;

"closing market price" means the price at which the Company's security was last sold, on the applicable date, in the security's principal marketplace in Canada;

"company" includes other types of business organizations such as partnerships, trusts and other unincorporated business entities;

"equity incentive plan" means an incentive plan, or portion of an incentive plan, under which awards are granted and that falls within the scope of IFRS 2 Share-based Payment;

"grant date" means a date determined for financial statement reporting purposes under IFRS 2 Share-based Payment;

"incentive plan" means any plan providing compensation that depends on achieving certain performance goals or similar conditions within a specified period;

"incentive plan award" means compensation awarded, earned, paid or payable under an incentive plan;

"Named Executive Officers" or **"NEOs"** means the following individuals:

- (a) each CEO;
- (b) each CFO;
- (c) each of the Company's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and
- (d) each additional individual who would be a NEO under (c) above, but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of the most recently completed financial year;

"non-equity incentive plan" means an incentive plan or portion of an incentive plan that is not an equity incentive plan;

"option-based award" means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights, and similar instruments that have option-like features;

"plan" includes any plan, contract, authorization, or arrangement, whether or not set out in any formal document, where cash, securities, similar instruments or any other property may be received, whether for one or more persons; and

"share-based award" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units, and stock.

Compensation Discussion and Analysis

Prior to the Closing, the compensation of the Company's Named Executive Officers has been established with a view to attracting and retaining executives critical to the Company's short and long-term success and to continue providing executives with compensation that is in accordance with existing market standards. After the Closing, the compensation of the Company's Named Executive Officers will be in accordance with existing market standards generally and competitive within the technology industry, in particular.

Compensation of the Company's Named Executive Officers is comprised of a base salary and the grant of options to purchase common shares under the Company's stock option plan (as more particularly described below). Through its executive compensation practices, the Company seeks to provide value to its shareholders through a strong executive leadership. Specifically, the Company's executive compensation structure seeks to attract and retain talented and experienced executives necessary to achieve the Company's strategic objectives, motivate and reward executives whose knowledge, skills and performance are critical to the Company's success, align the interests of the Company's executives and shareholders by motivating executives to increase shareholder value.

The Board of Directors has not conducted a formal evaluation of the implications of the risks associated with the Company's compensation policies. Risk management is a consideration of the Board of Directors when implementing its compensation policies and the Board of Directors do not believe that the Company's compensation policies result in unnecessary or inappropriate risk taking including risks that are likely to have a material adverse effect on the Company.

Base Salary

The Company has not entered into any management agreements with its executive officers, and did not pay any base salary to its current executives in the most recently completed financial year. Going forward the Company may determine that payment of a base salary is appropriate for its executives and may enter into management or employment agreements providing for payment of a base salary or other compensation.

Option Based Awards

The Company currently has in effect the Current Stock Option Plan in order to provide effective incentives to directors, officers and senior management personnel and consultants of the Company and to enable the Company to attract and retain experienced and qualified individuals in those positions by permitting such individuals to directly participate in an increase in per share value created for the Company's shareholders. In determining option grants to the Named Executive Officers, the Board of Directors together with management takes into consideration factors that include the amount and exercise price of previous option grants, the NEO's experience, level of expertise and responsibilities, and the contributions of each NEO towards the completion of corporate transactions in any given fiscal year.

820,549 stock options were granted under the Current Stock Option Plan stock option during the financial year ended September 30, 2017.

Use of Financial Instruments

The Company does not have a policy that would prohibit a Named Executive Officer or director from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officer or

director. However, management is not aware of any Named Executive Officer or director purchasing such an instrument.

Named Executive Officers Compensation

In accordance with the provisions of applicable securities legislation, the Company had two (2) Named Executive Officer during the financial year ended September 30, 2017, namely Douglas Wu (CEO) and Kari Wilkie (former CFO).

The following table sets out certain information respecting the compensation paid to the Named Executive Officer of the Company during the financial years ended September 30, 2017, 2016, and 2015.

SUMMARY COMPENSATION TABLE									
NEO Name And Principal Position	Year	Salary (\$)	Share-based awards (\$)	Option - based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Douglas Wu, CEO ⁽¹⁾	2017	Nil	Nil	86,052	Nil	Nil	Nil	50,478 ⁽²⁾	136,530
Kari Wilkie, former CFO ⁽³⁾⁽⁴⁾	2017	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
John Nelson, former President and CEO ⁽⁵⁾	2017	15,000 ⁽⁶⁾	Nil	Nil	Nil	Nil	Nil	Nil	15,000
	2016	90,000 ⁽⁶⁾	Nil	Nil	Nil	Nil	Nil	Nil	90,000
	2015	104,500 ⁽⁶⁾	Nil	Nil	Nil	Nil	Nil	Nil	104,500
Charidy Lazorko, former CFO ⁽⁷⁾	2016	9,000 ⁽⁸⁾	Nil	Nil	Nil	Nil	Nil	Nil	9,000
	2015	45,000 ⁽⁸⁾	Nil	Nil	Nil	Nil	Nil	Nil	45,000

Notes:

- (1) Mr. Wu has served as CEO and a director since June 1, 2017.
- (2) Represents compensation paid in connection with position as a director and represent directors fees.
- (3) Ms. Wilkie served as CFO from January 1, 2016 until January 29, 2018. On January 28, 2018, Mr. Anthony Jackson was appointed CFO and Corporate Secretary and in connection with such appointment, the Company also entered into an accounting services agreement with BridgeMark Financial Corp. ("**BridgeMark**") whereunder BridgeMark is to provide certain accounting support services to the Company at the rate of \$3,000 per month, plus taxes and expenses. Mr. Jackson is a consultant of BridgeMark.
- (4) Effective January 1, 2016, the Company entered into an accounting services agreement with Energy Accounting Services Inc. ("**EAS**") whereunder EAS provided certain accounting support services to the Company. On January 1, 2016, in connection with such agreement, the Company retained Ms. Wilkie, as its CFO. Ms. Wilkie is a consultant of EAS. During the 2017 and 2016 financial years, the Company paid \$27,103 and \$15,507, respectively in fees to EAS under the accounting services agreement.
- (5) Mr. Nelson served as CEO and a director until December 12, 2016.
- (6) Represents compensation paid to Tracker Resource Management Inc., a company which is wholly-owned by Mr. Nelson, for services provided to the Company. The Company paid no salary directly to Mr. Nelson.
- (7) Ms. Lazorko served as CFO until January 1, 2016.
- (8) Represents compensation paid to FCross Consulting Inc., a company which is wholly-owned by Ms. Lazorko, for services provided to the Company. The Company paid no salary directly to Ms. Lazorko.

Incentive Plan Awards

The following table sets forth information concerning all awards outstanding at the end of the financial year ended September 30, 2017 for the Named Executive Officers.

NEO Name	Option-based Awards				Share-based Awards ⁽¹⁾		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Douglas Wu, <i>CEO</i>	410,274	\$0.16	July 6, 2027	336,424	Nil	Nil	Nil
Kari Wilkie, <i>former CFO</i> ⁽¹⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

(1) Ms. Wilkie served as CFO from January 1, 2016 until January 29, 2018.

(2) The Company has not granted any share-based awards.

Incentive Plan Awards – Value Vested or Earned During the Year Ended September 30, 2017

During the financial year ended September 30, 2017, 410,274 stock options were granted to Named Executive Officers and none of the Named Executive Officers exercised any stock options.

Pension Plan Benefits

No pension, retirement or deferred compensation plans, including defined contribution plans, have been instituted by the Company and none are proposed at this time.

Termination and Change of Control Benefits

During the financial year ended September 30, 2017, the Company did not have any contracts or arrangements with any of its Named Executive Officers other than as follows:

- Effective January 1, 2016, the Company entered into an accounting services agreement with EAS, whereunder EAS provided certain accounting support services to the Company. On January 1, 2016, in connection with such agreement, the Company retained Ms. Wilkie, as its CFO. Ms. Wilkie is a consultant of EAS. During the 2017 and 2016 financial years, the Company paid \$27,103 and \$15,507, respectively in fees to EAS under the accounting services agreement.

Effective January 29, 2018, the Company entered into an accounting services agreement with BridgeMark, whereunder BridgeMark is to provide certain accounting support services to the Company at the rate of \$3,000 per month, plus taxes and expenses. On January 29, 2019, in connection with such agreement, the Company retained Mr. Anthony Jackson, as its CFO. Mr. Jackson is a consultant of BridgeMark.

There are no compensatory plan, contract or arrangement where a Named Executive Officer is entitled to receive payments from the Company or its subsidiaries in the event of (i) the resignation, retirement or any termination of the Named Executive Officer's employment with the Company and its subsidiaries (whether voluntary, involuntary or constructive), (ii) a change of control of the Company or any of its subsidiaries, or (iii) a change in the Named Executive Officer's responsibilities.

Director Compensation

As at the financial year ended September 30, 2017, the Company had three (3) directors, one (1) of which was also a Named Executive Officer of the Company (Douglas Wu (CEO)). The following table sets out the amounts of compensation paid to the directors of the Company other than Named Executive Officer during the financial year ended September 30, 2017.

DIRECTORS COMPENSATION TABLE							
Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Sergei Stetsenko ⁽¹⁾	50,478 ⁽²⁾	Nil	86,052	Nil	Nil	Nil	136,530
Pam White, former Director ⁽³⁾	Nil	Nil	Nil	Nil	Nil	10,000 ⁽⁴⁾	10,000
Andrew Male, former Director ⁽⁵⁾	15,211 ⁽²⁾	Nil	Nil	Nil	Nil	Nil	15,211
Gordon McKay, former Director ⁽⁶⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) *Mr. Stetsenko has served as a director since June 1, 2017.*
- (2) *Represents compensation paid in connection with position as a director and represent directors fees.*
- (3) *Ms. White served as a director of the Company from June 30, 2017 to November 20, 2017. Ms. White acted as corporate secretary until January 29, 2018, when she was replaced in such position by Mr. Anthony Jackson.*
- (4) *Represents compensation paid to PJW Consulting Services Ltd., a company which is controlled by Ms. White, for services provided to the Company. The Company paid no salary directly to Ms. White.*
- (5) *Mr. Male served as a director until June 1, 2017.*
- (6) *Mr. McKay served as a director until December 12, 2016.*

Except as stated above, the Company does not have any other arrangements pursuant to which directors are compensated by the Company or its subsidiaries for their services in their capacity as directors, or for committee participation, involvement in special assignments or for services as consultants or experts during the financials year ended September 30, 2017 or subsequently, up to and including the date of this Filing Statement.

Share-Based Awards, Option-Based Awards and Non-Equity Plan Compensation

The following table sets forth information concerning all awards outstanding at the end of the financial year ended September 30, 2017, for each director of the Company other than the Named Executive Officers.

Name	Option-based Awards				Share-based Awards ⁽¹⁾		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Sergei Stetsenko	410,275	\$0.16	July 6, 2027	336,425	Nil	Nil	Nil

Note:

(1) The Company has not granted any share-based awards.

Incentive Plan Awards – Value Vested or Earned During the Year Ended September 30, 2017

During the financial year ended September 30, 2017, 410,275 stock options were granted to directors (who were not also Named Executive Officers) and none of the directors exercised any stock options.

Non-Arm's Length Party Transactions

The Company has not acquired any assets or any services from a director or officer, principal securityholder or an Associate or Affiliate of any such person in the 24 months prior to the date of this Filing Statement, other than those disclosed in the Company's financial statements attached to this Filing Statement as Appendixes A, B and D.

Arm's Length Transaction

The Transactions are Arm's Length Transactions (as defined in Exchange Policy 1.1 – *Interpretation*).

Legal Proceedings

There are no legal proceedings as to the Company is, or has been, a party or of which any of its property is, or has been, the subject matter, and to the knowledge of the management of the Company, there are no such proceedings contemplated.

Auditor, Transfer Agents and Registrars

Auditor

The auditor of the Company is MNP LLP, located at 1500, 640 – 5th Avenue SW, Calgary, Alberta T2P 3G4.

Transfer Agent and Registrar

The transfer agent and registrar of the Company is Computershare Investor Services Inc. 530 8 Avenue SW, Calgary, Alberta T2P 3S8.

Material Contracts

Other than as disclosed in this Filing Statement and in connection with the Transactions, the Company is not a party to any material contracts, except contracts entered into in the ordinary course of business.

PART II - INFORMATION CONCERNING THE RESULTING ISSUER

The following disclosure contains forward-looking statements, including with respect to the Resulting Issuer's business objectives and milestones. Such statements involve known and unknown risks, uncertainties and other factors outside of management's control, including the risk factors set out elsewhere in this Filing Statement that could cause results to differ materially from those described or anticipated in such forward-looking statements. See "Forward-Looking Statements".

Summary of the Transactions

The Company is undertaking the Change of Business by undertaking to acquire the Mining Equipment and constructing its operations at the Facility, after completion of the Change of Business, in order for the Company to commence cryptocurrency mining operations. Under the Facility Agreements, the Mining Equipment will be installed and made operational at the Facility, and further services related to hosting, maintaining and related operations of the Facility will be conducted.

The commencement of operations at the Facility is the Company's first step towards its goal of building a Blockchain company, first through the development and ownership of cryptocurrency infrastructure and thereafter through investments in other Blockchain businesses or technologies.

Following completion of the Transactions, the Resulting Issuer intends on mining cryptocurrencies at the Facility, with proceeds from mining operations deposited into a designated "cold wallet" of the Resulting Issuer, which is a secure external storage device used to store digital currencies. The Resulting Issuer may liquidate from time to time a portion of mined coins in a ratio derived from future forecasted expenses while holding the remainder as inventory to benefit from price appreciation/volatility. The Resulting Issuer will only transfer its Bitcoin from its "cold wallet" to online wallets at the time of sale of such Bitcoin. The Resulting Issuer may sell its Bitcoin for US dollars via designated cryptocurrency exchanges located in North America or else through designated companies in Switzerland for cash funds. Mr. Stetsenko will be in charge of handling and overseeing the logistics of Bitcoin distribution for the Resulting Issuer and all directors/officers of the Resulting Issuer will be provided with access to any mining pool that the Resulting Issuer is a part of, so that they will monitor current production rates.

The Resulting Issuer will initially mine Bitcoin, for many reasons, but the two most significant reasons being network size and proven security - both of which result in substantial advantages over other digital currencies currently available. Bitcoin has an established history of being a store of value. Given the number of cryptocurrencies flooding the market, most new cryptocurrencies try to create differentiation based on smaller use cases, such as smart contracts, anonymous transactions and predictive markets. Bitcoin has an enormous lead as a store of value over other coins because it has existed eight years without failure. The security of Bitcoin has been proven far longer than any of its newly created competitors.

Also following Closing, the Resulting Issuer may seek to expand the Facility, acquire additional mining equipment, and / or make investments in other Blockchain and/or cryptocurrency related companies and technologies, which will entail additional equity financings by the Resulting Issuer in connection with such acquisitions.

Mining Equipment Purchase Order

Upon completion of the Change of Business (unless the Exchange grants early approval for expenditure of requisite funds), the Resulting Issuer undertakes to complete the Mining Equipment Purchase Order, wherein the Resulting Issuer will order no less than \$2.25 million worth of Mining Rigs and other equipment necessary to commence operations. At current costs, such amount should allow the Resulting Issuer to acquire approximately 978 Mining Rigs. The Resulting Issuer proposes to make an

order for 200 of the Mining Rigs shortly after the Exchange has issued its conditional acceptance for the Change of Business and the Transactions. The remaining Mining Rigs will be ordered as soon as possible thereafter, subject to the Resulting Issuer sourcing the most up to date equipment and at the most favorable prices. Delivery of such equipment is expected to occur within two months of payment therefor. Delivery of such equipment is expected to occur within two months of payment therefor.

The Company has executed a non-binding agreement with a cryptocurrency mining equipment supplier in connection with the proposed Mining Equipment Purchase Order.

Facility Agreements

Upon completion of the Change of Business (unless the Exchange grants early approval for expenditure of requisite funds), the Resulting Issuer (or a subsidiary of the Resulting Issuer) shall enter into the Facility Agreements which will set out the terms and conditions by which the Facility will be hosted and managed and a third-party contractor will provide such services as are necessary for the design, installation, configuration, operation, security, maintenance and support of the Facility. It is expected that the Facility Agreements will include a one-time installation fee, and the payment of monthly service fees for certain services, which are expected to include: set up; internet access and network connectivity; security (which shall include security cameras); regulation of Facility environment; power; systems operations; and equipment and systems maintenance and support.

Corporate Structure

Name and Incorporation

The Resulting Issuer is expected to be named BlockchainK2 Corp. and will continue to be governed by the ABCA. The Resulting Issuer's head office will remain located at Suite 800, 1199 West Hastings Street, Vancouver, British Columbia, V6E 3T5, and the Resulting Issuer's registered office will remain located at Suite 1600, 421 – 7th Avenue SW, Calgary, Alberta T2P 4K9. See "*Part I – Information Concerning the Company*" for further detail.

Intercorporate Relationships

At Closing, the Resulting Issuer will have three subsidiaries that it owns (directly or indirectly): Africa Hydrocarbons (Bahamas) Ltd. (incorporated in Bahamas and 100% owned or controlled by the Company), Africa Hydrocarbons Tunisia Ltd. (incorporated in Bahamas and 100% owned or controlled by the Company) and Watutatu Inc. (incorporated in Ontario and owned 100% by the Company), but consideration will be made whether such subsidiaries should be wound up or disposed on in light of the Change of Business.

Narrative Description of Business

Background

Introduction to Blockchain and Cryptocurrency

Blockchain technology was invented in 2008 as the database technology that underpins Bitcoin, the world's first cryptocurrency. Even though the technology has remained synonymous with Bitcoin and cryptocurrencies, Blockchain technologies are capable of much more than just serving as a database for a decentralised digital currency. Blockchain is gaining widespread adoption and is the backbone of a new digital world with fewer middlemen, greater efficiency and automated transactions.

A blockchain is a special type of data structure (i.e., a database), in which the data is set out and built up in successive blocks. Each of the blocks of data includes a small piece of data that verifies the content

of the previous block. As a result, if an attempt is made to modify an earlier block in the chain, all of the later blocks cease to match up. The system that maintains the blockchain is able to detect and reject the attempted modification, and this is what makes the blockchain tamper-proof.

A significant advantage to Blockchain technology is that it can store data and distribute in a decentralised manner. The decentralisation of information increases security and offers additional functionality to its users. Blockchain technologies are making a significant impact in many areas of business, finance, information management and governance, but it is still in the early stages with significant future opportunities.

A cryptocurrency is a form of encrypted and decentralised digital currency, transferred directly between peers across the internet, with transactions being settled, confirmed and recorded in a distributed public ledger by a process known as "mining".

Units of a cryptocurrency exist only as data on the internet, and are not issued or controlled by any single institution, authority, or government. Whereas most of the world's money currently exists in the form of electronic records managed by central authorities such as banks, units of a cryptocurrency exist as electronic records in a decentralised tamper-proof transaction database called a Blockchain. The ledger is publicly available to anyone and secured with public key encryption.

How a Cryptocurrency Works

Cryptocurrencies are decentralised digital currencies that enables instant transfers to anyone, anywhere in the world. Transactions occurs via an open source, cryptographic protocol platform which uses peer-to-peer technology to operate with no central authority. The network is an online, peer-to-peer network that hosts the public transaction ledger, known as the Blockchain; and each cryptocurrency with a source code that comprises the basis for the cryptographic and algorithmic protocols governing the Blockchain. No single entity owns or operates the network, the infrastructure of which is collectively maintained by a decentralised user base. As the network is decentralised, it does not rely on either governmental authorities or financial institutions to create, transmit or determine the value of the coins. Rather, the value of a coin is determined by the market supply of and demand for the coins, the prices set in transfers by mutual agreement or barter as well as the number of merchants that accept the coins. Because coins are digital files that can be transferred without the involvement of intermediaries or third parties, there are little or no transaction costs in direct peer-to-peer transactions. Coins can be used to pay for goods and services or can be converted to fiat currencies, such as the US dollar, at rates determined by various exchanges. Bitcoin.org lists a number of Bitcoin Exchanges, including international exchanges such as: Bitsquare, Bitstamp, and Coinbase. There are also country-based and regional Exchanges. Additionally, third party service providers are also used for transfers but they may charge significant fees for processing transactions.

In a Blockchain network, every peer has their own copy of the public ledger, which contains records of every historical coin transaction - effectively containing records of all account balances. Each account is identified solely by its unique public key (making it effectively anonymous), and is secured with its associated private key (kept secret, like a password). The combination of private and public cryptographic keys constitutes a secure digital identity in the form of a digital signature, providing strong control of ownership.

Assuming, for example, that Party A is sending some quantity of Bitcoin to Party B, the amount of Bitcoin to send is combined with Party B's public key and some information from the previous transaction(s) that Party A's Bitcoins came from, into a message that Party A signs with its private key. The transaction message is then broadcasted out into the wide Bitcoin Network, where it is received by Bitcoin miners who (with high-performance computers running specialized automatic Bitcoin mining software) verify the

transaction, group it with others into a transaction block, and work to solve the proof-of-work cryptographic puzzle that links the new block to the Blockchain.

Each time a new block of transactions is created, data from that block is used to create a hash that is stored along with the block. One piece of data used is the hash from the most recent block in the Blockchain. Each block's hash is created using the hash of the block before it, acting as a sort of tamper-evident seal that confirms the validity of the new block and all earlier blocks. Alterations made to any earlier block would make the hashes of all subsequent blocks invalid, the discrepancy would be easily detected by future miners, and that broadcast would be discarded in favour of one from a different peer. Thus, miners "vote with their computer power, expressing their acceptance of valid blocks by working on extending them and rejecting invalid blocks by refusing to work on them"¹ and consensus of the majority is represented by the longest Blockchain.

Miners compete to solve new blocks; a miner that verifies and solves a new block is awarded newly-generated quantity of coins, an amount which is usually proportional to the miner's contributed hash rate/work, (plus a small transaction fee) as an incentive to invest their computer power, as mining is critical to the continuing functioning and security of the cryptocurrency network. The difficulty of the proof-of-work puzzles is automatically adjusted so that a new block is mined on a specified basis, adapting as the total mining power active on the network increases over time.

Blockchain safety is ensured by a number of different protocols, such as proof-of-work and proof-of-stake. Proof-of-work is currently the most widely used, including currencies such as Bitcoin. Proof-of-work functions on the basis of a distributed consensus system dependent on the participation of 'miners' who through their computing work verify the Blockchain transactions.

Why Cryptocurrencies?

Cryptocurrencies exist because individuals are looking for decentralized, peer-to-peer digital cash, which was not managed by a central intermediary and was beyond the control of a government. Regardless of whether governments begin to introduce their own fiat digital currencies, demand is expected to continue for non-fiat cryptocurrencies which are governed purely by market forces, not government intervention.

Because cryptocurrencies/digital currencies are completely digital, they can be used in ways that ordinary currencies cannot; primarily, they are used like the digital equivalent of cash. Unlike credit or debit cards that are issued by banks, consumers don't need an account or good credit to use digital currencies. Further, digital currencies are becoming increasingly accepted globally by retailers and institutions.

The demand for cryptocurrencies is driven by market penetration. Some estimates indicate there are three million cryptocurrency users, which represents 0.14% of the 2.1 billion people in the world between 14 and 65 who have internet access. If market penetration were to increase to only 5% within five years, that would mean 105 million users. A 2017 study conducted by the Cambridge Center for Alternative Finance has set the number of active cryptocurrency users across the world at 3 million. It includes people who use either one or more cryptocurrencies that are currently available in the market.

As noted earlier, globalization is one of the driving forces of cryptocurrencies. Interbank transactions can potentially take days for clearing and final settlement, especially outside of working hours. Blockchain transactions can reduce transaction times to minutes and are processed 24/7.

¹ Coindesk – a hash function is a mathematical process that takes input data of any size, performs an operation on it, and returns output data of a fixed size.

Cryptocurrencies offer many advantages over traditional, (also known as 'fiat') currency, including:

- Acting as a fraud deterrent, as cryptocurrencies are digital and cannot be counterfeited or reversed arbitrarily by sender;
- Immediate settlement;
- Eliminate counterparty risk;
- No trusted intermediary required;
- Lower fees;
- Identity theft prevention;
- Accessible by everyone;
- Transactions are verified and protected through a confirmation process, which prevents the problem of double spending currencies;
- Decentralised - no central authority (government or financial institution); and
- Recognized universally and not bound by government imposed exchange rates.

The Market for Cryptomining

The cryptomining market had a banner year in 2017 as highlighted below with data from www.digiconimist.net.

Key Network Statistics

Description	Value
Bitcoin's current estimated annual electricity consumption* (TWh)	46.68
Annualized global mining revenues	\$8,189,878,990
Annualized estimated global mining costs	\$2,333,884,446
Country closest to Bitcoin in terms of electricity consumption	Iraq
Estimated electricity used over the previous day (KWh)	127,884,079
Implied Watts per GH/s	0.243
Total Network Hashrate in PH/s (1,000,000 GH/s)	22,265
Electricity consumed per transaction (KWh)	524.00
Number of U.S. households that could be powered by Bitcoin	4,322,008
Number of U.S. households powered for 1 day by the electricity consumed for a single transaction	17.7
Bitcoin's electricity consumption as a percentage of the world's electricity consumption	0.21%
Annual carbon footprint (kt of CO2)	22,872
Carbon footprint per transaction (kg of CO2)	256.67

China has long been the leader in housing cryptominers accounting for nearly 70% of the global hash power in Bitcoin. However, in late 2017 and early 2018 there have been rumours that top regulators in China are planning to withdraw preferential benefits such as tax deductions and cheap electricity supplies available to Bitcoin mining companies. China's top internet-finance regulator, the Leading Group of Internet Financial Risks Remediation, issued a notice asking local governments to "guide" Bitcoin mining operations to make an "orderly exit" from the business, according to a leaked document online. Citing government sources, Bloomberg and Reuters have reported that China is planning to limit

electricity supply to Bitcoin miners. The moves underscore how China's once-dominant role in the world of cryptocurrencies is shrinking as policy makers clamp down.

The Market for Cryptocurrency

As of January 2018, there were more than 1,400 cryptocurrencies trading, up from 800 in July of 2017². Bitcoin and Ether dominate the cryptocurrency market place with market capitalizations of US\$146.6 billion and US\$82.9 billion, respectively, as of February 13, 2018. As of February 13, 2018, the remaining top five cryptocurrencies in terms of market capitalization are Ripple (US\$40.1 billion), Bitcoin Cash (US\$21.1 billion) and Cardano (US\$9.8 billion). Bitcoin is often seen as the 'reserve currency' of the cryptocurrency world as increases and decreases in the price of Bitcoin often has a knock on effect with other cryptocurrencies. As of May 1, 2018, the trading price of one Bitcoin was US\$8,975.80 (CDN\$11,549.61).

Generally, only the most popular cryptocurrencies – those with the highest market capitalization, in dollar terms – have dedicated online exchanges that permit direct exchange for fiat currency. Those cryptocurrencies that do not have dedicated online exchanges are generally exchanged for more commonly used cryptocurrencies, before fiat currency conversion. The lack of liquidity of some cryptocurrencies suppresses demand and as a result their value.

As noted earlier, cryptocurrency pricing is very volatile as prices are driven by speculation and market demand, not pure fundamentals. In early 2018, cryptocurrency prices declined dramatically due to the prospect of tougher regulation in China and India, claims that tether could be propping up the market, and banks like Lloyds Banking Group banning people from buying cryptocurrencies with a credit card. U.S. banks J.P. Morgan Chase, Bank of America and Citigroup, have also implemented policies banning people from buying cryptocurrencies with a credit card.

India's Finance Minister Arun Jaitley in late January 2018 announced that the country wants to "eliminate" the use of digital currencies in criminal activities, signaling tighter regulation in the country.

In the first week of February 2018, the Financial News, a publication closely affiliated with the People's Bank of China, reported that the central bank will block all platforms related to cryptocurrency trading and the issuance of so-called initial coin offerings. Previously it had stamped out domestic cryptocurrency exchanges but it extended its crackdown to foreign platforms too.

The market for cryptocurrencies has been growing at a volatile pace – in 2017, the market capitalization has grown from US\$17 billion in January 2017, reaching peaks over US\$500 billion in December 2017, and daily volumes growing from US\$130 million in January 2017 to peaks over US\$13.5 billion in December 2017.

According to a recent study by the University of Cambridge Judge Business School's Centre for Alternative Finance:

... the current number of unique active users of cryptocurrency wallets is estimated to be between 2.9 million and 5.8 million. The lines between the different cryptocurrency industry sectors are increasingly blurred: 31% of cryptocurrency companies surveyed are operating across two cryptocurrency industry sectors or more, giving rise to an increasing number of universal cryptocurrency companies.

The exchanges sector has the highest number of operating entities and employs more people than any other industry sector covered in this study; a significant geographical

² Coinmarketcap.com

dispersion of exchanges is observed. 52% of small exchanges hold a formal government license compared to only 35% of large exchanges. On average, security headcount corresponds to 13% of total employees and 17% of budget is spent on security.

Between 5.8 million and 11.5 million wallets are estimated to be currently 'active'. The lines between wallets and exchanges are increasingly blurred: 52% of wallets surveyed provide an integrated currency exchange feature, of which 80% of a national-to-cryptocurrency exchange service. In contrast with exchanges, the majority of wallets do not control access to user keys.

While 79% of payment companies have existing relationships with banking institutions and payment networks, the difficulty of obtaining and maintaining these relationships is cited as this sector's biggest challenge. On average, national-to-cryptocurrency payments constitute two-thirds of total payment company transaction volume, whereas national-to-national currency transfers and cryptocurrency-to-cryptocurrency payments account for 27% and 6%, respectively.³

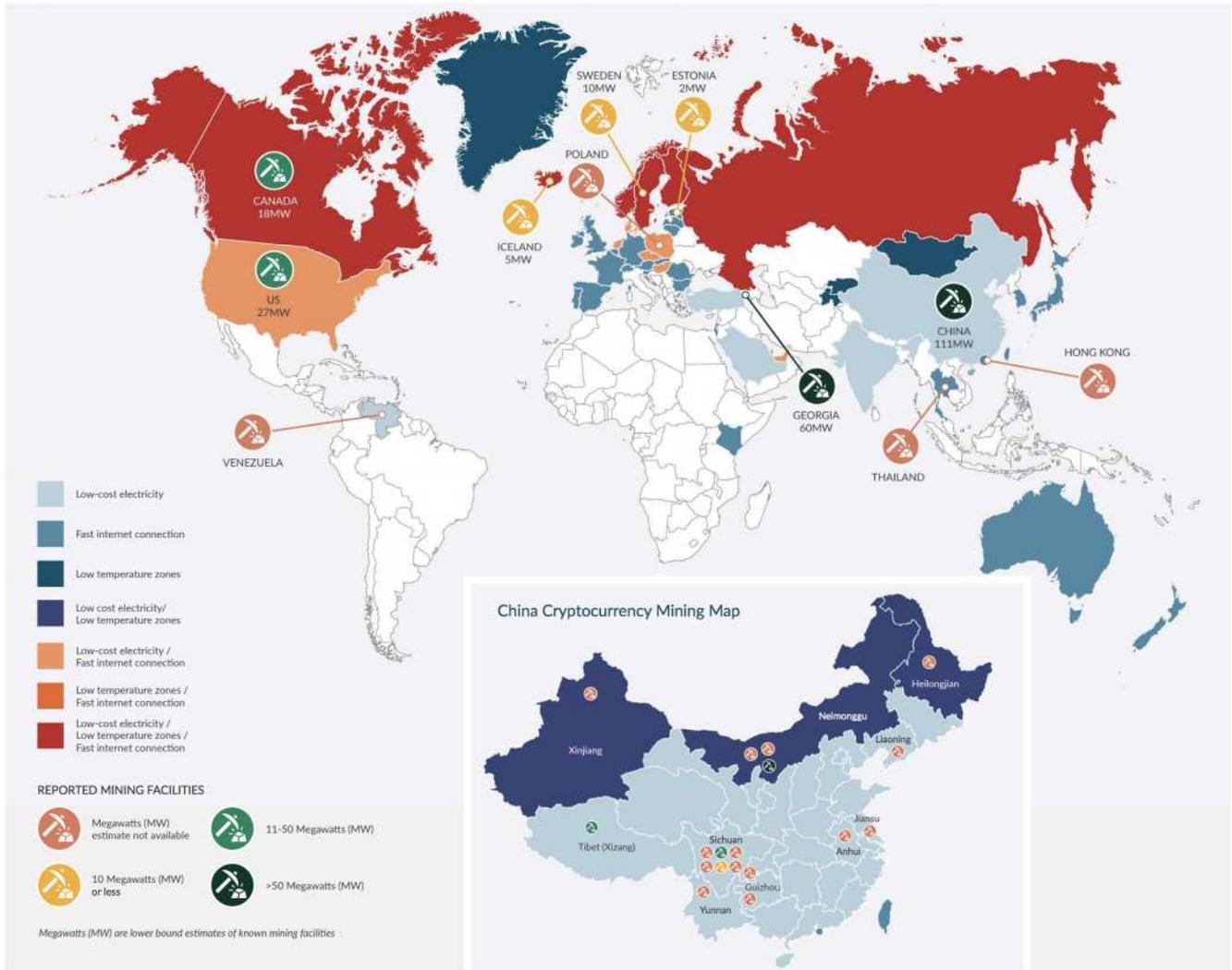
As the demand for cryptocurrencies increases and cryptocurrencies become more widely accepted, there is an increasing demand for professional-grade, scalable infrastructure to support growth of the growing Blockchain ecosystem.

Competition and Market Participants

In the cryptocurrency industry, there exists many online companies that offer cryptocurrency cloud mining services, as well as companies, individuals and groups that run their own mining farms. Miners can range from individual enthusiasts to professional mining operations with dedicated data centres, however, the vast majority of mining is now undertaken by mining pools.

Mining facilities are primarily located in North America, Northern and Eastern Europe as well as in China. In fact, China is the country that hosts most mining facilities and uses the highest power consumption of all countries for cryptocurrency mining. A zoom into China shows that mining facilities are concentrated in remote areas where both electricity and land are very cheap. A significant concentration can be observed in the Sichuan province, where miners have struck deals with local hydroelectric power stations to access cheap electricity.³

³ Dr. Garrick Hileman & Michel Rauchs. Cambridge Centre for Alternative Finance. Global Cryptocurrency Benchmarking Study. https://www.jbs.cam.ac.uk/fileadmin/user_upload/research/centres/alternative-finance/downloads/2017-global-cryptocurrency-benchmarking-study.pdf



Miners may organize themselves in mining pools. A mining pool is created when cryptocurrency miners pool their processing power over a network and mine transactions together. Rewards are then distributed proportionately to each miner based on the work / hash power contributed. Mining pools became popular when mining difficulty and block time increased. Mining pools allow miners to pool their resources so they can generate blocks quickly and receive rewards on a consistent basis instead of mining alone where rewards may not be received for long periods.

The Resulting Issuer may also decide to participate in a mining pool in order to smooth the receipt of rewards.

Mining pools exist for each cryptocurrency. Buy Bitcoin Worldwide lists the top five Bitcoin mining pools, which include: Antpool; BITCOIN.top; BITCOIN.com; Bixin; and, BITCOINC.

“The location of the mining pool operator does not necessarily coincide with the location of miners contributing computing power to the pool: individual miners and organizations can easily switch between different mining pools, making pool location largely unimportant. In fact, all major mining pool websites have an English version and 74% have a Chinese version. Moreover, 63% of mining pools have two or

more languages available on their website, which suggests that their customer base is international and not limited to domestic miners.”⁴

Other market participants in the cryptocurrency industry include investors and speculators, retail users transacting in cryptocurrencies, and service companies that provide a variety of services including buying, selling, payment processing and storing of cryptocurrencies.

Stated Business Objectives

The Resulting Issuer's mission will be to build a leading listed Blockchain company, first through the development and ownership of cryptocurrency mining infrastructure and thereafter through investments in other Blockchain businesses and technologies. To accomplish this objective, upon closing of the Transactions, the Resulting Issuer intends to:

- use the acquired Mining Equipment to commence its operations at the Facility, and then to begin mining of Bitcoin for the benefit of the Resulting Issuer, pursuant to the Facility Agreements - see "*Part II – Information Concerning the Resulting Issuer – Summary of the Transactions*" above for more detail;
- implement an investment strategy involving liquidation of a portion of mined coins as a ratio of future forecasted expenses while holding the remainder as inventory to benefit from price appreciation/volatility;
- identify and evaluate the potential acquisition of additional cryptocurrency mining equipment and / or data centres; and
- identify and evaluate the potential acquisition of interests in other technologies and / or Blockchain based businesses and technologies.

The above objectives may change at any time depending on market conditions. See "*Risk Factors*".

Milestones

To accomplish the Resulting Issuer's stated short-term business objectives, it is anticipated that the Resulting Issuer will need accomplish the following milestones:

⁴ Dr. Garrick Hileman & Michel Rauchs. Cambridge Centre for Alternative Finance. Global Cryptocurrency Benchmarking Study. https://www.jbs.cam.ac.uk/fileadmin/user_upload/research/centres/alternative-finance/downloads/2017-global-cryptocurrency-benchmarking-study.pdf

Milestone	Target Date	Estimate Cost (CDN \$)
Complete Change of Business and conversion of Subscription Receipts	May 2018	\$525,000
Obtain Mining Equipment and commence operations at the Facility	June 2018	\$2,515,000
Implement investment strategy	June 2018	Estimated cost is negligible, but any costs will come from estimated general and administrative expenses of \$940,000 for the 12 months following the Transactions
Identify and evaluate the potential acquisition of additional cryptocurrency mining equipment and / or data centres	Post June 2018	Unknown at this time, but unallocated working capital of \$854,179 may be applied to such milestone
Identify and evaluate the potential acquisition of interests in other technologies and / or Blockchain based businesses and technologies	Post June 2018	Unknown at this time, but unallocated working capital of \$854,179 may be applied to such milestone

The foregoing milestones may change due to market conditions. Please see "*Risk Factors*".

The Facility

Through the Transactions, the Resulting Issuer will become the owner of the Mining Equipment and will create the Facility, which is to be hosted at a third-party facility located in Edmonton, Alberta, and that will be hosted and operated under the Facility Agreements. See "*Part II – Information Concerning the Resulting Issuer – Summary of the Transactions – Facility Agreements*" above for more detail.

The Facility is strategically located in Edmonton, Alberta, where electricity costs are low, there is low temperatures for a significant portion of the year, there is readily available persons with experience in cryptocurrency mining and is a jurisdiction that is supportive of cryptocurrency mining.

Initially, the Facility is expected to consist of approximately 978 Mining Rigs. Costs, including electrical power, to be paid pursuant to the Facility Agreements, for hosting, management and operation of the Facility (in its initial form) are expected to be approximately \$22,000 per month. These costs will be part of the Facility Agreements.

Selected information about the third-party facility at which the Facility is to be hosted, includes:

- 12,144 square foot building;
- dual power grid feeds from diverse grids, which are to be upgraded to 1200 amps;
- MW power capacity at \$0.04/kW and the capacity to host up to 5,000 Mining Rigs; and
- advanced air conditioning and cooling systems.

Selected Pro Forma Consolidated Financial Information

The following table contains certain financial information regarding the Resulting Issuer.

	Pro Forma Statement of Financial Position as at December 31, 2017
Total assets	\$4,913,631
Total long and short term liabilities	\$29,444

See the "Unaudited Pro Forma Statement of Financial Position of the Resulting Issuer as at December 31, 2017" included as Appendix F to this Filing Statement.

Description of Securities

The Resulting Issuer's authorized capital will remain the same as the Company's. See "Part I – Information Concerning the Company – Description of Securities" above for more detail.

Post-Transactions Capitalization

The following table sets out the fully-diluted share capital of the Resulting Issuer after giving effect to the Equity Financings and completion of the Transactions:

Designation of Security	Amount Authorized	Amount Outstanding after giving effect to the Transactions
Resulting Issuer Shares ⁽¹⁾	Unlimited	15,901,625
Resulting Issuer preferred shares	Unlimited	Nil
Resulting Issuer common share purchase warrants ⁽²⁾	N/A	3,073,917
Resulting Issuer finder's warrants / agent's options ⁽³⁾	N/A	410,392
Resulting Issuer Options ⁽⁴⁾	N/A	1,254,629

Notes:

- (1) As of the date this Filing Statement, the Company has 12,566,291 common shares issued and outstanding. Upon the completion of the Transactions, the Resulting Issuer will issue 3,335,334 Resulting Issuer Shares in connection with the conversion of the Subscription Receipts. See "Part I – Information Concerning the Company – General Development of the Business - Equity Financings".
- (2) As of the date this Filing Statement, the Company has common shares purchase warrants to acquire up to 1,406,250 common shares of the Company issued and outstanding. Upon the completion of the Transactions, the Resulting Issuer will issue 1,667,667 Resulting Issuer Warrants in connection with the Equity Financings. See "Part I – Information Concerning the Company – General Development of the Business - Equity Financings".
- (3) As of the date this Filing Statement, the Company has finder's warrants / agent's options to acquire up to 410,392 common shares of the Company issued and outstanding. See "Part I – Information Concerning the Company – Description of Securities – Finder's / Agent's Options" and "Part I – Information Concerning the Company – General Development of the Business - Equity Financings".
- (4) As of the date this Filing Statement, the Company has stock options to acquire up to 1,254,629 common shares of the Company issued and outstanding. After the Resulting Issuer has been trading for no less than 10 trading days, and subject to Exchange approval, the Resulting Issuer proposes to issue 962,848 Resulting Issuer Options to Douglas Wu, 167,766 Resulting Issuer Options to Sergei Stetsenko and 795,081 Resulting Issuer Options to Andri Stytsenko. See "Part I – Information Concerning the Company – New Stock Option Plan – Exemptions in Connection with Issuance of Options to Insiders" and "Part II – Information Concerning the Resulting Issuer – Options to Purchaser Securities" for more detail.
- (5) The deficit of the Resulting Issuer as set forth in the pro forma consolidated statement of financial position of the Resulting Issuer included as Appendix F to this Filing Statement, is \$55,091,429.

Fully Diluted Share Capital

The following table sets out the number and percentage of Resulting Issuer Shares which will be issued upon Closing, on a fully diluted basis after giving effect to the Transactions:

	Number of the Resulting Issuer Shares	Percentage of Total
Resulting Issuer Shares held by current Company shareholders	12,566,291	55.65%
Resulting Issuer Shares reserved for issuance pursuant to the Subscription Receipts to the Equity Financings subscribers	3,335,334	14.77%
Resulting Issuer Warrants to purchase Resulting Issuer Shares pursuant to the Equity Financings	1,667,667	7.39%
Resulting Issuer common share purchase warrants (not including the Resulting Issuer Warrants to purchase Resulting Issuer Shares pursuant to the Equity Financings)	1,406,250	6.23%
Resulting Issuer finder's warrants / agent's options	410,392	1.82%
Resulting Issuer common share purchase warrants to purchase Resulting Issuer Shares, and issuable upon exercise of certain finder's warrants / agent's options	14,000	0.06%
Resulting Issuer Options expected to be issued and outstanding upon Closing	1,254,629	5.56%
Resulting Issuer Options to be granted after the Resulting Issuer has been trading for no less than 10 trading days	1,925,695	8.53%
Fully-Diluted	22,580,258	100.00%

Other than as disclosed above, no other securities will be outstanding which are convertible into, or exchangeable for, Resulting Issuer Shares following the completion of the Transactions.

Available Funds and Principal Purposes

The Resulting Issuer is expected to have approximately \$2,059,179 in working capital available on Closing based on (i) the Company's April 30, 2018 working capital, (ii) completion of the Equity Financings and release of those gross proceeds from escrow, (iii) estimated costs of the Transactions, and (iv) estimated payment under the Mining Equipment Purchase Order. The Resulting Issuer is expected to use the funds available to it in furtherance of its stated business objectives which are summarized in the table appearing below.

	Estimated Amount
Sources of Funds	
Estimated working capital of the Company as at April 30, 2018	\$665,012
Gross Proceeds from the Non-Brokered Equity Financing	\$3,669,167
Gross Proceeds from the Brokered Equity Financing	\$500,000
Estimated Revenues for the 12 month period following Closing	Nil ⁽¹⁾

	Estimated Amount
Total Sources	\$4,834,179
Uses of Funds⁽²⁾	
Estimated costs of the Transactions	\$525,000
Estimated payments under the Mining Equipment Purchase Order	\$2,250,000
Estimated payments under the Facility Agreements for the 12 month period following Closing	\$265,000
General and administrative expenses for the first 12 months	\$940,000
Unallocated working capital to fund ongoing operations and additional acquisitions or investments	\$854,179
Total Uses	\$4,834,179

Notes:

- (1) *Based on computational capacity of the 978 Mining Rigs to be acquired pursuant to the Mining Equipment Purchase Order, 10 months of production capacity, 0.0775 Bitcoin mined per Mining Rig per month, a Bitcoin price of CDN\$11,065 (US\$8,600), and assuming immediate sale of the Bitcoin coins once mined, the Company projects it would have revenue of \$8,386,716, director costs of \$780,930 and operating expenses of \$1,408,600 for the first 12 months of operations following completion of the Transactions; the Company therefore believes future operations to be cash flow positive, however has presented \$nil revenues for the purposes of this table.*
- (2) *For additional information, see "Part II – Information Concerning the Resulting Issuer – Milestones" and "Part II – Information Concerning the Resulting Issuer – Facility Agreements".*

Based on current projections, the Resulting Issuer's working capital available for funding ongoing operations is expected to meet its expenses for a minimum period of 12 months commencing immediately after the completion of the Transactions, assuming successful mining and sales of coins.

Notwithstanding the proposed uses of available funds discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. It is difficult, at this time, to definitively project the total funds necessary to effect the planned activities of the Resulting Issuer, including, without limitation, the demand for mining equipment and other related equipment once the Company has the approval from the Exchange to expend such funds. For these reasons, management of the Resulting Issuer considers it to be in the best interests of the Resulting Issuer and its shareholders to afford management a reasonable degree of flexibility as to how the funds are employed among the uses identified above, or for other purposes, as the need arises. Further, the above uses of available funds should be considered estimates. See "*Forward-Looking Information*".

Dividends

The Resulting Issuer does not currently intend to declare any dividends payable to the holders of the Resulting Issuer shares. The Resulting Issuer has no restrictions on paying dividends, but if the Resulting Issuer generates earnings in the foreseeable future, it expects that they will be retained to finance growth, if any. The directors of the Resulting Issuer will determine if and when dividends should be declared and paid in the future based upon the Resulting Issuer's financial position at the relevant time.

Principal Securityholders

It is not anticipated that any Person will own of record or beneficially, directly or indirectly, or exercise control or direction over, more than 10% of the Resulting Issuer Shares following the completion of the Transactions.

Directors, Officers and Promoters

The following table sets out the name, municipality and province of residence, position with the Resulting Issuer, current principal occupation, the date such person became a director or officer of the Company, and the number and percentage of Resulting Issuer common shares which will be beneficially owned, directly or indirectly, or over which control or direction is proposed to be exercised, by each of the Resulting Issuer's proposed directors and officers following the completion of the Change of Business:

Name, Province or State And Country of Residence, and Position with the Resulting Issuer ⁽¹⁾	Present Principal Occupation, Business or Employment ⁽¹⁾	Date Served as Director or Officer Since	Anticipated Number and Percentage of Resulting Issuer Shares owned or controlled on completion of the Change of Business ⁽¹⁾⁽²⁾
Douglas Wu ⁽³⁾ New York, NY, USA <i>Chief Executive Officer and Director</i>	Mr. Wu is Managing Partner of Whitwell Partners, a merchant banking firm, Senior Advisor to a family office	June 1, 2017	375,000 (2.4%)
Sergei Stetsenko ⁽³⁾ Dubai, UAE <i>Director</i>	CEO of CRG Finance AG private venture capital investment company	June 1, 2017	1,423,750 (8.95%)
Andri Stytsenko ⁽³⁾ Edmonton, Alberta <i>Director</i>	Mr. Stytsenko has a degree in Petroleum Engineering, with over 28 years in the industry, including the last 5 years at Halliburton in Western Canada.	November 20, 2017	Nil
Anthony Jackson Vancouver, British Columbia <i>Chief Financial Officer and Corporate Secretary</i>	Mr. Jackson is a Principal of BridgeMark Financial Corp., which provides corporate compliance, financial advisory, and financial reporting services to public and private companies. He also founded Jackson & Company, Chartered Accountants, which assists private and public companies in a variety of industries with full service accounting, and tax services. Mr. Jackson holds a Bachelor of Business Administration degree (B.B.A) from Simon Fraser University and the professional designation of Chartered Accountant (CA)	January 29, 2018	Nil

Notes:

- (1) *The information as to the Province and Country of residence, principal occupation and shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective directors or officers individually as of May 1, 2018.*
- (2) *Based on 15,901,625 Resulting Issuer Shares being outstanding on completion of the Change of Business.*
- (3) *Member of the Audit Committee.*

At the completion of the Change of Business, it is anticipated that the directors and officers of the Resulting Issuer, as a group, will beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 1,798,750 Resulting Issuer shares, representing approximately 11.3% of the issued and outstanding Resulting Issuer shares on an undiluted basis. Each director's term of office shall expire at the next annual meeting of the Resulting Issuer shareholders unless re-elected at such meeting.

Douglas Wu, CEO and Director

Mr. Douglas Wu is Managing Partner at Whitwell Partners, a merchant banking firm. He has helped acquire, build and exit businesses in a variety of industries including technology, insurance services, natural resources, infrastructure, and financial services. He was formerly Managing Director/ Head of Private Equity at Rothschild Emerging Markets and CEO of G2 Natural Resources, a joint venture with G2 Investment Group. He began his career at Thomas H. Lee Company, a private equity firm. He is a graduate of Harvard College and Harvard Business School and is Industrial Sector Lead of HBS Alumni Angels.

Sergei Stetsenko, Director

Mr. Sergei Stetsenko is a financier and venture capitalist who is acting CEO of CRG Finance AG, a private venture capital firm in Zug, Switzerland. He has helped raise over \$100 mm in capital for companies in the technology, health care, communications and natural resource sectors. He is a founder of Vynleads, a US technology company, and was founder and CEO from 2003-2005 of Peleton Resources (now Triangle Petroleum – TPLM on the NYSE). Mr. Stetsenko has taken educational training regarding cryptocurrency mining, and personally has created his own cryptocurrency mining operation.

Andri Stytsenko, Director

Mr. Stytsenko a dual citizen of Canada and the Ukraine, and has a degree in Petroleum Engineering, with over 28 years in the industry, including 6 years at Halliburton in Western Canada. He is also an early adopter of crypto currency mining and has been involved with accessing suitable data center locations with economic energy sources, both in Western Canada and Eastern Europe.

Anthony Jackson, Chief Financial Officer and Corporate Secretary

Mr. Jackson is a Principal of BridgeMark Financial Corp., which provides corporate compliance, financial advisory, and financial reporting services to public and private companies. He also founded Jackson & Company, Chartered Accountants, which assists private and public companies in a variety of industries with full service accounting, and tax services. Prior to his time at BridgeMark, Mr. Jackson spent a number of years working at Ernst & Young LLP and obtaining his Chartered Accountant designation, before moving on to work as a senior analyst at a boutique investment banking firm. Mr. Jackson holds a Bachelor of Business Administration degree (B.B.A) from Simon Fraser University and the professional designation of Chartered Accountant (CA). Mr. Jackson has extensive experience as a director and CFO of numerous publicly traded companies.

Management

On Closing, the management team of the Resulting Issuer is expected to be comprised of Douglas Wu as Chief Executive Officer and Anthony Jackson as Chief Financial Officer and Corporate Secretary. It is anticipated that Board of the Resulting Issuer will consist of Douglas Wu, Sergei Stetsenko and Andri Stytsenko.

None of the directors or officers listed above have entered into non-competition or non-disclosure agreements with the Company or proposes to enter into such an agreement with the Resulting Issuer.

Advisors

The Company has formed a Board of Advisors, which the Resulting Issuer will rely on for their expertise. That Board of Advisors is as follows:

Phillip J. Galinsky, Advisor

Phillip J. Galinsky has been working in the cryptocurrency space since 2010, when he began developing an altcoin triangular arbitrage system and trading bot. In 2013, Mr. Galinsky produced a film, Banking on Bitcoin, which had a theatrical and Netflix release. Mr. Galinsky works as a Human Research Technologist at the Cognition Affect and Temperament Lab at Pennsylvania State University, where he has been awarded two grants from the PSU Center for Online Innovation in Learning for development of a mobile eye tracking system and a \$500,000 grant from the National Institutes of Health. He is a graduate of Manhattan College.

John Lema, Advisor

John Lema is a serial technology CEO and CTO. He is currently the CEO of Elevate, a venture backed real estate SAS company partnered with several of the largest commercial real estate firms. He is the former CTO of Convene and CEO / founder of ScrollMotion, a leading B2B SAS platform that was the largest supplier of apps to iTunes. He led sales teams servicing leading clients including GE, Exxon and Toyota. Additionally, he was the EY Entrepreneur of the Year Finalist in 2012 and is a graduate of Carnegie Mellon

Bob McElrath, Advisor

Bob McElrath is Vice President of Block Chain System Architecture at Fidelity Investments, a leading financial institution. He was previously a serial CTO, Chief Scientist and Software Developer for blockchain technology companies, including SolidX (cryptographic keys for identity) and Ribbit Rewards (cryptocurrencies for airline rewards programs). He is an experienced cryptocurrency developer and team leader with experience in bitcoin and Ethereum. He was formerly Senior Software Developer at Bloomberg and has a PhD in theoretical particle physics from the University of Wisconsin. Dr. McElrath did his post doctorate work at the University of California and at CERN and has over 32 publications.

Michael Maloney, Advisor

Michael Maloney is a Managing Director at Galaxy Digital, a leading digital currency/ blockchain merchant bank, where he leads the Advisory Services practice. He has extensive technology advisory, architecture design, and blockchain experience, and has been active in development within the space since 2011. He has developed numerous blockchain applications for clients across a variety of industries, including; digital goods and games trading, supply chain management, anti-money laundering and KYC regulatory compliance, and language processing and machine learning marketplaces. Formerly, Mr. Maloney led Distributed Ledger technology development at Ernst & Young, LLP, and worked with an international team to introduce and provide solutions to global companies. He has additional experience across a number of regulatory spaces, including government and third party oversight agencies. He has a strong background in statistical analysis and technology implementation, and has performed a variety of services ranging from developing custom transaction monitoring solutions, advanced data reporting and solution / vendor selection, to realized GPS and event-triggered mobile applications.

Geoff Hampson, Advisor

Geoff Hampson brings over 30 years as an investor, acquirer, senior executive and director of startup, turnaround and high growth companies. Geoff has completed transactions in the industrial manufacturing, real estate, internet infrastructure, mining, and oil & gas sectors where he has been able to build strong teams to lead businesses into sector leading positions. He has built up data center/ cloud business, Peer 1 Network, and sold it to Cogeco for \$565 million. Geoff is an investor and director of many small and mid-sized companies throughout Canada, Europe and the USA. He currently serves as the Chairman of the Board and CEO of Fibrox Technology Ltd., a North American leader in the

production of mineral fiber. He also serves as the Chairman of the Board and CEO of Para Resources Inc., a publicly-listed company on the TSX Venture Exchange, focusing on North and South American gold properties. Geoff served as a member of the University of British Columbia's International Advisory Board. He is active in local and international associations and charities.

Wayne Nemeth, Advisor

Wayne Nemeth is a technology company CEO, advisor and investor. He was formerly CEO/ COO of T+ink, a venture backed electronic ink company connecting retail inventory to Internet of Things. He was founder of Pelap Group, an advisory and investment firm focused on SAS and data analytics. For 10 years, Wayne was a Partner at Sprout Group, a \$3 bn venture capital firm owned by DLJ/ Credit Suisse. Board roles include: Calix, DynamicOps (acquired by VM Ware), Internet Phonics (acquired by Ciena) and Lefthand Networks (acquired by HP). He is a graduate of University of Pennsylvania and The Wharton School.

Tim Vercruyse, Advisor

Tim Vercruyse is a seasoned technology executive with 25 years' experience building world class systems, teams and technology solutions. He is founder and Managing Partner of Black Dog Consulting, providing data science and machine learning solutions to clients such as Thomson Reuters, CBS, 1-800 Flowers and the US Office of Naval Research. He was formerly Director of Software Development at Bloomberg and Citigroup and has a BS and MS in Computer Science and Data Science from Stony Brook University.

Tom St. Laurent, Advisor

Tom St. Laurent is Technical Director of Blockchain Technologies Corp, a blockchain incubator and development firm founded in 2010. Over the past decade, he has developed social gaming software, virtual merchandising engines at scale, architecture for promotional frameworks for media conglomerates. Mr. St. Laurent led development at the Zap Project, a blockchain platform for curating reliable information authorities (Oracles) that deliver real world data to smart contracts. Before joining the Zap Project, he led engineering at Gimli.io, an eSports betting platform built on the Ethereum blockchain, allowing users to wager on their favorite streams. He has a Bachelor of Science in Physics from Manhattan College.

Joseph Fiscella, Advisor

Joseph Fiscella is Senior Blockchain Developer at Galaxy Investment Partners, founded by Michael Novogratz, a former co-founder of Fortress Investment Group and a former partner at Goldman Sachs. He is a Blockchain Developer and an early adopter of digital currencies. Mr. Fiscella is the lead developer of the Florincoin project and co-founder of Alexandria, the first fully peer-to-peer decentralized video streaming application. He is a long-time member of the Bitcoin NYC community and has worked with numerous NYC blockchain and Bitcoin startups, including Blocktech, SolidX Partners, and Blockchain of Things. Mr. Fiscella has a Bachelor of Science in Computer Science from Manhattan College.

Promoters

None.

Corporate Cease Trade Orders or Bankruptcies

None of the above directors or officers, or securityholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, within 10 years

before the date of this Filing Statement, has been, a director, officer or promoter of any person or company that, while that person was acting in that capacity, except as set forth below,

- (1) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or
- (2) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact.

Mr. Wu has been Chief Executive Officer and a director of Greatbanks Resources Ltd. ("**Greatbanks**") since April 2017. On November 29, 2017, the British Columbia Securities Commission issued a cease trade order ordering the cessation of trading in the securities of Greatbanks by certain insiders of Greatbanks, including Mr. Wu. The cease trader order was issued for failure by Greatbanks to file its annual audited financial statements for the year ended July 31, 2017. On January 30, 2018, the British Columbia Securities Commission, pursuant to the filing of the annual audited financial statements of Greatbanks, revoked the cease trade order.

Penalties or Sanctions

No proposed director or officer of the Resulting Issuer, or a securityholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has

- (1) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (2) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable securityholder making a decision about the Change of Business.

Personal Bankruptcies

No proposed director or officer of the Resulting Issuer, or a securityholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any such persons, has, within the 10 years before the date of this Filing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or Promoter.

Conflicts of Interest

Some of the individuals proposed for appointment or acting as directors or officers of the Resulting Issuer upon the completion of the Transactions are also directors, officers and/or Promoters of other reporting and non-reporting issuers. Except as disclosed below, as of the date of this Filing Statement and to the knowledge of the directors and officers of the Company, there are no existing conflicts of interest between the Resulting Issuer and any of the individuals acting as directors or officers following the Company AGM.

Conflicts of interest will be subject to, and will be resolved in accordance with, the procedures and remedies under the ABCA.

Other Reporting Issuer Experience

The following table sets out the proposed directors and officers of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

Name	Name and Jurisdiction of Reporting Issuer	Name of Trading Market	Position	To - From (MM/YYYY)
Sergei Stetsenko	Greatbanks Resources Ltd. / Ontario	Exchange	Director	04/2017 to present
Douglas Wu	Greatbanks Resources Ltd. / Ontario	Exchange	CEO and Director	04/2017 to present
Anthony Jackson	Arcturus Ventures Inc. / British Columbia	NEX	CEO, CFO and Director	01/2017 to present
	Delta 9 Cannabis Inc. / British Columbia	Exchange	CFO and Director	12/2015 to present
	Global UAV Technologies Ltd. (formerly Alta Vista Ventures Ltd.) / British Columbia	CSE	CFO	03/2017 to present
	Intact Gold Corp. / British Columbia	Exchange	President, CEO, Corporate Secretary and Director	05/2015 to present
	Kootenay Zinc. Corp. / British Columbia	CSE	CFO and Director	12/2015 to present
	Montego Resources Inc. / British Columbia	CSE	CFO	08/2016 to present
	Tiller Resources Ltd. / British Columbia	Exchange	CFO	05/2014 to present
	Kincora Copper Limited / British Columbia	Exchange	CFO	09/2014 to present
	Eyecarrot Invoations Corp. / British Columbia	Exchange	CFO / Corporate Secretary	07/2015 to present
	Dynasty Gold Corp. / British Columbia	Exchange	CFO	09/2011 to present
	Altan Rio Minerals Limited / British Columbia	Exchange	CFO	06/2013 to present
	Senator Minerals Inc. / British Columbia	Exchange	Director	12/2014 to present
	Kaneh Bosm Biotechnology Inc. / British Columbia	CSE	CFO	12/2014 to present
	Navis Resources Corp. / British Columbia	CSE	Director	06/2016 to present
	Fire River Gold Corp. / British Columbia	NEX	CFO	02/2016 to present
American Potash Corp. / British Columbia	CSE	CFO	02/2015 to present	

Executive Compensation

As of the date of this Filing Statement, and other than as disclosed below and under "*Options to Purchase Securities*", the anticipated compensation for each of the Resulting Issuer's three most highly compensated executive officers, in addition to the proposed Chief Executive Officer and Chief Financial Officer for the 12 month period after giving effect to the Change of Business is not known.

Incentive Plan Awards

Option-based awards

The Resulting Issuer intends on granting stock options under the New Stock Option Plan at Closing. See "*Part II – Information Concerning the Resulting Issuer – Options to Purchase Securities*" below for more detail, and see "*Part I – Information Concerning the Company – New Stock Option Plan*" above for more detail on the New Stock Option Plan.

In addition to the above, the Resulting Issuer will likely grant future option-based awards, being awards under the New Stock Option Plan, including, for greater certainty, by granting stock options to its directors, officers, employees, consultants and charities. The timing, amounts, exercise price of these future option-based awards are not yet determined. See "*Forward Looking Statements*".

Pension Plan Benefits

During the 12 month period post-Closing, it is not expected that the Resulting Issuer will provide for defined benefit plans or defined contribution plans, being plans that provide for payments or benefits at, following, or in connection with retirement, or provide for deferred compensation plans. See "*Forward-Looking Information*".

Compensation of Directors

Since, June 2017, directors of the Company have each received directors fees equal to US\$10,000 per month. It is not yet determined if directors of the Resulting Issuer will continue to be paid fees for their services, however, the amounts of such fees will be determined in the discretion of the Board of Directors of the Resulting Issuer following completion of the Change of Business.

It is also expected that the Resulting Issuer will grant stock options to directors in recognition of the time and effort that such directors devote to the Resulting Issuer. The timing, amounts, exercise price of these future option-based awards are not yet determined.

Indebtedness of Directors and Officers

No individual who: (a) is a director or officer of the Resulting Issuer; (b) at any time during the most recently completed financial year of the Company, was a director or officer of the Company or (c) is an Associate of any of the foregoing, is either: (i) indebted to the Company or any of its subsidiaries; or (ii) indebted to another entity with such indebtedness being the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

Options to Purchase Securities

The Resulting Issuer reserves the right to grant Resulting Issuer Options to directors, officers, employees consultants and charities subsequent to completion of the Change of Business, with the exercise price and amount to be determined by the Board of Directors.

After the Resulting Issuer has been trading for no less than 10 trading days, the Resulting Issuer intends on granting stock options under the New Stock Option Plan to purchase an aggregate of 1,925,695 Resulting Issuer Shares. See "*Part I – Information Concerning the Company – New Stock Option Plan – Exemptions in Connection with Issuance of Options to Insiders*".

It is expected that at Closing, there will be 1,254,629 Resulting Issuer Options and 15,901,625 Resulting Issuer Shares outstanding. It is expected that the 1,925,695 Resulting Issuer Options to be issued on Closing will fully vest on grant and will have a term of 10 years. The exercise price of such Resulting Issuer Options will be set in accordance with the policies of the TSXV and the New Stock Option Plan, at the time of grant.

Additionally, there will be 3,498,309 outstanding warrants / finder's warrants / agent's options to purchase Resulting Issuer Shares. See "*Part I – Information Concerning the Company – Description of Securities*" above for more detail.

Other than the foregoing, no other securities will be outstanding which are convertible into, or exchangeable for, Resulting Issuer Shares following the completion of the Transactions.

Upon Closing, the outstanding Resulting Issuer Options will be held under the New Stock Option Plan, by:

Group / Other Optionee	Number of Resulting Issuer Options
All proposed officers of the Resulting Issuer, as a group	627,314
All proposed directors of the Resulting Issuer who are not also officers, as a group	627,315

There are no assurances that the options described above will be exercised in whole or in part. There are no options being granted to Insiders other than as detailed above.

Stock Option Plan

The stock option plan of the Resulting Issuer will be the New Stock Option Plan. For a description of the New Stock Option Plan, see the heading "*Part I - Information Concerning the Company – New Stock Option Plan*".

Escrowed Securities

Pursuant to the Resulting Issuer Escrow Agreement, 1,798,750 Resulting Issuer Shares will be held in escrow pursuant to the Resulting Issuer Escrow Agreement, with Computershare as escrow agent.

The following table lists the names of the shareholders of the Resulting Issuer who will hold Resulting Issuer Escrow Shares following the completion of the Transactions, which shares will be subject to Value Escrow (as that term is defined in the policies of the Exchange).

Number of Securities Held in Escrow (Percentage of Class)					
Name and Municipality of Residence of Securityholder	Designation of Class	Resulting Issuer Shares Prior to Giving Effect to the Transactions		Resulting Issuer Shares After Giving Effect to the Transactions	
		Number of Securities Held in Escrow	Percentage of Class	Number of Securities to be held in escrow	Percentage of Class
Douglas Wu New York, NY, USA	Common Shares	Nil ⁽¹⁾	n/a	375,000	2.4% ⁽²⁾
	Options	Nil ⁽¹⁾	n/a	627,314	50.0% ⁽³⁾
	Warrants	Nil ⁽¹⁾	n/a	375,000	10.8% ⁽⁴⁾
Sergei Stetsenko Dubai, UAE	Common Shares	Nil ⁽¹⁾	n/a	1,423,750	9.0% ⁽²⁾
	Options	Nil ⁽¹⁾	n/a	627,315	50.0% ⁽³⁾
	Warrants	Nil ⁽¹⁾	n/a	70,000	2.0% ⁽⁴⁾

Notes:

- (1) None of the securities held by these individuals are presently subject to escrow or any resale restrictions.
- (2) Based on 15,901,625 Resulting Issuer Shares being outstanding on completion of the Transactions.
- (3) Based on 1,254,629 Resulting Issuer Options being outstanding on completion of the Transactions.
- (4) Based on 3,498,309 outstanding warrants / finder's warrants / agent's options to purchase Resulting Issuer Shares being outstanding on completion of the Transactions.

The schedule of release of the Resulting Issuer Escrow Shares that are Value Shares (as that term is defined in the policies of the Exchange) is as follows:

Release Dates	Percentage of Total Resulting Issuer Escrow Shares to be Released
at the time of the Final Exchange Bulletin	10%
6 months after the Final Exchange Bulletin	15%
12 months after the Final Exchange Bulletin	15%
18 months after the Final Exchange Bulletin	15%
24 months after the Final Exchange Bulletin	15%
30 months after the Final Exchange Bulletin	15%
36 months after the Final Exchange Bulletin	15%

Transfer of Resulting Issuer Escrow Shares

Where shares subject to escrow are to be held by a company or trust, such company or trust will be required to agree not to carry out, while its shares are in escrow, any transaction that would result in the change of control of the Resulting Issuer. Any such company will be required to further undertake to the Exchange that, to the extent reasonably possible, it will not permit or authorize any issuance or transfer of securities which could reasonably result in a change of control of the Resulting Issuer.

All holders of Resulting Issuer Escrow Shares must obtain Exchange consent to transfer such shares, other than in specified circumstances set out in the Resulting Issuer Escrow Agreement.

Auditors

The auditor of the Resulting Issuer will be MNP LLP, located at 1500, 640 – 5th Avenue SW, Calgary, Alberta T2P 3G4.

Transfer Agent and Registrar

The transfer agent and registrar of the Resulting Issuer will be Computershare Investor Services Inc. 530 8 Avenue SW, Calgary, Alberta T2P 3S8.

PART III - GENERAL MATTERS

Sponsor

Pursuant to the Exchange Policy 2.2 – *Sponsorship and Sponsorship Requirements*, sponsorship is generally required in conjunction with a “change of business” transaction.

The Company has received an exemption from the sponsorship requirement on the basis that the Agent, as a Member of the Exchange, has acted as the Agent for the Brokered Equity Financing and provided the Exchange with confirmation that it has completed appropriate due diligence that is generally in compliance with the relevant standards and guidelines applicable in Exchange Policy 2.2 – *Sponsorship and Sponsorship Requirements*.

Relationships

Except as disclosed herein, there are no actual or anticipated agreements with any registrant to provide sponsorship or corporate finance services either now or in the future. See "*Part I – Information Concerning the Company – Equity Financings*" for more detail.

Experts

The audited financial statements of the Company for the fiscal years ended September 30, 2017, 2016 and 2015 described or included in this Filing Statement were audited by MNP LLP.

MNP LLP, does not beneficially own, directly or indirectly, any securities; nor does it have any interest in the property of the Company or the Resulting Issuer (on Closing). Moreover, none of the foregoing Persons or any of their respective directors, officers or employees is, or expects to be, elected, appointed or employed as a director, officer or employee of the Resulting Issuer or its Associates or Affiliates.

MNP LLP, are the auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed in the relevant professional bodies in Canada and any applicable legislation or regulation.

The Agent has advised that neither it nor any members of its pro group currently hold, directly or indirectly, more than 1% of any securities of the Company or any Associate or Affiliate of the Company.

Moreover, none of the foregoing Persons nor any of their respective directors, officers or employees is, or expects to be, elected, appointed or employed as a director, officer or employee of the Resulting Issuer or its Associates or Affiliates.

Other Material Facts

There are no other material facts about the Company or the Resulting Issuer that are not disclosed elsewhere in this Filing Statement.

Board Approval

The contents and sending of this Filing Statement have been approved by the Board of Directors of the Company. Where information contained in this Filing Statement rests particularly within the knowledge of a Person other than the Company, the Company has relied upon information furnished by such Person.

CERTIFICATE OF AFRICA HYDROCARBONS INC.

The foregoing document constitutes full, true and plain disclosure of all material facts relating to the securities of Africa Hydrocarbons Inc. ("**AHI**"), assuming completion of the Transactions (as that term is defined in the Filing Statement of AHI dated May 22, 2018).

DATED: May 22, 2018

(signed) "Douglas Wu"

Douglas Wu, Chief Executive Officer

(signed) "Anthony Jackson"

Anthony Jackson, Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS OF AHI

(signed) "Sergei Stetsenko"

Sergei Stetsenko, Director

(signed) "Andri Stytsenko"

Andri Stytsenko, Director

ACKNOWLEDGEMENT OF PERSONAL INFORMATION

"Personal Information" means any information about an identifiable individual, and includes information contained in any Items in the attached filing statement that are analogous to Items 4.2, 11, 13.1, 16, 18.2, 19.2, 24, 25, 27, 32.3, 33, 34, 35, 36, 37, 38, 39, 41 and 42 of the Exchange Form 3D2, as applicable.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

- (a) the disclosure of Personal Information by the undersigned to the TSX-V (as defined in Appendix 6B) pursuant to the Form 3D2; and
- (b) the collection, use and disclosure of Personal Information by the TSX-V for the purposes described in Appendix 6B or as otherwise identified by the TSX-V, from time to time.

ON BEHALF OF THE BOARD OF DIRECTORS OF AFRICA HYDROCARBONS INC.

(signed) "Douglas Wu"

Douglas Wu, Chief Executive Officer and a
Director

Appendix A

Financial Statements of the Company for the interim period ended December 31, 2017

[beginning on following page]



Interim Consolidated Financial Statements

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

AFRICA HYRDOCARBONS INC.

February 28, 2018

Management's Report to the Shareholders

Management is responsible for the reliability and integrity of these financial statements. The accompanying interim consolidated financial statements have been prepared by management in accordance with International Accounting Standards ("IAS") 34 - Interim Financial Reporting and are in accordance with International Financial Reporting Standards ("IFRS"). The interim consolidated financial statements are presented in Canadian Dollars.

The accompanying interim consolidated financial statements have been prepared using policies and procedures established by management and reflect fairly the Corporation's financial position, results of operations and changes in financial position, within reasonable limits of materiality and within the framework of the accounting policies outlined in the notes to the financial statements. Management has established and maintains a system of internal controls which is designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed of a majority of non-management directors. The Audit Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged.

The following interim consolidated financial statements are unaudited and have not been reviewed by the Corporation's auditor.

AFRICA HYRDOCARBONS INC.

Interim Consolidated Statements of Financial Position

As at December 31, 2017 and September 30, 2017

(Unaudited - Expressed in Canadian dollars)

	December 31, 2017	September 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,081,735	\$ 1,047,267
Trade and other receivables	3,371	14,569
Prepaid expenses and deposits	4,074	916
	\$ 1,089,180	\$ 1,062,752
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (notes 6 and 12)	\$ 29,444	\$ 113,381
	29,444	113,381
Shareholders' equity		
Share capital (note 8)	44,218,564	43,981,389
Warrants (note 8 (d))	123,024	104,449
Contributed surplus	10,354,211	9,959,641
Accumulated foreign currency translation	1,455,366	1,455,146
Deficit	(55,091,429)	(54,551,254)
	1,059,736	949,371
	\$ 1,089,180	\$ 1,062,752

Going concern (note 2)

Commitments and contingencies (note 14)

Subsequent events (note 15)

See accompanying notes to the interim consolidated financial statements.

Approved for issuance by the Board of Directors on February 28, 2018

Signed "Douglas Wu"

Douglas Wu, Director

Signed "Sergei Stetsenko"

Sergei Stetsenko, Director

AFRICA HYDROCARBONS INC.

Interim Consolidated Statements of Comprehensive Loss
 For the three months ended December 31, 2017 and 2016
 (Unaudited - Expressed in Canadian dollars)

Three months ended December 31,	2017		2016	
Expenses				
General and administrative (note 11)	\$	118,748	\$	60,380
Professional fees		24,662		11,126
Share-based payments (note 8(c))		394,570		-
Finance expenses (note 9)		1,272		454
Foreign exchange loss		923		1,408
		540,175		73,367
Net loss for the period		(540,175)		(73,367)
Other comprehensive income				
Exchange gain on translation		-		1,045
Comprehensive loss for the period	\$	(540,175)	\$	(72,322)
Net loss per share (note 10):				
Loss per share from continuing operations:				
Basic and diluted	\$	(0.04)	\$	(0.01)
Loss per share for the period:				
Basic and diluted	\$	(0.04)	\$	(0.01)

See accompanying notes to the interim consolidated financial statements.

AFRICA HYDROCARBONS INC.

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

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

	December 31, 2017	December 31, 2016
Share capital		
Balance, beginning of period	\$ 43,981,389	\$ 42,900,211
Issued pursuant to private placement	275,000	-
Share issue costs, including broker warrants	(37,825)	-
Balance, end of period	44,218,564	42,900,211
Warrants		
Balance, beginning of period	104,449	-
Warrants issued	18,575	-
Balance, end of period	123,024	-
Contributed surplus		
Balance, beginning of period	9,959,641	9,720,425
Share-based payments	394,570	-
Balance, end of period	10,354,211	9,720,425
Accumulated foreign currency translation		
Balance, beginning of period	1,455,146	1,456,912
Gain on translation	220	1,045
Balance, end of period	1,455,366	1,457,958
Deficit		
Balance, beginning of period	(54,551,254)	(54,007,053)
Net loss for the period	(540,175)	(73,367)
Balance, end of period	(55,091,429)	(54,080,420)
Shareholders' equity (deficiency)	\$ 1,059,736	\$ (1,826)

See accompanying notes to interim consolidated financial statements.

AFRICA HYDROCARBONS INC.

Interim Consolidated Statements of Cash Flows

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

Three months ended December 31,	2017	2016
Cash provided by (used in):		
Operating activities:		
Loss from continuing operations	\$ (540,175)	\$ (73,367)
Item not affecting cash:		
Share-base payments	394,570	-
Change in non-cash operating working capital:		
Decrease in trade and other receivables	11,198	1,367
Increase in prepaid expenses and deposits	(3,158)	(60,207)
Decrease in trade and other payables	(83,937)	(13,311)
Cash flows used in operating activities	(221,502)	(145,518)
Financing activity:		
Proceeds received from private placement, net of share issue costs	255,750	-
Cash flows provided by financing activity	255,750	-
Effect of foreign exchange on cash and cash equivalents	220	1,045
Net change in cash and cash equivalents	34,468	(144,473)
Cash and cash equivalents, beginning of period	1,047,267	193,851
Cash and cash equivalents, end of period	\$ 1,081,735	\$ 49,378

See accompanying notes to the interim consolidated financial statements.

AFRICA HYDROCARBONS INC.

Notes to the Interim Consolidated Financial Statements, page 1
For the three months ended December 31, 2017 and 2016
(Unaudited - Expressed in Canadian dollars)

1. Nature of operations and basis of presentation:

Africa Hydrocarbons Inc. (the “Corporation”) is a public company incorporated under the Company Act, Alberta, Canada and its shares are listed on the NEX on the TSX Venture Exchange. The principal business of the Corporation was to explore natural resource properties. In early 2016, the Corporation ceased to operate in the resource sector and on November 23, 2017 it was announced that it is management’s intention to complete a “Change of Business” transaction (“COB Transaction”) pursuant to the policies of the TSX Venture Exchange, with the result that the Corporation will become a blockchain technology company, listed on the Exchange. The Corporation intends to seek the requisite shareholder approval to change the name of the Corporation to “BlockchainK2 Corp.”.

The address of the Corporation’s main office is Suite 320, 600 6th Ave SW, Calgary, AB, T2P 0S5.

Statement of compliance

These interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), in particular IAS 34, interim reporting, and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”), in effect at October 1, 2016. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the interim consolidated financial statements are disclosed in note 5.

Basis of measurement

The interim consolidated financial statements have been prepared on a historical cost basis, except for the valuation of certain financial assets and financial liabilities to fair value.

Items included in the financial statements of the Corporation and its subsidiaries are measured using the currency of the primary economic environment in which the Corporation operates (the “functional currency”). The interim consolidated financial statements are presented in Canadian dollars, which is the Corporation’s functional currency.

2. Going concern:

The interim consolidated financial statements have been prepared on the basis that the Corporation will continue to operate as a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Corporation will manage its activity levels, expenditures and commitments based on its current cash position. For the three months ended December 31, 2017, the Corporation reported a net loss of \$540,175 (2016 - \$73,367) and has a deficit of \$55,091,429 (September 30, 2017 - \$54,551,254). These conditions indicate the existence of a material uncertainty that casts significant doubt about the Corporation’s ability to continue as a going concern. These consolidated financial statements do not reflect adjustments in the amounts and classifications of assets and liabilities reported that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

AFRICA HYDROCARBONS INC.

Notes to the Interim Consolidated Financial Statements, page 2

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

2. Going concern (continued):

The Corporation's ability to continue as a going concern is dependent on its ability to generate additional financial resources in the form of debt and/or equity in order to meet its planned business objectives. There is no guarantee that the Corporation will be able to continue generating such financing but on November 24, 2017, the Corporation announced a proposed non-brokered private placement of a minimum of 1,600,000 units and a maximum of 2,400,000 units at a price of \$1.25 per unit for total gross proceeds of a minimum of \$2,000,000 to a maximum of \$3,000,000.

3. Significant accounting policies:

These policies have been applied consistently for all periods presented in these interim consolidated financial statements.

a.) Basis of consolidation

The interim consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries: Watutatu Inc., Africa Hydrocarbons (Bahamas) Ltd., and Africa Hydrocarbons Tunisia Ltd.

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Inter-company transactions, balances and unrealized gains or losses with the subsidiaries are eliminated. The financial statements of the subsidiaries are prepared using consistent accounting policies with that of the Corporation.

b.) Cash and cash equivalents

Cash and cash equivalents consist of cash held with banks and cash held in trust accounts with maturities of three months or less.

c.) Foreign currency translations

The functional currency of the Corporation is Canadian dollars and the functional currency of Watutatu Inc., Africa Hydrocarbons (Bahamas) Ltd., and Africa Hydrocarbons Tunisia Ltd. is US dollars.

Transactions in foreign currencies are translated to the respective functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary items are measured in terms of historical cost in a foreign currency and are translated using the exchange rate at the date of the transaction. The foreign currency gains or losses resulting from such transactions are recognized in the consolidated statement of loss and comprehensive loss.

The assets and liabilities of the Corporation's subsidiaries which have functional currencies different from the presentation currency of the Corporation are translated to the presentation currency at the rate of exchange in effect at the financial period end; revenue and expenses are translated at average exchange rates. All resulting exchange gains or losses are recognized as a foreign currency translation adjustment and included as a separate component of accumulated other comprehensive loss.

AFRICA HYDROCARBONS INC.

Notes to the Interim Consolidated Financial Statements, page 3

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

3. Significant accounting policies (continued):**d.) Taxes**

The Corporation follows the liability method of accounting for taxes. Under this method, deferred tax assets and liabilities are recognized based on the estimated tax effects of temporary differences in the carrying amount of assets and liabilities in the consolidated financial statements and their respective tax bases.

Deferred tax assets and liabilities are calculated using the enacted or substantively enacted income tax rates that are expected to apply when the asset is recovered or the liability is settled. Deferred tax assets or liabilities are not recognized when they arise on the initial recognition of an asset or liability in a transaction (other than in a business combination) that, at the time of the transaction, affects neither accounting nor taxable profit.

Deferred tax assets for deductible temporary differences and tax loss carryforwards are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences or tax loss carryforwards can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date, and is reduced if it is no longer probable that sufficient future taxable profits will be available against which the temporary differences or tax loss carryforwards can be utilized.

Current tax is calculated based on net earnings for the year, adjusted for items that are non-taxable or taxed in different periods, using income tax rates that are enacted or substantively enacted at each reporting date.

Income taxes are recognized in equity or other comprehensive income, consistent with the items to which they relate.

e.) Share-based payments

The Corporation's Stock Option Plan (the "Option Plan") provides current employees with the right to elect to receive common shares in exchange for options surrendered. The Corporation records compensation expense over the graded vesting period based on the fair value of options granted. Compensation expense is recorded in the consolidated statement of loss and comprehensive loss as share-based payment expense with a corresponding credit to contributed surplus. When stock options are exercised, the proceeds, together with the amount recorded in contributed surplus, are recorded in share capital. The fair value of stock options granted is estimated using the Black-Scholes option pricing model, taking into account amounts that are believed to approximate the forfeiture rate, volatility of the trading price of the Corporation's shares, the expected lives of the awards of share-based payments, the fair value of the Corporation's stock and the risk-free interest rate, as determined at the grant date. Forfeitures are estimated through the vesting period based on past experience and future expectations, and adjusted upon actual vesting.

f.) Warrants classified as equity

The Corporation has adopted the pro-rata basis method for the measurement of shares and warrants issued as private placement units. The pro-rata basis method requires that gross proceeds and related share issuance costs be allocated to the common shares and the warrants based on the relative fair value of the component.

The fair value of the common share is based on the closing price on the closing date of the transaction and the fair value of the warrant is determined using the Black-Scholes Option Pricing Model.

The fair value attributed to the warrant is recorded as warrant equity. If the warrant is exercised, the value attributed to the warrant is transferred to share capital. If the warrant expires unexercised, the value is reclassified to contributed surplus within equity. Warrants, issued as part of private placement units, that have their term of expiries extended, are not subsequently revalued.

AFRICA HYDROCARBONS INC.

Notes to the Interim Consolidated Financial Statements, page 4

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

3. Significant accounting policies (continued):**g.) Financial instruments**

The Corporation classifies its financial instruments into one of the following categories: fair value through profit or loss; held-to-maturity investments; loans and receivables; available-for-sale financial assets; and financial liabilities measured at amortized cost. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods is dependent on the classification of the respective financial instrument.

Fair value through profit or loss financial instruments are subsequently measured at fair value with changes in fair value recognized in the consolidated statement of loss and comprehensive loss. All other categories of financial instruments are measured at amortized cost using the effective interest method except for available-for-sale financial assets that are measured at fair value through other comprehensive income.

Cash and cash equivalents and trade and other receivables are classified as loans and receivables. Trade and other payables are classified as other financial liabilities measured at amortized cost.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized immediately in the consolidated statement of loss and comprehensive loss. Transaction costs in respect of other financial instruments are included in the initial measurement of the financial instrument and amortized to the consolidated statement of loss and comprehensive loss using the effective interest method.

Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, an impairment loss is recognized in the consolidated statement of loss and comprehensive loss.

Impairment losses on financial assets carried at amortized cost, including loans and receivables, are calculated as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

h.) Comprehensive loss

Comprehensive loss is comprised of the Corporation's net loss and other comprehensive loss. Other comprehensive loss includes foreign currency translation of subsidiaries with a different functional currency than the Corporation.

i.) Per common share amounts

Basic per share amounts are calculated by dividing the net earnings or loss by the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated by using the treasury stock method, by adjusting the weighted average number of shares outstanding for the potential number of issued instruments which may have a dilutive effect on net earnings or loss. This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the period.

AFRICA HYDROCARBONS INC.

Notes to the Interim Consolidated Financial Statements, page 5

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

4. Accounting standards:

Future accounting standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after October 1, 2017 or later periods.

The standards impacted that are applicable to the Corporation are as follows:

- a.) IFRS 2, “Share-based Payment” was amended in June 2016, the International Accounting Standards Board (IASB) issued amendments to IFRS 2, incorporated in Part I of the CPA Canada Handbook-Accounting by the Accounting Standards Board (ASB) in November 2016, to clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on measurement of cash-settled share based payments;
- Share-base payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Corporation continues to assess this new standard, but does not expect it to have a significant impact.’

- b.) IFRS 9, “Financial Instruments” was issued in November 2009 as the first step in its project to replace IAS 39 ‘Financial Instruments: Recognition and Measurement’. IFRS 9 introduces new requirements for classifying and measuring financial assets. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for impairment and hedge accounting. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018. The Corporation continues to assess this new standard, but does not expect it to have a significant impact.
- c.) IFRS 15, “Revenue from Contracts with Customers” was issued in May 2016 to replace IAS 18 “Revenue” and IAS 11 “Construction Contracts”, and several revenue related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options and other common complexities. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The Corporation continues to assess this new standard, but does not expect it to have a significant impact until revenue generating activities occur.
- d.) IFRS 16, “Leases” was issued on January 13, 2017, the IASB issued IFRS 16 Leases which replaces IAS 17. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The standard becomes effective January 1, 2019. IFRS 16 will not impact the Corporation’s consolidated financial statements until such time as the Corporation enters into lease arrangements.

AFRICA HYDROCARBONS INC.

Notes to the Interim Consolidated Financial Statements, page 6

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

4. Accounting standards (continued):**Future accounting standards (continued)**

- e.) IAS 7, "Statement of Cash Flows" was issued in January 2017, the IASB has published amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. They are effective for annual periods beginning on or after 1 January 2017, with earlier application being permitted. The Corporation is currently assessing the impact of this standard.

5. Critical accounting estimates and judgments:

The Corporation has made estimates and assumptions regarding certain assets, liabilities, and expenses in the preparation of the consolidated financial statements. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Accounting Estimates:**a.) Share-based payments**

The Corporation has made various assumptions in estimating the fair values of the common stock options granted including expected volatility, expected exercise behavior and future forfeiture rates. At each period end, options outstanding are re-measured for changes in the fair value of the liability due to forfeitures.

b.) Measurement of warrant valuation

The Corporation uses an option-pricing model to determine the fair value of the warrant. Inputs to the model are subject to various estimates about volatility, interest rates, dividend yields, forfeiture rates and expected life of the instruments issued. Fair value inputs are subject to market factors as well as internal estimates. The Corporation considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

c.) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

Accounting Judgments:**a.) Deferred taxes**

Tax interpretations, regulations and legislation are subject to change and as such income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

AFRICA HYDROCARBONS INC.

Notes to the Interim Consolidated Financial Statements, page 7

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

5. Critical accounting estimates and judgments (continued):**Accounting Judgments (continued):****a.) Deferred taxes (continued)**

Actual results may differ from these estimates due to, among other factors, future changes in business environment, currently unknown changes in income tax legislation, or results from the final review of tax returns by tax authorities.

b.) Functional currency

The determination of the Corporation's functional currency requires analyzing facts that are considered primary factors, and if the results are not conclusive, secondary factors. The analysis requires the Corporation to apply significant judgment since primary and secondary factors may be mixed. In determining its functional currency the Corporation analyzed both the primary and secondary factors, including the currency of the Corporation's revenues, operating costs, general and administrative costs and financing proceeds in the countries that it operates in.

c.) Going concern assessment

The interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Corporation's ability to source future operations and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption were not appropriate for the consolidated financial statements, then adjustments to the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position would be necessary.

6. Trade and other payables:

	December 31, 2017	September 30, 2017
Trade payables	\$ 29,444	\$ 89,381
Other accrued payables	-	24,000
	\$ 29,444	\$ 113,381

7. West Raglan Property:

On May 3, 2012, but effective April 1, 2012, the Corporation signed a dilution agreement that relinquishes all of its working and royalty interests in relation to the West Raglan project. Certain accruals remained on the Corporation's consolidated statement of financial position that related to refundable tax credits in Quebec. The Corporation wrote off the trade and other receivable accrual for the year ended September 30, 2014, and its trade and other payables in the year ended September 30, 2015 and 2016. No further re-assessments or requirements have been requested from the Quebec government.

AFRICA HYDROCARBONS INC.

Notes to the Interim Consolidated Financial Statements, page 8

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

7. West Raglan Property (continued):

The table below summarizes the discontinued operation expense:

Years ended September 30,	2017		2016	
Quebec refundable tax credits	\$	-	\$	22,963
	\$	-	\$	22,963

In the year ended September 30, 2017, the Corporation executed a purchase and sale agreement whereby the Corporation agreed to acquire certain mining claims held by a private company. The Corporation advanced a \$37,500 non-refundable deposit to the vendor. The Corporation decided to not move forward with the proposed acquisition and as a result, the deposit was lost.

8. Share capital:**a.) Authorized:**

Unlimited number of common voting shares and preferred shares

b.) Issued:

On June 30, 2017, the Corporation completed a consolidation of its issued and outstanding common shares on the basis of twenty (20) pre-consolidation common shares for each one (1) post-consolidation common share. All per share numbers in these financial statements have been adjusted to reflect this consolidation.

	Number of Shares		Amount	
Balance, September 30, 2015 and 2016	8,205,475	\$	42,900,211	
Issued pursuant private placement (i)	1,406,250		225,000	
Warrants issued with private placement (note 8(d))	-		(104,449)	
Issued shares for debt (ii)	483,750		101,588	
Issued pursuant private placement (iii)	2,000,000		1,000,000	
Finder warrants	-		(67,111)	
Share issue costs	-		(73,850)	
Balance, September 30, 2017	12,095,475		43,981,389	
Issued pursuant private placement (iv)	450,816		275,000	
Share issue costs	-		(37,825)	
Balance, December 31, 2017	12,546,291	\$	44,218,564	

- (i) On July 31, 2017, the Corporation closed a non-brokered private placement of 1,406,250 equity units at a price of \$0.16 per unit for gross proceeds of \$225,000. Each unit consists of 1 common share and 1 common share purchase warrant in which the warrant entitles the holder to acquire 1 common share at an exercise price of \$0.21 per share for a period of 12 months. Finders' fee totaling \$3,850 in cash and a finder's warrant to acquire 24,062 common shares at a price of \$0.16 per share for a period of 12 months was paid.

AFRICA HYDROCARBONS INC.

Notes to the Interim Consolidated Financial Statements, page 9

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

8. Share capital (continued):**b.) Issued (continued):**

- (ii) On July 31, 2017, the Corporation closed a shares for debt transaction where the short-term loan in the amount of \$75,000 plus interest payable of \$2,400 was settled by the issuance of 483,750 common shares at a price of \$0.16 per share. Based on the trading price of shares on the date of the settlement agreement was reached, a loss of \$24,188 has been recorded in the statement of loss and comprehensive loss.
- (iii) On August 25, 2017, the Corporation closed a non-brokered private placement of 2,000,000 common shares at a price of \$0.50 per share for gross proceeds of \$1,000,000. Finders' fee totaling \$70,000 in cash and a finder's warrant to acquire 140,000 common shares at a price of \$0.50 per share for a period of 12 months was paid.
- (iv) On November 8, 2017, the Corporation closed a non-brokered private placement of 450,816 common shares at a price of \$0.61 per common share for gross proceeds of \$275,000. Finders' fee totaling \$19,250 in cash and a finder's warrant to acquire 31,557 common shares at a price of \$0.61 per share for a period of 12 months was paid.

c.) Stock options:

The Corporation has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Corporation may be reserved for issuance pursuant to the exercise of stock options. The stock options vest immediately on the date of grant unless otherwise required by the exchange or imposed by the Corporation. A summary of the Corporation's stock options, and the changes during the period then ended is as follows:

	December 31, 2017		September 30, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	820,549	\$ 0.16	1,500,000	\$ 0.30
Granted	434,080	0.52	820,549	0.16
Forfeited	-	-	(1,500,000)	(0.30)
Options outstanding and exercisable, end of period	1,254,629	\$ 0.29	820,549	\$ 0.16

The following table summarizes information about stock options outstanding and exercisable at December 31, 2017:

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
\$0.16	820,549	9.49 years	\$0.16
\$0.52	434,080	9.83 years	\$0.52
	1,254,629	9.61 years	\$0.29

AFRICA HYDROCARBONS INC.

Notes to the Interim Consolidated Financial Statements, page 10

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

8. Share capital (continued):**c.) Stock options (continued):**

The fair values of the Corporation's options issued were estimated using the Black-Scholes option pricing model. Expected volatility was estimated by considering historic average share price volatility. The inputs used to measure the fair value of options issued were as follows:

	November 8, 2017	September 30, 2017
Volatility	150%	368%
Risk free interest rate	1.91%	1.68%
Expected life	10 years	3 years

On November 8, 2017, the Corporation granted options to certain directors of the Corporation to acquire a total of 434,080 common shares at an exercise price of \$0.52 per share and expire 10 years from the date of grant.

Share-based payments totaling \$394,570 were expensed during the three months ended December 31, 2017 (2016 - \$Nil).

d.) Warrants:

	December 31, 2017		September 30, 2017	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of period	1,570,312	\$ 0.24	-	\$ -
Issued (note 8(b) (iv))	31,557	0.61	1,570,312	0.24
Warrants outstanding, end of period	1,601,869	\$ 0.24	1,570,312	\$ 0.24

The following table summarizes information about warrants outstanding and exercisable at December 31, 2017:

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
\$0.21	1,406,250	0.58 years	\$0.21
\$0.50	140,000	0.65 years	\$0.50
\$0.16	24,062	0.58 years	\$0.16
\$0.61	31,557	0.85 years	\$0.61
	1,601,869	0.59 years	\$0.24

AFRICA HYDROCARBONS INC.

Notes to the Interim Consolidated Financial Statements, page 11

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

8. Share capital (continued):**d.) Warrants (continued):**

The inputs used to measure the fair value of warrants issued were as follows:

Number	31,557	1,406,250	140,000	24,062
Exercise price	\$0.61	\$0.21	\$0.50	\$0.16
Stock price	\$0.92	\$0.21	\$0.55	\$0.21
Volatility	150%	299%	258%	299%
Risk free interest rate	1.40%	1.30%	1.25%	1.30%
Expected life	1 year	1 year	1 year	1 year
Fair value	\$18,575	\$104,449	\$62,645	\$4,466

9. Finance expense:

The Corporation's finance expense consists of the following:

Three months ended December 31,	2017	2016
Bank fees	\$ 1,272	\$ 454
Finance expense	\$ 1,272	\$ 454

10. Per share amounts:

The number of shares that have been included in the computation of basic and diluted loss per share are as follows:

Three months ended December 31,	2017	2016
Weighted average shares outstanding, basic and diluted	12,355,184	8,205,475

In calculating diluted loss per common share for the three months ended December 31, 2017 and 2016, the Corporation excluded all options and warrants as it is currently in a loss position.

11. Key management compensation and related party transactions:

Related party transactions are in the normal course of operations and are made in terms equivalent to those that prevail in arm's length transactions, which is the amount of consideration established and agreed to by the related parties. The following is a summary of the related party transactions that occurred throughout the three months ended December 31, 2017 and 2016:

- Paid \$10,000 (2016 - \$15,000) for consulting fees and paid \$Nil (2016 - \$4,000) for rent supplement to a company controlled by the previous CEO.
- Paid \$76,652 (2016 - \$Nil) for directors fees and \$394,570 (2016 - \$Nil) for share-based payments paid to key management being directors and officers.
- On March 17, 2017, the Corporation received a loan (the "Loan") in the amount of \$75,000 from a shareholder of the Corporation. The loan is due on demand and accrues interest of 12% per annum, payable upon maturity. On July 31, 2017, the Corporation closed a shares for debt transaction where the short-term loan in the amount of \$75,000 plus interest payable of \$2,400 was settled by the issuance of 483,750 common shares at a price of \$0.16 per share which was valued at \$101,588 (note 8(b) (ii)). A loss of \$24,188 has been recorded in the statement of loss and comprehensive loss during the year ended September 30, 2017.

AFRICA HYDROCARBONS INC.

Notes to the Interim Consolidated Financial Statements, page 12

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

12. Financial instruments:

The carrying values of the Corporation's financial instruments by category were as follows:

December 31, 2017			
Asset (liability)	Fair value through profit or loss	Loans and receivables at amortized cost	Financial liabilities at amortized cost
Cash and cash equivalents	\$ -	\$ 888,731	\$ -
Trade and other receivables	-	3,371	-
Trade and other payables	-	-	(29,444)
	\$ -	\$ 892,102	\$ (29,444)

September 30, 2017			
Asset (liability)	Fair value through profit or loss	Loans and receivables at amortized cost	Financial liabilities at amortized cost
Cash and cash equivalents	\$ -	\$ 988,112	\$ -
Trade and other receivables	-	14,569	-
Trade and other payables	-	-	(113,381)
	\$ -	\$ 1,002,681	\$ (113,381)

The carrying value of the Corporation's financial instruments approximate their fair value due to their short term maturity.

Financial risk factors**a.) Credit risk:**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's cash and cash equivalents, and trade and other receivables are exposed to credit risk. The credit risk on cash and cash equivalents is not considered significant because the counterparties are highly-rated financial institutions. The credit risk on trade and other receivables is not considered significant because the counterparty is the credit on account of \$3,371.

b.) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking harm to the Corporation's reputation.

The following are the contractual maturities of financial liabilities as at December 31, 2017:

Financial Liabilities	< One Year	> One Year
Trade and other payables	\$29,444	\$ -
Total	\$29,444	\$ -

AFRICA HYDROCARBONS INC.

Notes to the Interim Consolidated Financial Statements, page 13

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

12. Financial instruments (continued):**Financial risk factors (continued)****b.) Liquidity risk (continued):**

The following are the contractual maturities of financial liabilities as at September 30, 2017:

Financial Liabilities	< One Year	> One Year
Trade and other payables	\$113,381	\$ -
Total	\$113,381	\$ -

c.) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as interest rates and foreign exchange rates that will affect the Corporation's comprehensive loss or the value of financial instruments. The objective of market risk management is to control market risk exposures within acceptable limits, while maximizing returns.

- Interest rate risk is the risk that future cash flows will fluctuate as a result in changes in market interest rates. The Corporation is exposed to interest rate risk to the extent the changes in market interest rates will impact the Corporation's bank. The Corporation has not entered into any interest rate swaps or financial contracts to date. With regards to interest rate risk, a change of 1% in the effective interest rate would have a minimal impact on the consolidated statement of loss and comprehensive loss.
- Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange risks. The Corporation is exposed to foreign exchange rate risk since the costs of its Tunisia Project will mostly be denominated in U.S. dollars. The effect of a 1% change in the exchange rate would have approximately a \$157,390 impact on the consolidated statement of other comprehensive loss.

13. Capital disclosures:

In the definition of capital, the Corporation includes shareholders' equity. The Corporation's objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares, or engage in debt financing.

The Corporation is not exposed to external capital requirements.

AFRICA HYDROCARBONS INC.

Notes to the Interim Consolidated Financial Statements, page 14

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

14. Commitment and contingencies:

The Corporation was involved in litigation matters arising out of the ordinary course and conduct of its business from operations conducted in Tunisia in the amount of US\$135,989. A settlement estimate of \$75,000 was accrued in the 2016 financial statements.

On April 3, 2017 the Corporation executed and finalized a full and final release on a claim in arbitration for a settlement amount of CDN\$50,000. The Corporation has paid CDN\$50,000 to the former partner and agreed upon that a further CDN\$35,000 payment will be required if the Corporation completes either a \$1,000,000 in financing on or before April 3, 2018, either as a single or part of multiple financings or the market capitalization of the release exceeds \$2,500,000 for a 30 day period within the next 2 years. As at September 30, 2017, these events were met and therefore \$35,000 has been paid resulting in an additional \$10,000 being expensed in the consolidated statement of comprehensive loss.

15. Subsequent events:

On January 19, 2018, the Corporation closed the first tranche of its non-brokered private placement for 2,865,334 units at a price of \$1.25 for gross proceeds of \$3,581,668. Each unit consists of one common share and one half common share purchase warrant in which the warrant entitles the holder to acquire one common share at an exercise price of \$2.00 per share for a period of 12 months from date of issuance. The proceeds were held in escrow.

The Private Placement is being completed in conjunction with the previously announced proposed “Change of Business” (“COB Transaction”) pursuant to the policies of the TSX Venture Exchange (the “Exchange”), with the result that the Corporation will become a blockchain technology company, listed on the Exchange.

On January 22, 2018, the Corporation engaged Mackie Research Capital Corp. (MRCC) to act as agent on a commercially reasonable best efforts basis in connection with a proposed brokered private placement of a minimum of 400,000 subscription receipts and a maximum of 800,000 subscription receipts of the Corporation at a price of \$1.25 per subscription receipt for minimum gross proceeds of \$500,000 and maximum gross proceeds of \$1,000,000.

Appendix B

Financial Statements of the Company for the years ended September 30, 2017 and 2016

[beginning on following page]



Consolidated Financial Statements
Years ended September 30, 2017 and 2016

Independent Auditors' Report

To the Shareholders of Africa Hydrocarbons Inc.

We have audited the accompanying consolidated financial statements of Africa Hydrocarbons Inc., which comprise the consolidated statement of financial position as at September 30, 2017 and September 30, 2016, the consolidated statements of loss and comprehensive losschanges in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Africa Hydrocarbons Inc. as at September 30, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which discusses Africa Hydrocarbons Inc.'s ability to continue as a going concern. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability to continue as a going concern.

Calgary, Alberta
December 8, 2017

MNP LLP
Chartered Professional Accountants

AFRICA HYRDOCARBONS INC.

Consolidated Statements of Financial Position

	September 30, 2017	September 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,047,267	\$ 193,851
Trade and other receivables	14,569	5,360
Prepaid expenses and deposits	916	7,291
	\$ 1,062,752	\$ 206,502
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables (note 6 and 13)	\$ 113,381	\$ 136,006
Shareholders' equity		
Share capital (note 8)	43,981,389	42,900,211
Warrants (note 8(d))	104,449	-
Contributed surplus	9,959,641	9,720,425
Accumulated foreign currency translation	1,455,146	1,456,912
Deficit	(54,551,254)	(54,007,052)
	949,371	70,496
	\$ 1,062,752	\$ 206,502

Going concern (note 2)

Commitments and contingencies (note 15)

Subsequent events (note 16)

See accompanying notes to the consolidated financial statements.

Approved for issuance by the Board of Directors on December 8, 2017

Signed "*Douglas Wu*"

Douglas Wu, Director

Signed "*Sergei Stetsenko*"

Sergei Stetsenko, Director

AFRICA HYDROCARBONS INC.

Consolidated Statements of Loss and Comprehensive Loss

Year ended September 30,	2017	2016
Expenses		
General and administrative	\$ 207,611	\$ 200,493
Professional fees	89,081	89,244
Share-based payments (note 8(c))	172,105	-
Settlement expense (note 15)	10,000	75,000
Write off of non-refundable deposit (note 7)	37,500	-
Loss on settlement of debt (note 12)	24,188	-
Finance expense (note 9)	4,368	2,592
Foreign exchange (gain) loss	(651)	518
Loss from continuing operations	(544,202)	(367,847)
Discontinued operations (note 7)	-	22,963
Net loss for the year	(544,202)	(344,884)
Other comprehensive loss		
Exchange (loss) on translation	(1,766)	(957)
Comprehensive loss for the year	\$ (545,968)	\$ (345,841)
Net loss per share (note 10):		
Loss per share from continuing operations:		
Basic and diluted	\$(0.06)	\$(0.04)
Loss per share from discontinued operations:		
Basic and diluted	-	\$0.00
Net loss per share for the year:		
Basic and diluted	\$(0.06)	\$(0.04)

See accompanying notes to the consolidated financial statements.

AFRICA HYDROCARBONS INC.

Consolidated Statements of Changes in Equity

	September 30, 2017	September 30, 2016
Share capital		
Balance, beginning of year	\$ 42,900,211	\$ 42,900,211
Issued pursuant to private placement	1,120,551	-
Issued pursuant to outstanding debt	101,588	-
Share issue costs, including broker warrants	(140,961)	-
Balance, end of year	43,981,389	42,900,211
Warrants		
Balance, beginning of year	-	-
Warrants issued	104,449	-
Balance, end of year	104,449	-
Contributed surplus		
Balance, beginning of year	9,720,425	9,720,425
Share-based payments	172,105	-
Warrants	67,111	-
Balance, end of year	9,959,641	9,720,425
Accumulated foreign currency translation		
Balance, beginning of year	1,456,912	1,457,869
Gain on translation	(1,766)	(957)
Balance, end of year	1,455,146	1,456,912
Deficit		
Balance, beginning of year	(54,007,052)	(53,662,168)
Net loss for the year	(544,202)	(344,884)
Balance, end of year	(54,551,254)	(54,007,052)
Shareholders' equity	\$ 949,371	\$ 70,496

See accompanying notes to consolidated financial statements.

AFRICA HYDROCARBONS INC.

Consolidated Statements of Cash Flows

Year ended September 30,	2017	2016
Cash provided by (used in):		
Operating activities:		
Loss from continuing operations	\$ (544,202)	\$ (367,847)
Items not affecting cash:		
Share-based payments	172,105	-
Loss on settlement of debt	24,188	-
Change in non-cash operating working capital:		
(Increase) decrease in trade and other receivables	(9,209)	3,698
Increase in prepaid expenses and deposits	6,375	(5,833)
Increase (decrease) in trade and other payables	(22,625)	85,812
Cash flows used in continuing operations	(373,368)	(284,170)
Income (loss) from discontinued operations	-	22,963
Decrease in trade and other payables	-	(22,963)
Cash flows used in operating activities	(373,368)	(284,170)
Financing activities:		
Proceeds received from private placement, net of share issue costs	1,153,550	-
Proceeds received from short-term loan	75,000	-
Cash flows provided by financing activities	1,228,550	-
Effect of foreign exchange on cash and cash equivalents	(1,766)	(957)
Net change in cash and cash equivalents	853,416	(285,127)
Cash and cash equivalents, beginning of year	193,851	478,978
Cash and cash equivalents, end of year	\$1,047,267	\$ 193,851

See accompanying notes to the consolidated financial statements.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 1
For the years ended September 30, 2017 and 2016

1. Nature of operations and basis of presentation:

Africa Hydrocarbons Inc. (the "Corporation") is a public company incorporated under the Company Act, Alberta, Canada and its shares are listed on the NEX on the TSX Venture Exchange. The principal business of the Corporation was to explore natural resource properties. In early 2016, the Corporation ceased to operate in the resource sector and on November 23, 2017 it was announced that it is management's intention to complete a "Change of Business" transaction ("COB Transaction") pursuant to the policies of the TSX Venture Exchange, with the result that the Company will become a blockchain technology company, listed on the Exchange. The Company intends to seek the requisite shareholder approval to change the name of the Company to "BlockchainK2 Corp."

The address of the Corporation's main office is Suite 320, 600 6th Ave SW, Calgary, AB, T2P 0S5.

Statement of compliance

These consolidated financial statements are 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"), in effect at October 1, 2016. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the consolidated financial statements are disclosed in note 5.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the valuation of certain financial assets and financial liabilities to fair value.

Items included in the financial statements of the Corporation and its subsidiaries are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

2. Going concern:

The consolidated financial statements have been prepared on the basis that the Corporation will continue to operate as a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Corporation will manage its activity levels, expenditures and commitments based on its current cash position. The Corporation's ability to continue as a going concern is dependent on its ability to generate additional financial resources in the form of debt and/or equity in order to meet its planned business objectives. For the year ended September 30, 2017, the Corporation reported a net loss of \$544,202 (2016 - \$344,884) and has a deficit of \$54,551,254 (2016 - \$54,007,052). These conditions indicate the existence of a material uncertainty that casts significant doubt about the Corporation's ability to continue as a going concern. These consolidated financial statements do not reflect adjustments in the amounts and classifications of assets and liabilities reported that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

The Corporation's ability to continue as a going concern is dependent on its ability to generate additional financial resources in the form of debt and/or equity in order to meet its planned business objectives. There is no guarantee that the Corporation will be able to continue generating such financing but on November 24, 2017, the Corporation announced a proposed non-brokered private placement of a minimum of 1,600,000 units and a maximum of 2,400,000 units at a price of \$1.25 per unit for total gross proceeds of a minimum of \$2,000,000 to a maximum of \$3,000,000.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 2
For the years ended September 30, 2017 and 2016

3. Significant accounting policies:

These policies have been applied consistently for all periods presented in these consolidated financial statements.

a.) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries: Watutatu Inc., Africa Hydrocarbons (Bahamas) Ltd., and Africa Hydrocarbons Tunisia Ltd.

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Inter-company transactions, balances and unrealized gains or losses with the subsidiaries are eliminated. The financial statements of the subsidiaries are prepared using consistent accounting policies with that of the Corporation.

b.) Cash and cash equivalents

Cash and cash equivalents consist of cash held with banks and cash held in trust accounts with maturities of three months or less.

c.) Foreign currency translations

The functional currency of the Corporation is Canadian dollars and the functional currency of Watutatu Inc., Africa Hydrocarbons (Bahamas) Ltd., and Africa Hydrocarbons Tunisia Ltd. is US dollars.

Transactions in foreign currencies are translated to the respective functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary items are measured in terms of historical cost in a foreign currency and are translated using the exchange rate at the date of the transaction. The foreign currency gains or losses resulting from such transactions are recognized in the consolidated statement of loss and comprehensive loss.

The assets and liabilities of the Corporation's subsidiaries which have functional currencies different from the presentation currency of the Corporation are translated to the presentation currency at the rate of exchange in effect at the financial period end; revenue and expenses are translated at average exchange rates. All resulting exchange gains or losses are recognized as a foreign currency translation adjustment and included as a separate component of accumulated other comprehensive loss.

d.) Taxes

The Corporation follows the liability method of accounting for taxes. Under this method, deferred tax assets and liabilities are recognized based on the estimated tax effects of temporary differences in the carrying amount of assets and liabilities in the consolidated financial statements and their respective tax bases.

Deferred tax assets and liabilities are calculated using the enacted or substantively enacted income tax rates that are expected to apply when the asset is recovered or the liability is settled. Deferred tax assets or liabilities are not recognized when they arise on the initial recognition of an asset or liability in a transaction (other than in a business combination) that, at the time of the transaction, affects neither accounting nor taxable profit.

Deferred tax assets for deductible temporary differences and tax loss carryforwards are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences or tax loss carryforwards can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date, and is reduced if it is no longer probable that sufficient future taxable profits will be available against which the temporary differences or tax loss carryforwards can be utilized.

Current tax is calculated based on net earnings for the year, adjusted for items that are non-taxable or taxed in different periods, using income tax rates that are enacted or substantively enacted at each reporting date.

Income taxes are recognized in equity or other comprehensive income, consistent with the items to which they relate.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 3
For the years ended September 30, 2017 and 2016

3. Significant accounting policies (continued):

e.) Share-based payments

The Corporation's Stock Option Plan (the "Option Plan") provides current employees with the right to elect to receive common shares in exchange for options surrendered. The Corporation records compensation expense over the graded vesting period based on the fair value of options granted. Compensation expense is recorded in the consolidated statement of loss and comprehensive loss as share-based payment expense with a corresponding credit to contributed surplus. When stock options are exercised, the proceeds, together with the amount recorded in contributed surplus, are recorded in share capital. The fair value of stock options granted is estimated using the Black-Scholes option pricing model, taking into account amounts that are believed to approximate the forfeiture rate, volatility of the trading price of the Corporation's shares, the expected lives of the awards of share-based payments, the fair value of the Corporation's stock and the risk-free interest rate, as determined at the grant date. Forfeitures are estimated through the vesting period based on past experience and future expectations, and adjusted upon actual vesting.

f.) Warrants classified as equity

The Company has adopted the pro-rata basis method for the measurement of shares and warrants issued as private placement units. The pro-rata basis method requires that gross proceeds and related share issuance costs be allocated to the common shares and the warrants based on the relative fair value of the component.

The fair value of the common share is based on the closing price on the closing date of the transaction and the fair value of the warrant is determined using the Black-Scholes Option Pricing Model.

The fair value attributed to the warrant is recorded as warrant equity. If the warrant is exercised, the value attributed to the warrant is transferred to share capital. If the warrant expires unexercised, the value is reclassified to contributed surplus within equity. Warrants, issued as part of private placement units, that have their term of expiries extended, are not subsequently revalued.

g.) Financial instruments

The Corporation classifies its financial instruments into one of the following categories: fair value through profit or loss; held-to-maturity investments; loans and receivables; available-for-sale financial assets; and financial liabilities measured at amortized cost. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods is dependent on the classification of the respective financial instrument.

Fair value through profit or loss financial instruments are subsequently measured at fair value with changes in fair value recognized in the consolidated statement of loss and comprehensive loss. All other categories of financial instruments are measured at amortized cost using the effective interest method except for available-for-sale financial assets that are measured at fair value through other comprehensive income.

Cash and cash equivalents and trade and other receivables are classified as loans and receivables. Trade and other payables are classified as other financial liabilities measured at amortized cost.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized immediately in the consolidated statement of loss and comprehensive loss. Transaction costs in respect of other financial instruments are included in the initial measurement of the financial instrument and amortized to the consolidated statement of loss and comprehensive loss using the effective interest method.

Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, an impairment loss is recognized in the consolidated statement of loss and comprehensive loss.

Impairment losses on financial assets carried at amortized cost, including loans and receivables, are calculated as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 4
For the years ended September 30, 2017 and 2016

3. Significant accounting policies (continued):

h.) Comprehensive loss

Comprehensive loss is comprised of the Corporation's net loss and other comprehensive loss. Other comprehensive loss includes foreign currency translation of subsidiaries with a different functional currency than the Corporation.

i.) Per common share amounts

Basic per share amounts are calculated by dividing the net earnings or loss by the weighted average number of shares outstanding during the year. Diluted per share amounts are calculated by using the treasury stock method, by adjusting the weighted average number of shares outstanding for the potential number of issued instruments which may have a dilutive effect on net earnings or loss. This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the year.

4. Accounting standards:

Future accounting standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after October 1, 2017 or later periods. The standards impacted that are applicable to the Corporation are as follows:

a.) IFRS 2, "Share-based Payment" was amended in June 2016, the International Accounting Standards Board (IASB) issued amendments to IFRS 2, incorporated in Part I of the CPA Canada Handbook- Accounting by the Accounting Standards Board (AcSB) in November 2016, to clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on measurement of cash-settled share based payments;
- Share-base payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Corporation continues to assess this new standard, but does not expect it to have a significant impact.

b.) IFRS 9, "Financial Instruments" was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for impairment and hedge accounting. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018. The Corporation continues to assess this new standard, but does not expect it to have a significant impact.

c.) IFRS 15, "Revenue from Contracts with Customers" was issued in May 2016 to replace IAS 18 "Revenue" and IAS 11 "Construction Contracts", and several revenue related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options and other common complexities. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The Corporation continues to assess this new standard, but does not expect it to have a significant impact until revenue generating activities occur.

d.) IFRS 16, "Leases" was issued on January 13, 2017, the IASB issued IFRS 16 Leases which replaces IAS 17. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The standard becomes effective January 1, 2019. IFRS 16 will not impact the Corporation's consolidated financial statements until such time as the Corporation enters into lease arrangements.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 5
For the years ended September 30, 2017 and 2016

4. Accounting standards (continued):

e.) IAS 7, "Statement of Cash Flows" was issued in January 2017, the IASB has published amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. They are effective for annual periods beginning on or after 1 January 2017, with earlier application being permitted. The Corporation is currently assessing the impact of this standard.

5. Critical accounting estimates and judgments:

The Corporation has made estimates and assumptions regarding certain assets, liabilities, and expenses in the preparation of the consolidated financial statements. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Accounting Estimates:**a.) Share-based payments**

The Corporation has made various assumptions in estimating the fair values of the common stock options granted including expected volatility, expected exercise behavior and future forfeiture rates. At each period end, options outstanding are re-measured for changes in the fair value of the liability due to forfeitures.

b.) Measurement of warrant valuation

The Corporation uses an option-pricing model to determine the fair value of the warrant. Inputs to the model are subject to various estimates about volatility, interest rates, dividend yields, forfeiture rates and expected life of the instruments issued. Fair value inputs are subject to market factors as well as internal estimates. The Corporation considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

c.) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

Accounting Judgments:**a.) Deferred taxes**

Tax interpretations, regulations and legislation are subject to change and as such income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

Actual results may differ from these estimates due to, among other factors, future changes in business environment, currently unknown changes in income tax legislation, or results from the final review of tax returns by tax authorities.

b.) Functional currency

The determination of the Corporation's functional currency requires analyzing facts that are considered primary factors, and if the results are not conclusive, secondary factors. The analysis requires the Corporation to apply significant judgment since primary and secondary factors may be mixed. In determining its functional currency the Corporation analyzed both the primary and secondary factors, including the currency of the Corporation's revenues, operating costs, general and administrative costs and financing proceeds in the countries that it operates in.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 6
For the years ended September 30, 2017 and 2016

5. Critical accounting estimates and judgments (continued):**c.) Going concern assessment**

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption were not appropriate for the consolidated financial statements, then adjustments to the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position would be necessary.

6. Trade and other payables:

	September 30, 2017	September 30, 2016
Trade payables	\$89,381	\$24,906
Accrued payables	-	75,000
Other accrued payables	24,000	36,100
	\$113,381	\$136,006

7. West Raglan Property:

On May 3, 2012, but effective April 1, 2012, the Corporation signed a dilution agreement that relinquishes all of its working and royalty interests in relation to the West Raglan project. Certain accruals remained on the Corporation's consolidated statement of financial position that related to refundable tax credits in Quebec. The Corporation wrote off the trade and other receivable accrual for the year ended September 30, 2014, and its trade and other payables in the year ended September 30, 2015 and 2016. No further re-assessments or requirements have been requested from the Quebec government.

The table below summarizes the discontinued operation expense:

Year ended September 30,	2017	2016
Quebec refundable tax credits	\$ -	\$22,963
	\$ -	\$22,963

In the year ended September 30, 2017, the Corporation executed a purchase and sale agreement whereby the Corporation agreed to acquire certain mining claims held by a private company. The Corporation advanced a \$37,500 non-refundable deposit to the vendor. The Corporation decided to not move forward with the proposed acquisition and as a result, the deposit was lost.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 7
For the years ended September 30, 2017 and 2016

8. Share capital:**a.) Authorized:**

Unlimited number of common voting shares and preferred shares

b.) Issued:

On June 30, 2017, the Corporation completed a consolidation of its issued and outstanding common shares on the basis of twenty (20) pre-consolidation common shares for each one (1) post-consolidation common share. All per share numbers in these financial statements have been adjusted to reflect this consolidation.

	Number of Shares	Amount
Balance, September 30, 2015 and 2016	8,205,475	\$42,900,211
Issued pursuant private placement (i)	1,406,250	225,000
Warrants issued with private placement (note 8(d))	-	(104,449)
Issued shares for debt (ii)	483,750	101,588
Issued pursuant private placement (iii)	2,000,000	1,000,000
Finder warrants	-	(67,111)
Share issue costs	-	(73,850)
Balance, September 30, 2017	12,095,475	\$43,981,389

- (i) On July 31, 2017, the Corporation closed a non-brokered private placement of 1,406,250 equity units at a price of \$0.16 per unit for gross proceeds of \$225,000. Each unit consists of 1 common share and 1 common share purchase warrant in which the warrant entitles the holder to acquire 1 common share at an exercise price of \$0.21 per share for a period of 12 months. Finders' fee totaling \$3,850 in cash and a finder's warrant to acquire 24,062 common shares at a price of \$0.16 per share for a period of 12 months was paid.
- (ii) On July 31, 2017, the Corporation closed a shares for debt transaction where the short-term loan in the amount of \$75,000 plus interest payable of \$2,400 was settled by the issuance of 483,750 common shares at a price of \$0.16 per share. Based on the trading price of shares on the date of the settlement agreement was reached, a loss of \$24,188 has been recorded in the statement of loss and comprehensive loss.
- (iii) On August 25, 2017, the Corporation closed a non-brokered private placement of 2,000,000 common shares at a price of \$0.50 per share for gross proceeds of \$1,000,000. Finders' fee totaling \$70,000 in cash and a finder's warrant to acquire 140,000 common shares at a price of \$0.50 per share for a period of 12 months was paid.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 8
For the years ended September 30, 2017 and 2016

8. Share capital (continued):**c.) Stock options:**

The Corporation has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Corporation may be reserved for issuance pursuant to the exercise of stock options. The stock options vest immediately on the date of grant unless otherwise required by the exchange or imposed by the Corporation. A summary of the Corporation's stock options, and the changes during the period then ended is as follows:

	<u>September 30, 2017</u>		<u>September 30, 2016</u>	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of year	1,500,000	\$0.30	1,500,000	\$0.30
Granted	820,549	\$0.16	–	–
Forfeited	(1,500,000)	(\$0.30)	–	–
Options outstanding and exercisable, end of year	820,549	\$0.16	1,500,000	\$0.30

The following table summarizes information about stock options outstanding and exercisable at September 30, 2017:

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
\$0.16	820,549	9.77 years	\$0.16
	820,549	9.77 years	\$0.16

The fair values of the Corporation's options issued were estimated using the Black-Scholes option pricing model. Expected volatility was estimated by considering historic average share price volatility. The inputs used to measure the fair value of options issued were as follows:

	<u>September 30, 2017</u>
Volatility	368%
Risk free interest rate	1.68%
Expected life	3 years

Share-based payments totaling \$172,105 were expensed during the year ended September 30, 2017 (2016 – \$Nil).

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 9
For the years ended September 30, 2017 and 2016

8. Share capital (continued):**(d) Warrants:**

	<u>September 30, 2017</u>		<u>September 30, 2016</u>	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of year	–	–	–	–
Issued (notes 8(b) (i) (ii) (iii))	1,570,312	\$0.24	–	–
Warrants outstanding, end of year	1,570,312	\$0.24	–	–

The following table summarizes information about warrants outstanding and exercisable at September 30, 2017:

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
\$0.21	1,406,250	0.83 years	\$0.21
\$0.50	140,000	0.90 years	\$0.50
\$0.16	24,062	0.83 years	\$0.16
	1,570,312	0.84 years	\$0.24

The inputs used to measure the fair value of warrants issued were as follows:

Number	1,406,250	140,000	24,062
Exercise price	\$0.21	\$0.50	\$0.16
Stock price	\$0.21	\$0.55	\$0.21
Volatility	299%	258%	299%
Risk free interest rate	1.30%	1.25%	1.30%
Expected life	1 year	1 year	1 year
Fair value	\$104,449	\$62,645	\$4,466

9. Finance expense

The Corporation's finance expense consists of the following:

<u>Year ended September 30,</u>	<u>2017</u>	<u>2016</u>
Bank fees	\$440	\$692
Interest expense	3,928	1,900
Finance expense	\$4,368	\$2,592

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 10
For the years ended September 30, 2017 and 2016

10. Per share amounts:

The number of shares that have been included in the computation of basic and diluted loss per share are as follows:

Year ended September 30,	2017	2016
Weighted average shares outstanding, basic and diluted	8,985,037	8,205,475

In calculating diluted loss per common share for the year ended September 30, 2017 and 2016, the Corporation excluded all options and warrants as it is currently in a loss position.

11. Income tax:

The income tax provision differs from income taxes, which would result from applying the expected tax rate to net loss before income taxes. The differences between the "expected" income tax expenses and the actual income tax provision are summarized as follows:

	September 30, 2017	September 30, 2016
Loss from continuing operations	\$(544,202)	\$(367,847)
Expected income tax recovery at 27.0% (2016 – 27.0%)	(146,935)	(99,317)
Share-based payments	46,468	-
Effect of change in tax rate and other items	16,674	221
Deferred tax assets not recognized	83,793	99,098
Total income taxes (recovery)	\$ -	\$ -

Deferred tax assets have not been recognized in respect of the following items:

	September 30, 2017	September 30, 2016
Deductible temporary differences	\$24,270,583	\$23,702,683
Tax losses	11,893,782	11,445,612
Investment tax credits	768,204	786,204
Total	\$36,950,569	\$35,934,499

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Corporation can utilize the benefits thereon.

The Corporation has \$9,526,787 of non-capital losses in Canada, which expire between 2026 and 2037. The Corporation has losses of \$7,041 in Tunisia, which expire between 2018 and 2021.

The Corporation has capital loss carryforwards of \$2,359,954, which have no expiry date.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 11
For the years ended September 30, 2017 and 2016

12. Key management compensation and related party transactions:

Related party transactions are in the normal course of operations and are made in terms equivalent to those that prevail in arm's length transactions, which is the amount of consideration established and agreed to by the related parties. The following is a summary of the related party transactions that occurred throughout the years ended September 30, 2017 and 2016:

- a.) Paid \$15,000 (2016 - \$90,000) for consulting fees and paid \$Nil (2016 - \$24,000) for rent supplement to a company controlled by the previous CEO.
- b.) Paid \$116,167 (2016 - \$26,650) and accrued \$50,315 (2016 - \$2,500) for directors fees and \$172,105 (2016 - \$Nil) for share-based payments paid to key management being directors and officers.
- c.) On March 17, 2017, the Corporation received a loan (the "Loan") in the amount of \$75,000 from a shareholder of the Corporation. The loan is due on demand and accrues interest of 12% per annum, payable upon maturity. On July 31, 2017, the Corporation closed a shares for debt transaction where the short-term loan in the amount of \$75,000 plus interest payable of \$2,400 was settled by the issuance of 483,750 common shares at a price of \$0.16 per share which was valued at \$101,588 (note 8(b) (ii)). A loss of \$24,188 has been recorded in the statement of loss and comprehensive loss.

13. Financial instruments:

The carrying values of the Corporation's financial instruments by category were as follows:

September 30, 2017			
Asset (liability)	Fair value through profit or loss	Loans and receivables at amortized cost	Financial liabilities at amortized cost
Cash and cash equivalents	\$ -	\$988,112	\$ -
Trade and other receivables	-	14,569	-
Trade and other payables	-	-	(113,381)
	\$ -	\$1,002,681	\$(113,381)

September 30, 2016			
Asset (liability)	Fair value through profit or loss	Loans and receivables at amortized cost	Financial liabilities at amortized cost
Cash and cash equivalents	\$ -	\$193,851	\$ -
Trade and other receivables	-	5,360	-
Trade and other payables	-	-	(136,006)
	\$ -	\$199,211	\$(136,006)

The carrying value of the Corporation's financial instruments approximate their fair value due to their short term maturity.

Financial risk factors**a.) Credit risk:**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's cash and cash equivalents, and trade and other receivables are exposed to credit risk. The credit risk on cash and cash equivalents is not considered significant because the counterparties are highly-rated financial institutions. The credit risk on trade and other receivables is not considered significant because the counterparties are the federal government for \$7,681 and a credit on account of \$6,888.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 12
For the years ended September 30, 2017 and 2016

13. Financial instruments (continue):**b.) Liquidity risk:**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking harm to the Corporation's reputation.

The following are the contractual maturities of financial liabilities as at September 30, 2017:

Financial Liabilities	< One Year	> One Year
Trade and other payables	\$113,381	\$ -
Total	\$113,381	\$ -

The following are the contractual maturities of financial liabilities as at September 30, 2016:

Financial Liabilities	< One Year	> One Year
Trade and other payables	\$136,006	\$ -
Total	\$136,006	\$ -

c.) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as interest rates and foreign exchange rates that will affect the Corporation's comprehensive loss or the value of financial instruments. The objective of market risk management is to control market risk exposures within acceptable limits, while maximizing returns.

- Interest rate risk is the risk that future cash flows will fluctuate as a result in changes in market interest rates. The Corporation is exposed to interest rate risk to the extent the changes in market interest rates will impact the Corporation's bank. The Corporation has not entered into any interest rate swaps or financial contracts to date. With regards to interest rate risk, a change of 1% in the effective interest rate would have a minimal impact on the consolidated statement of loss and comprehensive loss.
- Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange risks. The Corporation is exposed to foreign exchange rate risk since the costs of its Tunisia Project will mostly be denominated in U.S. dollars. The effect of a 1% change in the exchange rate would have approximately a \$157,395 impact on the consolidated statement of other comprehensive loss.

14. Capital disclosures:

In the definition of capital, the Corporation includes shareholders' equity. The Corporation's objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares, or engage in debt financing.

The Corporation is not exposed to external capital requirements.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 13
For the years ended September 30, 2017 and 2016

15. Commitment and contingencies:

The Corporation was involved in litigation matters arising out of the ordinary course and conduct of its business from operations conducted in Tunisia in the amount of US\$135,989. A settlement estimate of \$75,000 was accrued in the 2016 financial statements.

On April 3, 2017 the Corporation executed and finalized a full and final release on a claim in arbitration for a settlement amount of CDN\$50,000. The Corporation has paid CDN\$50,000 to the former partner and agreed upon that a further CDN\$35,000 payment will be required if the Corporation completes either a \$1,000,000 in financing on or before April 3, 2018, either as a single or part of multiple financings or the market capitalization of the release exceeds \$2,500,000 for a 30 day period within the next 2 years. As at September 30, 2017, these events were met and therefore \$35,000 has been paid resulting in an additional \$10,000 being expensed in the consolidated statement of comprehensive loss.

16. Subsequent events:

On November 8, 2017, the Corporation closed a non-brokered private placement of 450,816 common shares at a price of \$0.61 per common share for gross proceeds of \$275,000. Finders' fee totaling \$19,250 in cash and a finder's warrant to acquire 31,557 common shares at a price of \$0.61 per share for a period of 12 months was paid.

On November 8, 2017, the Corporation announced the grant of options to certain directors of the Corporation to acquire a total of 434,080 common shares at an exercise price of \$0.52 per share and expire 10 years from the date of grant.

Appendix C

Financial Statements of the Company for the years ended September 30, 2016 and 2015

[beginning on following page]



Consolidated Financial Statements
Years ended September 30, 2016 and 2015

AFRICA HYRDOCARBONS INC.

December 8, 2016

Management's Report to the Shareholders

Management is responsible for the reliability and integrity of these consolidated financial statements. The accompanying consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements are presented in Canadian dollars.

The accompanying consolidated financial statements have been prepared using policies and procedures established by management and reflect fairly the Corporation's financial position, results of operations and changes in financial position, within reasonable limits of materiality and within the framework of the accounting policies outlined in the notes to the consolidated financial statements. Management has established and maintains a system of internal controls which is designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed of a majority of non-management directors. The Audit Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the consolidated financial statements and to recommend approval of the consolidated financial statements to the Board.

Signed "John Nelson"

John Nelson, CEO

Signed "Kari Wilkie"

Kari Wilkie, CFO

Independent Auditors' Report

To the Shareholders of Africa Hydrocarbons Inc.:

We have audited the accompanying consolidated financial statements of Africa Hydrocarbons Inc., which comprise the consolidated statements of financial position as at September 30, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Africa Hydrocarbons Inc. as at September 30, 2016 and 2015 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which discusses Africa Hydrocarbons Inc.'s ability to continue as a going concern. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability to continue as a going concern.

Calgary, Alberta
December 8, 2016

MNP LLP
Chartered Professional Accountants

AFRICA HYRDOCARBONS INC.

Consolidated Statements of Financial Position

	September 30, 2016	September 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 193,851	\$ 478,978
Trade and other receivables (note 6 and 15)	5,360	9,058
Prepaid expenses and deposits	7,291	1,458
	\$ 206,502	\$ 489,494
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables (note 8 and 15)	\$ 136,006	\$ 73,157
Shareholders' equity		
Share capital (note 10)	42,900,211	42,900,211
Contributed surplus	9,720,425	9,720,425
Accumulated foreign currency translation	1,456,912	1,457,869
Deficit	(54,007,052)	(53,662,168)
	70,496	416,337
	\$ 206,502	\$ 489,494

Going concern (note 2)

Commitments and contingencies (note 17)

See accompanying notes to the consolidated financial statements.

Approved for issuance by the Board of Directors on December 8, 2016

Signed "*John Nelson*"

John Nelson, Director

Signed "*Gord McKay*"

Gord McKay, Director

AFRICA HYDROCARBONS INC.

Consolidated Statements of Loss and Comprehensive Loss

Year ended September 30,	2016	2015
Expenses		
General and administrative	\$ 200,493	\$ 279,282
Foreign exchange (gain) loss	518	(1,162)
Professional fees	89,244	104,110
Share-based payments (note 10(c))	-	14,099
Impairment of exploration and evaluation assets (note 7)	-	757,901
Settlement expense (note 17)	75,000	-
	365,255	1,154,230
Finance expense (note 11)	2,592	365
Loss from continuing operations before income taxes	(367,847)	(1,154,595)
Deferred taxes (note 13)	-	-
Loss from continuing operations	(367,847)	(1,154,595)
Discontinued operations (note 9 and 17)	22,963	145,499
Net loss for the year	(344,884)	(1,009,096)
Other comprehensive loss		
Exchange gain (loss) on translation	(957)	70,986
Comprehensive loss for the year	\$ (345,841)	\$ (938,110)
Net loss per share (note 12):		
Loss per share from continuing operations:		
Basic and diluted	\$(0.00)	\$(0.01)
Loss per share from discontinued operations:		
Basic and diluted	\$0.00	\$0.00
Net loss per share for the year:		
 Basic and diluted	\$(0.00)	\$(0.01)

See accompanying notes to the consolidated financial statements.

AFRICA HYDROCARBONS INC.

Consolidated Statements of Changes in Equity

	September 30, 2016	September 30, 2015
Share capital		
Balance, beginning of year	\$ 42,900,211	\$ 42,426,781
Issued pursuant to private placement	–	500,000
Share issue costs, including broker warrants	–	(26,570)
Balance, end of year	42,900,211	42,900,211
Warrants		
Balance, beginning of year	–	1,916,206
Warrants expired	–	(1,916,206)
Balance, end of year	–	–
Contributed surplus		
Balance, beginning of year	9,720,425	7,790,120
Share-based payments	–	14,099
Warrants expired	–	1,916,206
Balance, end of year	9,720,425	9,720,425
Accumulated foreign currency translation		
Balance, beginning of year	1,457,869	1,386,883
Gain on translation	(957)	70,986
Balance, end of year	1,456,912	1,457,869
Deficit		
Balance, beginning of year	(53,662,168)	(52,653,072)
Net loss for the year	(344,884)	(1,009,096)
Balance, end of year	(54,007,052)	(53,662,168)
Shareholders' equity	\$ 70,496	\$ 416,337

See accompanying notes to consolidated financial statements.

AFRICA HYDROCARBONS INC.

Consolidated Statements of Cash Flows

Year ended September 30,	2016	2015
Cash provided by (used in):		
Operating activities:		
Loss from continuing operations	\$ (344,884)	\$ (1,154,595)
Items not affecting cash:		
Share-based payments	–	14,099
Impairment of exploration and evaluation assets	–	757,901
Cash flows before non-cash operating working capital	(344,884)	(382,595)
Change in non-cash operating working capital:		
(Increase) decrease in trade and other receivables	3,698	(5,300)
Increase in prepaid expenses and deposits	(5,833)	–
Increase (decrease) in trade and other payables	62,849	(21,437)
Cash flows from non-cash operating working capital	60,714	(409,332)
Income (loss) from discontinued operations	22,963	145,499
Change in non-cash operating working capital:		
Decrease in trade and other payables	(22,963)	(145,499)
	–	–
Cash flows used in operating activities	(284,170)	(409,332)
Financing activities:		
Proceeds received from private placement	–	500,000
Share issue costs	–	(26,570)
Cash flows provided by financing activities	–	473,430
Investing activities:		
Additions to exploration and evaluation assets	–	(757,901)
Change in non-cash investments working capital:		
Decrease in trade and other receivables	–	569,835
Cash flows used in investing activities	–	(188,066)
Effect of foreign exchange on cash and cash equivalents	(957)	70,986
Net change in cash and cash equivalents	(285,127)	(52,982)
Cash and cash equivalents, beginning of year	478,978	531,960
Cash and cash equivalents, end of year	\$ 193,851	\$ 478,978

See accompanying notes to the consolidated financial statements.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 1
For the years ended September 30, 2016 and 2015

1. Nature of operations and basis of presentation:

Africa Hydrocarbons Inc. (the "Corporation") is a public company incorporated under the Company Act, Alberta, Canada and its shares are listed on the NEX on the TSX Venture Exchange. The principal business of the Corporation was to explore natural resource properties. In early 2015, the Corporation ceased to operate in the resource sector and is currently reviewing other business opportunities.

The address of the Corporation's main office is Suite 650, 816 7th Ave SW, Calgary, AB, T2P 1A1.

The Board of Directors approved the consolidated financial statements on December 8, 2016.

Statement of compliance

These consolidated financial statements are 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"), in effect at October 1, 2015. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the consolidated financial statements are disclosed in note 5.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value. These consolidated financial statements have been prepared on a going concern basis.

Items included in the financial statements of the Corporation and its subsidiaries are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

2. Going concern:

For the year ended September 30, 2016, the Corporation reported a net loss of \$344,884 (2015 - \$1,009,096) and has a deficit of \$54,007,052 (2015 - \$53,662,168). The significant net loss is due in part, to the impairment of the exploration and evaluation assets, after results of the completion program on the Tunisia, Bouhajla project. As at September 30, 2016, the Corporation has \$193,851 (2015 - \$478,978) in cash available to meet its liabilities as they become due. The Corporation will manage its activity levels, expenditures and commitments based on its current cash position.

The consolidated financial statements have been prepared on the basis that the Corporation will continue to operate as a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Corporation's ability to continue as a going concern is dependent on its ability to generate additional financial resources in order to meet its planned business objectives. Financial resources will come in the form of debt and/or equity financing. The conditions indicate the existence of a material uncertainty that casts significant doubt about the Corporation's ability to continue as a going concern. These consolidated financial statements do not reflect adjustments in the amounts and classifications of assets and liabilities reported that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 2
For the years ended September 30, 2016 and 2015

3. Significant accounting policies:

These policies have been applied consistently for all periods presented in these consolidated financial statements.

a.) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries: Watutatu Inc., Africa Hydrocarbons (Bahamas) Ltd., and Africa Hydrocarbons Tunisia Ltd.

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Inter-company transactions, balances and unrealized gains or losses with the subsidiaries are eliminated. The financial statements of the subsidiaries are prepared using consistent accounting policies with that of the Corporation.

b.) Joint operations

Certain of the Corporation's oil and gas activities are conducted through joint operations. A joint operation is an arrangement that the Corporation controls jointly with one or more other investors, and the investors have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Substantially all of the Corporation's oil and gas activities are conducted jointly with others, and the consolidated financial statements reflect only the Corporation's proportionate interest in such activities.

c.) Cash and cash equivalents

Cash comprises cash on hand. Other investments (term deposits and certificates of deposit) with an original term to maturity at purchase of three months or less that are redeemable at any time are reported as cash equivalents in the consolidated statement of financial position.

d.) Exploration and evaluation assets

Exploration and evaluation ("E&E") assets consist of the Corporation's oil and natural gas exploration projects that are pending the determination of proved reserves. The Corporation accounts for E&E costs in accordance with the requirements of IFRS 6 "Exploration for and Evaluation of Mineral Resources".

E&E costs relating to activities to explore and evaluate oil and natural gas properties are initially capitalized and include costs associated with the acquisition of licenses, technical services and studies, seismic acquisition, exploration drilling and testing, directly attributable overhead and administration expenses, and the costs associated with retiring the assets. E&E costs do not include general prospecting or evaluation costs incurred prior to having obtained the legal rights to explore an area, which are recognized immediately in the statement of comprehensive loss.

Once the technical feasibility and commercial viability of E&E assets are determined and a development decision is made by management, the E&E assets are tested for impairment upon reclassification to property, plant and equipment. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determined when proved reserves are determined to exist.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 3
For the years ended September 30, 2016 and 2015

3. Significant accounting policies (continued):

E&E assets are also tested for impairment when facts and circumstances suggest that the carrying amount of E&E assets may exceed their recoverable amount, by comparing the relevant costs to the fair value of cash generating units (“CGUs”). Indications of impairment include leases approaching expiry, the existence of low benchmark commodity prices for an extended period of time, significant downward revisions in estimated reserves, increases in estimated future exploration or development expenditures, and significant adverse changes in the applicable legislative or regulatory frameworks.

e.) Property, plant and equipment**Development and production**

Property, plant and equipment is measured at cost less accumulated depletion and depreciation and impairment provisions. When significant components of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for separately.

The deemed cost of an asset comprises its purchase price, construction and development costs, costs directly attributable to bringing the asset into operation, the estimate of any asset retirement costs, and applicable borrowing costs. Property acquisition costs are comprised of the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Oil and natural gas properties within each CGU are depleted using the unit-of-production method over proved reserves. The unit-of-production rate takes into account expenditures incurred to date, together with future development expenditures required to develop proved reserves.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in the consolidated statement of loss and comprehensive loss.

Impairment

The Corporation assesses property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or CGU may not be recoverable. Indications of impairment include the existence of low benchmark commodity prices for an extended period of time, significant downward revisions of estimated reserves, or increases in estimated future development expenditures. If any such indication of impairment exists, the Corporation performs an impairment test related to the assets or CGU. Individual assets are grouped for impairment assessment purposes into CGU’s, which are the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets. A CGU’s recoverable amount is the higher of its fair value less costs of disposal (“FVLCOD”) and its value in use (“VIU”). FVLCOD is determined to be the amount for which the asset could be sold in an arm’s length transaction.

VIU is based upon the estimated before tax net present value of the Corporations proved plus probable reserves, as prepared by independent reserve evaluators. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount.

In subsequent periods, an assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is re-estimated and the net carrying amount of the asset or CGU is increased to its revised recoverable amount. The recoverable amount cannot exceed the carrying amount that would have been determined, net of depletion, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in the consolidated statement of loss and comprehensive loss. After a reversal, the depletion charge is adjusted in future periods to allocate the asset’s revised carrying amount over its remaining useful life.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 4
For the years ended September 30, 2016 and 2015

3. Significant accounting policies (continued):**f.) Decommissioning liabilities**

A provision is recognized for the present value of the future cost of abandonment of oil and gas wells and related facilities. This provision is recognized when a legal or constructive obligation arises. The estimated costs, based on engineering cost levels prevailing at the reporting date, are computed on the basis of the latest assumptions as to the scope and method of abandonment. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a risk free rate, updated at each reporting date that reflects current market assessments of the time value of money and the risks specific to the obligation. The corresponding amount is capitalized as part of exploration and evaluation expenditure or property, plant and equipment and is amortized on a unit-of-production basis as part of the depreciation, depletion and amortization charge. Any adjustment arising from the reassessment of estimated cost of decommissioning liabilities is capitalized, whilst the charge arising from the accretion of the discount applied to the decommissioning liabilities is treated as a component of finance costs.

The Corporation does not currently have any decommissioning obligations.

g.) Foreign currency translations

The functional currency of the Corporation is Canadian dollars and the functional currency of Watutatu Inc., Africa Hydrocarbons (Bahamas) Ltd., and Africa Hydrocarbons Tunisia Ltd. is US dollars.

Transactions in foreign currencies are translated to the respective functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary items are measured in terms of historical cost in a foreign currency and are translated using the exchange rate at the date of the transaction. The foreign currency gains or losses resulting from such transactions are recognized in the consolidated statement of loss and comprehensive loss.

The assets and liabilities of the Corporation's subsidiaries which have functional currencies different from the presentation currency of the Corporation are translated to the presentation currency at the rate of exchange in effect at the financial period end; revenue and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions). All resulting exchange gains or losses are recognized as a foreign currency translation adjustment and included as a separate component of accumulated other comprehensive loss.

h.) Taxes

The Corporation follows the liability method of accounting for taxes. Under this method, deferred tax assets and liabilities are recognized based on the estimated tax effects of temporary differences in the carrying amount of assets and liabilities in the consolidated financial statements and their respective tax bases.

Deferred tax assets and liabilities are calculated using the enacted or substantively enacted income tax rates that are expected to apply when the asset is recovered or the liability is settled. Deferred tax assets or liabilities are not recognized when they arise on the initial recognition of an asset or liability in a transaction (other than in a business combination) that, at the time of the transaction, affects neither accounting nor taxable profit.

Deferred tax assets for deductible temporary differences and tax loss carryforwards are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences or tax loss carryforwards can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date, and is reduced if it is no longer probable that sufficient future taxable profits will be available against which the temporary differences or tax loss carryforwards can be utilized.

Current tax is calculated based on net earnings for the year, adjusted for items that are non-taxable or taxed in different periods, using income tax rates that are enacted or substantively enacted at each reporting date.

Income taxes are recognized in equity or other comprehensive income, consistent with the items to which they relate.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 5
For the years ended September 30, 2016 and 2015

3. Significant accounting policies (continued):**i.) Share-based payments**

The Corporation's Stock Option Plan (the "Option Plan") provides current employees with the right to elect to receive common shares in exchange for options surrendered. The Corporation records compensation expense over the graded vesting period based on the fair value of options granted. Compensation expense is recorded in the consolidated statement of loss and comprehensive loss as share-based payment expense with a corresponding credit to contributed surplus. When stock options are exercised, the proceeds, together with the amount recorded in contributed surplus, are recorded in share capital. The fair value of stock options granted is estimated using the Black-Scholes option pricing model, taking into account amounts that are believed to approximate the forfeiture rate, volatility of the trading price of the Corporation's shares, the expected lives of the awards of share-based payments, the fair value of the Corporation's stock and the risk-free interest rate, as determined at the grant date. Forfeitures are estimated through the vesting period based on past experience and future expectations, and adjusted upon actual vesting.

j.) Financial instruments

The Corporation classifies its financial instruments into one of the following categories: fair value through profit or loss; held-to-maturity investments; loans and receivables; available-for-sale financial assets; and financial liabilities measured at amortized cost. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods is dependent on the classification of the respective financial instrument.

Fair value through profit or loss financial instruments are subsequently measured at fair value with changes in fair value recognized in the consolidated statement of loss and comprehensive loss. All other categories of financial instruments are measured at amortized cost using the effective interest method except for available-for-sale financial assets that are measured at fair value through other comprehensive income.

Cash and cash equivalents and trade and other receivables are classified as loans and receivables. Trade and other payables are classified as other financial liabilities measured at amortized cost.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized immediately in the consolidated statement of loss and comprehensive loss. Transaction costs in respect of other financial instruments are included in the initial measurement of the financial instrument and amortized to the consolidated statement of loss and comprehensive loss using the effective interest method.

Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, an impairment loss is recognized in the consolidated statement of loss and comprehensive loss.

Impairment losses on financial assets carried at amortized cost, including loans and receivables, are calculated as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

k.) Comprehensive loss

Comprehensive loss is comprised of the Corporation's net loss and other comprehensive loss. Other comprehensive loss includes foreign currency translation of subsidiaries with a different functional currency than the Corporation.

l.) Per common share amounts

Basic per share amounts are calculated by dividing the net earnings or loss by the weighted average number of shares outstanding during the year. Diluted per share amounts are calculated by using the treasury stock method, by adjusting the weighted average number of shares outstanding for the potential number of issued instruments which may have a dilutive effect on net earnings or loss. This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the year.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 6
For the years ended September 30, 2016 and 2015

4. Accounting standards:

Future accounting standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after October 1, 2016 or later periods. The standards impacted that are applicable to the Corporation are as follows:

- a.) IFRS 9, "Financial Instruments" was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for impairment and hedge accounting. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018. The Company continues to assess this new standard, but does not expect it to have a significant impact.
- b.) IFRS 15, "Revenue from Contracts with Customers" was issued in May 2015 to replace IAS 18 "Revenue" and IAS 11 "Construction Contracts", and several revenue related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options and other common complexities. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The Company continues to assess this new standard, but does not expect it to have a significant impact.
- c.) IFRS 16, "Leases" was issued on January 13, 2016, the IASB issued IFRS 16 Leases which replaces IAS 17. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The standard becomes effective January 1, 2019. The Corporation is currently assessing the impact of this standard.

5. Critical accounting estimates and judgments:

The Corporation has made estimates and assumptions regarding certain assets, liabilities, and expenses in the preparation of the consolidated financial statements. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Accounting Estimates:

a.) Share-based payments

The Corporation has made various assumptions in estimating the fair values of the common stock options granted including expected volatility, expected exercise behavior and future forfeiture rates. At each period end, options outstanding are re-measured for changes in the fair value of the liability due to forfeitures.

b.) Acquisitions

The allocation of the purchase price of acquisitions contains estimates as to the fair market value of the assets acquired and liabilities assumed.

Accounting Judgments:

a.) Impairment

The determination of impairment on the Corporation's exploration and evaluation assets requires analyzing facts that are considered indicators of impairment. The analysis requires the Corporation to apply significant judgment since the indicators may be mixed. In determining impairment, the Corporation analyzed the internal and external indicators for impairment, including outcome of the drilling and completion programs, costs incurred on individual projects and future forecasts and budgets for the assets.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 7
For the years ended September 30, 2016 and 2015

5. Critical accounting estimates and judgments (continued):**b.) Deferred taxes**

Tax interpretations, regulations and legislation are subject to change and as such income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

Actual results may differ from these estimates due to, among other factors, future changes in business environment, currently unknown changes in income tax legislation, or results from the final review of tax returns by tax authorities.

c.) Functional currency

The determination of the Corporation's functional currency requires analyzing facts that are considered primary factors, and if the results are not conclusive, secondary factors. The analysis requires the Corporation to apply significant judgment since primary and secondary factors may be mixed. In determining its functional currency the Corporation analyzed both the primary and secondary factors, including the currency of the Corporation's revenues, operating costs, general and administrative costs and financing proceeds in the countries that it operates in.

6. Trade and other receivables:

	September 30, 2016	September 30, 2015
GST/HST recoverable	\$5,360	\$7,693
Quebec refundable tax credits	-	1,365
	\$5,360	\$9,058

7. Exploration and evaluation assets:

A reconciliation of the carrying amount of exploration and evaluation assets as at September 30, 2016 is set out below.

Tunisia, Bouhajla project

Balance, September 30, 2014	\$	-
Additions		757,901
Impairment		(757,901)
Balance, September 30, 2015 and 2016	\$	-

On October 20, 2014, the Corporation completed its recompletion program on the Tunisia, Bouhajla project and determined that the first exploration well will be plugged and abandoned. With this information, the Corporation took a full impairment on the project for the year ended September 30, 2014 of \$15,837,495 as well as another \$757,901 for the year ended September 30, 2015.

On March 2, 2015, pursuant to the terms of the farmout agreement, the Corporation has forfeited its entire interest on the Bouhajla project. The Joint Venture partner for the Bouhajla project has initiated an arbitration process in relation to prior billings and payments made on the Corporation's forfeited interest.

8. Trade and other payables:

	September 30, 2016	September 30, 2015
Trade payables	\$24,906	\$17,694
Accrued liabilities	75,000	22,963
Other accrued payables	36,100	32,500
	\$136,006	\$73,157

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 8
For the years ended September 30, 2016 and 2015

9. Discontinued operations:**West Raglan Property:**

On May 3, 2012, but effective April 1, 2012, the Corporation signed a dilution agreement that relinquishes all of its working and royalty interests in relation to the West Raglan project. Certain accruals remained on the Corporation's consolidated statement of financial position that related to refundable tax credits in Quebec. The Corporation wrote off the trade and other receivable accrual for the year ended September 30, 2014, and its trade and other payables in the year ended September 30, 2015 and 2016. No further reassessments or requirements have been requested from the Quebec government.

The table below summarizes the discontinued operation expense:

Year ended September 30,	2016	2015
Quebec refundable tax credits	\$22,963	\$145,499
	\$22,963	\$145,499

10. Share capital:**a.) Authorized:**

Unlimited number of common voting shares and preferred shares

b.) Issued:

	Number of Shares	Amount
Balance, September 30, 2014	114,109,838	\$42,426,781
Issued pursuant private placement	50,000,000	500,000
Share issue costs	–	(26,570)
Balance, September 30, 2015	164,109,838	\$42,900,211
Balance, September 30, 2016	164,109,838	\$42,900,211

On June 24, 2015, the Corporation completed a private placement offering pursuant to which the Corporation issued 50,000,000 common shares at \$0.01 per common share and raised gross proceeds of \$500,000. The Corporation incurred share issue costs of \$26,570.

c.) Stock options:

The Corporation has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Corporation may be reserved for issuance pursuant to the exercise of stock options. The stock options vest immediately on the date of grant unless otherwise required by the exchange or imposed by the Corporation. A summary of the Corporation's stock options, and the changes during the period then ended is as follows:

	September 30, 2016		September 30, 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of year	1,500,000	\$0.30	5,450,000	\$0.24
Granted	–	–	–	–
Expired	–	–	(3,950,000)	\$(0.21)
Options outstanding and exercisable, end of year	1,500,000	\$0.30	1,500,000	\$0.30

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 9
For the years ended September 30, 2016 and 2015

10. Share capital (continued):

The following table summarizes information about stock options outstanding and exercisable at September 30, 2016:

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
\$0.30	1,500,000	2.12 years	\$0.30
	1,500,000	2.12 years	\$0.30

The fair values of the Corporation's options issued were estimated using the Black-Scholes option pricing model. Expected volatility was estimated by considering historic average share price volatility. The inputs used to measure the fair value of options issued were as follows:

	September 30, 2014
Volatility	119.00%
Risk free interest rate	1.78%
Expected life	5.00 years

Share-based payments totaling \$Nil were expensed during the year ended September 30, 2016 (2015 – \$14,099).

(d) Warrants:

	September 30, 2016		September 30, 2015	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of year	–	–	34,902,778	\$0.30
Expired	–	–	(34,902,778)	\$0.30
Warrants outstanding, end of year	–	–	–	–

11. Finance expense (income)

The Corporation's finance expense (income) consists of the following:

Year ended September 30,	2016	2015
Bank fees	\$692	\$2,775
Interest revenue	1,900	(2,410)
Finance expense (income)	\$2,592	\$365

12. Per share amounts:

The number of shares that have been included in the computation of basic and diluted loss per share are as follows:

Year ended September 30,	2016	2015
Weighted average shares outstanding, basic and diluted	164,109,838	127,534,496

In calculating diluted loss per common share for the year ended September 30, 2016 and 2015, the Corporation excluded all options as the exercise price is greater than the average market price of the common shares for the year.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 10
For the years ended September 30, 2016 and 2015

13. Income tax:

The income tax provision differs from income taxes, which would result from applying the expected tax rate to net loss before income taxes. The differences between the “expected” income tax expenses and the actual income tax provision are summarized as follows:

	September 30, 2016	September 30, 2015
Loss from continuing operations	\$(367,847)	\$(1,154,595)
Expected income tax recovery at 27.0% (2015 – 25.5%)	(99,317)	(294,422)
Share-based payments	-	3,595
Effect of change in tax rate and other items	221	38,241
Deferred tax assets not recognized	99,098	252,586
Total income taxes (recovery)	\$ -	\$ -

The Alberta corporate tax rate increased effective July 1, 2015, resulting in an increase in the Corporation’s combined statutory tax rate.

Deferred tax assets have not been recognized in respect of the following items:

	September 30, 2016	September 30, 2015
Deductible temporary differences	\$23,702,683	\$25,340,471
Tax losses	11,445,612	10,686,225
Investment tax credits	786,204	1,714,992
Total	\$35,934,499	\$37,741,688

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Corporation can utilize the benefits thereon.

The Corporation has \$9,078,617 of non-capital losses in Canada, which expire between 2026 and 2036. The Corporation has losses of \$7,041 in Tunisia, which expire between 2018 and 2021.

The Corporation has capital loss carryforwards of \$2,359,954, which have no expiry date.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 11
For the years ended September 30, 2016 and 2015

14. Key management compensation and related party transactions:

Related party transactions are in the normal course of operations and are made in terms equivalent to those that prevail in arm's length transactions, which is the amount of consideration established and agreed to by the related parties. The following is a summary of the related party transactions that occurred throughout the years ended September 30, 2016 and 2015:

- a.) Paid \$90,000 (2015 - \$104,500) for consulting fees and paid \$24,000 (2015 - \$24,000) for rent supplement to a company controlled by the CEO and share-based payments of \$Nil (2015 - \$2,820) to the CEO.
- b.) Paid \$9,000 (2015 - \$45,000) for consulting fees to a company controlled by the previous CFO and share-based payments of \$Nil (2015 - \$1,880) to the CFO.
- c.) Paid \$26,650 (2015 - \$27,500) and accrued \$2,500 (2015 - \$2,500) for directors fees and \$Nil (2015 - \$6,579) for share-based payments paid to directors.

15. Financial instruments:

The carrying values of the Corporation's financial instruments by category were as follows:

September 30, 2016			
Asset (liability)	Fair value through profit or loss	Loans and receivables at amortized cost	Financial liabilities at amortized cost
Cash and cash equivalents	\$ -	\$193,851	\$ -
Trade and other receivables	-	5,360	-
Trade and other payables	-	-	(136,006)
	\$ -	\$199,211	\$(136,006)

September 30, 2015			
Asset (liability)	Fair value through profit or loss	Loans and receivables at amortized cost	Financial liabilities at amortized cost
Cash and cash equivalents	\$ -	\$478,978	\$ -
Trade and other receivables	-	9,058	-
Trade and other payables	-	-	(73,157)
	\$ -	\$488,036	\$(73,157)

The carrying value of the Corporation's financial instruments approximate their fair value.

Financial risk factors**a.) Credit risk:**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's cash and cash equivalents, and trade and other receivables are exposed to credit risk. The credit risk on cash and cash equivalents is not considered significant because the counterparties are highly-rated financial institutions. The credit risk on trade and other receivables is not considered significant because the counterparties are the federal government for \$5,360.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 12
For the years ended September 30, 2016 and 2015

15. Financial instruments (continue):**b.) Liquidity risk:**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking harm to the Corporation's reputation.

The following are the contractual maturities of financial liabilities as at September 30, 2016:

Financial Liabilities	< One Year	> One Year
Trade and other payables	\$136,006	\$ -
Total	\$136,006	\$ -

The following are the contractual maturities of financial liabilities as at September 30, 2015:

Financial Liabilities	< One Year	> One Year
Trade and other payables	\$73,157	\$ -
Total	\$73,157	\$ -

c.) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as interest rates and foreign exchange rates that will affect the Corporation's comprehensive loss or the value of financial instruments. The objective of market risk management is to control market risk exposures within acceptable limits, while maximizing returns.

- Interest rate risk is the risk that future cash flows will fluctuate as a result in changes in market interest rates. The Corporation is exposed to interest rate risk to the extent the changes in market interest rates will impact the Corporation's bank. The Corporation has not entered into any interest rate swaps or financial contracts to date. With regards to interest rate risk, a change of 1% in the effective interest rate would have a minimal impact on the consolidated statement of loss and comprehensive loss.
- Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange risks. The Corporation is exposed to foreign exchange rate risk since the exploration and development costs of its Tunisia Project will mostly be denominated in U.S. dollars. The effect of at 1% change in the exchange rate would have approximately a \$157,373 impact on the consolidated statement of loss and comprehensive loss.

16. Capital disclosures:

In the definition of capital, the Corporation includes shareholders' equity. The Corporation's objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares, or engage in debt financing.

The Corporation is not exposed to external capital requirements.

AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 13
For the years ended September 30, 2016 and 2015

17. Commitment and contingencies:

Revenu Quebec and the Ministere des Ressources naturelles et de la Faune of Quebec have denied certain exploration expenditures for prior years in the determination of the refundable provincial tax credits and mining duties refund. The Corporation has appealed these reassessments. If the Corporation is not successful with its objections, the Corporation may potentially have to repay refunds of up to \$168,462, which has been recorded in trade and other payables. On May 13, 2016, \$145,499 will no longer be applicable for reassessment. The remaining payable of \$22,983 has become disqualified as of May 13, 2016 and was written off in the year ended September 30, 2016.

The Corporation is involved in litigation matters arising out of the ordinary course and conduct of its business from operations conducted in Tunisia. A claim on behalf of a former partner is proceeding to arbitration in the sum of US\$135,989. A settlement payment of \$75,000 has been accrued in the financial statements. The final outcome of the settlement has not been reached and is still considered to be undeterminable.

Appendix D

Management Discussion and Analysis of the Company for the period ended December 31, 2017

[beginning on following page]



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FORM 51-102F1**

FOR THE PERIOD ENDED DECEMBER 31, 2017

February 28, 2018

Management's Discussion and Analysis ("MD&A") should be read in conjunction with the interim consolidated financial statements for the period ended December 31, 2017 and the audited consolidated financial statements for the year ended September 30, 2017. The interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

Success in the junior market is measured by a Corporation's ability to raise funds and the ability to secure properties of merit. Not all of these factors are within management's control. The ability to raise funds is in part dependent on the state of the junior resource stock market, which in turn is dependent on the economic climate, commodity prices and perceptions as to which way the market is headed. The ability to secure properties of merit is in large part dependent on management's contacts and the vitality of the sector.

DESCRIPTION OF BUSINESS

The principal business of the Corporation was to explore natural resource properties. In early 2016, the Corporation ceased to operate in the resource sector and on November 23, 2017 it was announced that it is management's intention to complete a "Change of Business" transaction ("COB Transaction") pursuant to the policies of the TSX Venture Exchange, with the result that the Company will become a blockchain technology company, listed on the Exchange.

Upon completion of the COB Transaction, the Company will acquire no less than \$1.3 million worth of cryptocurrency mining equipment and employ such technology in a cryptocurrency mining data center, to be located in North America, to mine Bitcoin (algorithm SHA256) and other alternative cryptocurrencies (e.g. Bitcoin Cash, Litecoin, etc.). The Company expects that if the COB Transaction is completed, and it can place the order for the aforementioned equipment, then it should be in a position to employ the equipment for cryptocurrency mining by no later than Q2 2018. The Company intends to seek the requisite shareholder approval to change the name of the Company to "BlockchainK2 Corp."

Trading in the common shares of the Company has been halted in accordance with the policies of the Exchange and will remain halted until such time as all required documentation has been filed with and accepted by the Exchange and permission to resume trading has been obtained from the Exchange. The Company will then operate within the technology sector.

The Corporation is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, PEI and Newfoundland and its shares are listed on the TSX Venture Exchange ("TSXV") under the symbol NFK. The Company was transferred to the NEX board in July 2015.

On June 30, 2017, the Corporation completed a consolidation of its issued and outstanding common shares on the basis of twenty (20) pre-consolidation common shares for each one (1) post-consolidation common share. All per share numbers in this MD&A have been adjusted to reflect this consolidation.

FINANCING

On July 31, 2017, the Corporation closed a non-brokered private placement of 1,406,250 equity units at a price of \$0.16 per unit for gross proceeds of \$225,000. Each unit consists of 1 common share and 1 common share purchase warrant in which the warrant entitles the holder to acquire 1 common share at an exercise price of \$0.21 per share for a period of 12 months. Finders' fee totaling \$3,850 in cash and a finder's warrant to acquire 24,062 common shares at a price of \$0.16 per share for a period of 12 months was paid.

On July 31, 2017, the Corporation closed a shares for debt transaction where the short-term loan in the amount of \$75,000 plus interest payable of \$2,400 was settled by the issuance of 483,750 common shares at a price of \$0.16 per share.

On August 25, 2017, the Corporation closed a non-brokered private placement of 2,000,000 common shares at a price of \$0.50 per share for gross proceeds of \$1,000,000. Finders' fee totaling \$70,000 in cash and a finder's warrant to acquire 70,000 common shares at a price of \$0.50 per share for a period of 12 months was paid.

On November 8, 2017, the Corporation closed a non-brokered private placement of 450,816 common shares at a price of \$0.61 per common share for gross proceeds of \$275,000. Finders' fee totaling \$19,250 in cash and a finder's warrant to acquire 31,557 common shares at a price of \$0.61 per share for a period of 12 months was paid.

On January 19, 2018, the Corporation closed the first tranche of its non-brokered private placement for 2,865,334 units at a price of \$1.25 for gross proceeds of \$3,581,668. Each unit consists of one common share and one half common share purchase warrant in which the warrant entitles the holder to acquire one common share at an exercise price of \$2.00 per share for a period of 12 months from date of issuance. The proceeds were held in escrow.

SELECTED ANNUAL INFORMATION

	September 30, 2017 (audited)	September 30, 2016 (audited)	September 30, 2015 (audited)
	\$	\$	\$
Loss from continuing operations	(544,202)	(367,847)	(1,154,595)
Income from discontinued operations	-	22,963	145,499
Net Loss	(544,202)	(344,884)	(1,009,096)
Total Assets	1,062,752	206,502	489,494
Working capital	949,371	70,496	416,337
Basic and diluted per share amounts			
From continuing operations	(0.06)	(0.04)	(0.14)
From discontinued operations	-	0.00	0.02
Net loss	(0.06)	(0.04)	(0.12)

RESULTS OF OPERATIONS - YEAR ENDED SEPTEMBER 30, 2017

General and administrative

General and administrative expenses for the year ended September 30, 2017 totaled \$207,612 compared with \$200,493 for the year ended September 30, 2016. The Corporation incurred consulting and management fees of \$28,946 (2016 - \$99,000), directors fees of \$116,167 (2016 - \$29,150) and professional fees of \$89,081 (2016 - \$89,244). The remaining expenses are composed of general office costs and travel expenses.

Net loss

The net loss of \$544,202 (\$0.06 per share) compares to a net loss of \$344,884 (\$0.04 per share) in 2016. The loss for the year is due mainly to the consulting costs and professional fees required to find a new business opportunity. A net loss position is expected in the next period.

SELECTED QUARTERLY INFORMATION

Quarter ended	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017
Net Loss	\$(540,175)	\$(430,031)	\$(45,329)	\$(6,683)
Net Loss per Share	\$(0.04)	\$(0.05)	\$(0.01)	\$(0.00)
Working Capital (Deficit)	\$1,059,736	\$949,371	\$(43,753)	\$2,730

Quarter ended	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016
Net Loss	\$(62,159)	\$(179,862)	\$(49,002)	\$(138,983)
Net Loss per Share	\$(0.01)	\$(0.02)	\$(0.01)	\$(0.02)
Working Capital (Deficit)	\$9,383	\$70,496	\$223,954	\$273,036

The above noted financial data should be read in conjunction with the interim consolidated financial statements for the period ended December 31, 2017.

RESULTS OF OPERATIONS - THREE MONTH PERIOD ENDED DECEMBER 31, 2017

General and administrative

General and administrative expenses for the three month period ended December 31, 2017 totaled \$118,748 compared with \$60,380 for the same period in 2016. The Corporation incurred consulting and management fees of \$15,986 (2016 - \$15,000), directors fees of \$79,152 (2016 - \$Nil), and professional fees of \$24,662 (2016 - \$11,126). The remaining expenses are composed of general office costs and travel expenses.

Net loss

The net loss of \$540,175 (\$0.04 per share) compares to a net loss of \$73,367 (\$0.01 per share) for the same three month period in 2016. The loss in the period is due mainly to the consulting costs required to find a new business opportunity. A net loss position is expected in the next period.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2017 the Corporation had a working capital of \$1,059,736 which compares to a working capital of \$949,371 as at September 30, 2017. In 2017, the Corporation closed a number of private placement financing for total gross proceeds of \$1,577,400, these funds have been used to by the Corporation to continue searching for other business opportunities.

COMMITMENTS AND CONTINGENCIES

The Corporation was involved in litigation matters arising out of the ordinary course and conduct of its business from operations conducted in Tunisia in the amount of US\$135,989. A settlement estimate of \$75,000 was accrued in the 2016 financial statements.

On April 3, 2017 the Corporation executed and finalized a full and final release on a claim in arbitration for a settlement amount of CDN\$50,000. The Corporation has paid CDN\$50,000 to the former partner and agreed upon that a further CDN\$35,000 payment will be required if the Corporation completes either a \$1,000,000 in financing on or before April 3, 2018, either as a single or part of multiple financings or the market capitalization of the release exceeds \$2,500,000 for a 30 day period within the next 2 years. As at September 30, 2017, these events were met and therefore \$35,000 has been paid resulting in an additional \$10,000 being expensed in the consolidated statement of comprehensive loss.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The following is a summary of the related party transactions that occurred throughout the periods ended December 31, 2017 and 2016:

- a.) Paid \$10,000 (2016 - \$15,000) for consulting fees and paid \$Nil (2016 - \$4,000) for rent supplement to a company controlled by the previous CEO.

b.) Paid \$76,652 (2016 - \$Nil) for directors fees and \$394,570 (2016 - \$Nil) for share-based payments paid to key management being directors and officers.

c.) On March 17, 2017, the Corporation received a loan (the “Loan”) in the amount of \$75,000 from a shareholder of the Corporation. The loan is due on demand and accrues interest of 12% per annum, payable upon maturity. On July 31, 2017, the Corporation closed a shares for debt transaction where the short-term loan in the amount of \$75,000 plus interest payable of \$2,400 was settled by the issuance of 483,750 common shares at a price of \$0.16 per share which was valued at \$101,588. A loss of \$24,188 has been recorded in the statement of loss and comprehensive loss during the year ended September 30, 2017.

MANAGEMENT CHANGE

On January 29, 2018, the Corporation appointed Anthony Jackson as chief financial officer and corporate secretary of the Corporation.

ACCOUNTING POLICIES

The interim consolidated financial statements and related MD&A have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets recorded on the date of transition. The consolidated financial statements have been prepared on a going concern basis.

A summary of the Corporations significant accounting policies under IFRS is presented in Note 3 – “Significant accounting policies” in the Corporation’s interim consolidated financial statements for the period ended December 31, 2017.

Items included in the financial statements of the Corporation and its subsidiaries are measured using the currency of the primary economic environment in which the company operates (the “functional currency”). The consolidated financial statements are presented in Canadian dollars, which is the Corporation’s functional and presentation currency.

ACCOUNTING STANDARDS – ADOPTED AND FUTURE

Future accounting standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after October 1, 2017 or later periods. The standards impacted that are applicable to the Corporation are as follows:

a) IFRS 2, “Share-based Payment” was amended in June 2016, the International Accounting Standards Board (IASB) issued amendments to IFRS 2, incorporated in Part I of the CPA Canada Handbook-Accounting by the Accounting Standards Board (ASB) in November 2016, to clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on measurement of cash-settled share based payments;
- Share-base payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
-

The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Corporation continues to assess this new standard, but does not expect it to have a significant impact.

- b) IFRS 9, “Financial Instruments” was issued in November 2009 as the first step in its project to replace IAS 39 ‘Financial Instruments: Recognition and Measurement’. IFRS 9 introduces new requirements for classifying and measuring financial assets. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for impairment and hedge accounting. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018. The Corporation continues to assess this new standard, but does not expect it to have a significant impact.
- c) IFRS 15, “Revenue from Contracts with Customers” was issued in May 2016 to replace IAS 18 “Revenue” and IAS 11 “Construction Contracts”, and several revenue related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options and other common complexities. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The Corporation continues to assess this new standard, but does not expect it to have a significant impact until revenue generating activities occur.
- d) IFRS 16, “Leases” was issued on January 13, 2017, the IASB issued IFRS 16 Leases which replaces IAS 17. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The standard becomes effective January 1, 2019. IFRS 16 will not impact the Corporation’s consolidated financial statements until such time as the Corporation enters into lease arrangements.
- e) IAS 7, “Statement of Cash Flows” was issued in January 2017, the IASB has published amendments to IAS 7 ‘Statement of Cash Flows’. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity’s financing activities. The IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. They are effective for annual periods beginning on or after 1 January 2017, with earlier application being permitted. The Corporation is currently assessing the impact of this standard.

CRITICAL ACCOUNTING ESTIMATES

The Corporation has made estimates and assumptions regarding certain assets, liabilities, and expenses in the preparation of the consolidated financial statements. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a.) Share-based payments

The Corporation has made various assumptions in estimating the fair values of the common stock options granted including expected volatility, expected exercise behavior and future forfeiture rates. At each period end, options outstanding are re-measured for changes in the fair value of the liability due to forfeitures.

b.) Measurement of warrant valuation

The Corporation uses an option-pricing model to determine the fair value of the warrant. Inputs to the model are subject to various estimates about volatility, interest rates, dividend yields, forfeiture rates and expected life of the instruments issued. Fair value inputs are subject to market factors as well as internal estimates. The Corporation considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

c.) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

d.) Deferred taxes

Tax interpretations, regulations and legislation are subject to change and as such income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

Actual results may differ from these estimates due to, among other factors, future changes in business environment, currently unknown changes in income tax legislation, or results from the final review of tax returns by tax authorities.

e.) Functional currency

The determination of the Corporation's functional currency requires analyzing facts that are considered primary factors, and if the results are not conclusive, secondary factors. The analysis requires the Corporation to apply significant judgment since primary and secondary factors may be mixed. In determining its functional currency the Corporation analyzed both the primary and secondary factors, including the currency of the Corporation's revenues, operating costs, general and administrative costs and financing proceeds in the countries that it operates in.

f.) Going concern assessment

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption were not appropriate for the consolidated financial statements, then adjustments to the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position would be necessary.

FINANCIAL INSTRUMENTS

As at December 31, 2017, the Corporation's financial instruments are cash and cash equivalents, trade and other receivables, and trade and other payables. The amounts reflected in the balance sheet for these financial instruments approximate their fair values due to the short-term nature and negligible credit losses.

The Corporation does not use derivative instruments or hedges to manage risks because the Corporation's exposure to credit risk, interest rate risk and currency risk is not considered significant.

OFF BALANCE SHEET ARRANGEMENTS

The Corporation has not engaged in any off-balance sheet arrangements.

DISCLOSURE OF OUTSTANDING SHARE DATA**Authorized and Issued Share Capital**

The following is outstanding as of February 28, 2018:

Class	Par Value	Authorized	Issued
Common	Nil	Unlimited	15,411,625
Preferred	Nil	Unlimited	Nil

Description of Options and Warrants outstanding

The following is outstanding as of February 28, 2018:

Security Type	Number	Exercise Price	Expiry Date
Options	820,549	\$0.16	July 6, 2027
Options	434,080	\$0.52	November 8, 2027
Warrants	1,406,250	\$0.21	July 31, 2018
Warrants	140,000	\$0.50	August 25, 2018
Warrants	1,432,667	\$2.00	January 19, 2019
Broker Warrants	24,062	\$0.16	July 31, 2018
Broker Warrants	31,557	\$0.61	November 8, 2018

FORWARD LOOKING STATEMENTS

This MD&A, which contains certain forward-looking statements, are intended to provide readers with a reasonable basis for assessing the financial performance of the Corporation. All statements, other than statements of historical fact, are forward-looking statements. The words “believe”, “expect”, “anticipate”, “contemplate”, “target”, “plan”, “intends”, “continue”, “budget”, “estimate”, “may”, “will”, “schedule” and similar expressions identify forward looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Corporation, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, fluctuations in the currency markets such as Canadian dollar and U.S. dollar, fluctuations in the prices of gold and other commodities, changes in government legislation, taxation, controls, regulations and political or economic developments in Canada, the United States or other countries in which the Corporation carries or may carry on business in the future, risks associated with mining or development activities, the speculative nature of exploration and development, including the risk of obtaining necessary licenses and permits, and quantities or grades of reserves. Many of these uncertainties and contingencies can affect the Corporation’s actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Corporation. Readers are cautioned that forward-looking statements are not guarantees of future performance. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those acknowledged in such statements. Specific reference is made to the “Risk and Uncertainties” section of these MD&A for a discussion of some of the factors underlying forward-looking statements. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable laws.

RISK FACTORS

In the normal course of business, the Corporation is exposed to various business risks and uncertainties that can have an effect on the Corporation's results of operations, financial position, or liquidity. While some exposures may be reduced by the Corporation's risk management strategies, many risks are driven by external factors beyond the Corporation's control or are of a nature which cannot be eliminated. The following is a discussion of key areas of business risks and uncertainties.

The Corporation

The Corporation will be in the early stage of development and must be considered a start-up. As such, the Corporation is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Corporation will be successful in achieving a return on shareholders' investment and

the likelihood of success must be considered in light of its early stage of operations. The Corporation has no intention of paying any dividends in the near future.

The Corporation will have limited financial resources and there is no assurance that additional funding will be available to it for further development of its business or to fulfil its obligations under any applicable agreements.

As certain of the officers and directors of the Corporation are directors, officers or shareholders of other companies, there are potential conflicts of interest to which the officers and directors of the Corporation may be subject to from time to time, in connection with the operations of the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the Business Corporation Act (Alberta).

The Corporation may need additional financing to continue in business and there can be no assurance that such financing will be available or, if available, will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Corporation may change and investors may suffer additional dilution. To the extent financing is not available, business opportunities and potential acquisitions could be lost for the Corporation.

Liquidity

Disruptions in the financial markets or deterioration of the Corporation's credit ratings could hinder the Corporation's access to external sources of funding to meet its liquidity needs. There can be no assurance that changes in the financial markets will not have a negative effect on the Corporation's liquidity and its access to capital at acceptable rates.

Risks from Acquisitions, Strategic Alliances and Joint Ventures

The Corporation may pursue acquisitions, strategic alliances and joint ventures. The ability of the Corporation to complete acquisitions, strategic alliances and joint ventures is dependent upon, and may be limited by, the availability of suitable candidates and capital. In addition, acquisitions, strategic alliances and joint ventures involve risks that could adversely affect the Corporation's results of operations, including the management time that may be diverted from operations in order to pursue and complete such transactions and, difficulties in the case of acquisitions, integrating and managing the additional operations and personnel of acquired businesses. There can be no assurance that the Corporation will be able to obtain the capital necessary to consummate acquisitions, strategic alliances or joint ventures on satisfactory terms, if at all. Future acquisitions, strategic alliances or joint ventures could result in the incurrence of additional debt, costs and contingent liabilities, all of which could materially adversely affect the Corporation.

The Company is planning to change its business to digital currency mining and block chain software businesses. There is no assurance that the Company will receive requisite regulatory, exchange and shareholder approvals. In the event that the Company is able to change its business to technology and block chain businesses, such businesses are inherently early stage, unproven, volatile and subject to risks including regulatory, technological and financing.

Dependence on Key Personnel

The success of the Corporation will depend, to a significant extent, upon the efforts and abilities of its senior management team. The loss of any management, or the inability to attract and retain additional skilled management, could have a material adverse effect on the business, operating results and financial condition of the Corporation.

Global Financial Conditions

Global financial conditions may be subject to high volatility which could result, as they have in the past, in numerous commercial and financial enterprises either going into bankruptcy or creditor protection or having had to be rescued by governmental authorities. In recent years, access to public financing has been negatively

impacted by sub-prime mortgage defaults in the United States, the liquidity crisis affecting the asset-backed commercial paper and collateralized debt obligation markets, massive investment losses by banks with resultant recapitalization efforts and a deterioration in the global economy. More recently, the European debt crisis has affected equity investor sentiment and, if it worsens, could also affect worldwide credit markets, which might impact the Corporation.

Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions can cause the broader credit markets to further deteriorate and stock markets to decline substantially. Banks have been adversely affected by the worldwide economic crisis and have somewhat curtailed existing liquidity lines, increased pricing and introduced new and tighter borrowing restrictions to corporate borrowers, with limited access to new facilities or for new borrowers. These factors, if they were to reoccur, could negatively impact the Corporation's ability to access liquidity needed for the Corporation's business in the longer term. These factors may impact the Corporation's future ability to obtain equity, debt or bank financing on terms favourable to the Corporation, or at all. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses.

Potential Volatility of Share Price

The market price of the common shares of the Corporation may be volatile and could be subject to wide fluctuations due to a number of factors, including but not limited to: actual or anticipated fluctuations in the Corporation's results of operations; changes in estimates of the Corporation's future results of operations by management or securities analysts; introduction of new products or services by the Corporation or its competitors; and general industry changes. In addition, the financial markets have in the past experienced significant price and value fluctuations that have particularly affected the market prices of equity securities of many venture issuers and that sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally, may adversely affect the market price of the shares.

Tax Considerations

The return on an investment in common shares of the Corporation will be subject to changes in federal and provincial tax laws. There can be no assurance that the income tax legislation in Canada will not be amended so as to fundamentally alter the tax consequences of holding or disposing of the common shares.

Legal or Regulatory Proceedings

Although the Corporation is not currently a party to any material legal or regulatory proceedings, legal or regulatory proceedings could be filed against the Corporation in the future. No assurance can be given as to the final outcome of any legal or regulatory proceedings or that the ultimate resolution of any legal or regulatory proceedings will not have a material adverse effect on the Corporation.

Additional Information

Additional information is available on SEDAR at www.sedar.com.

Appendix E

Management Discussion and Analysis of the Company for the year ended September 30, 2017

[beginning on following page]



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FORM 51-102F1**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

December 8, 2017

Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2017. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

Success in the junior market is measured by a Corporation's ability to raise funds and the ability to secure properties of merit. Not all of these factors are within management's control. The ability to raise funds is in part dependent on the state of the junior resource stock market, which in turn is dependent on the economic climate, commodity prices and perceptions as to which way the market is headed. The ability to secure properties of merit is in large part dependent on management's contacts and the vitality of the sector.

DESCRIPTION OF BUSINESS

The principal business of the Corporation was to explore natural resource properties. In early 2016, the Corporation ceased to operate in the resource sector and on November 23, 2017 it was announced that it is management's intention to complete a "Change of Business" transaction ("COB Transaction") pursuant to the policies of the TSX Venture Exchange, with the result that the Company will become a blockchain technology company, listed on the Exchange.

Upon completion of the COB Transaction, the Company will acquire no less than \$1.3 million worth of cryptocurrency mining equipment and employ such technology in a cryptocurrency mining data center, to be located in North America, to mine Bitcoin (algorithm SHA256) and other alternative cryptocurrencies (e.g. Bitcoin Cash, Litecoin, etc.). The Company expects that if the COB Transaction is completed, and it can place the order for the aforementioned equipment, then it should be in a position to employ the equipment for cryptocurrency mining by no later than Q2 2018. The Company intends to seek the requisite shareholder approval to change the name of the Company to "BlockchainK2 Corp."

Trading in the common shares of the Company has been halted in accordance with the policies of the Exchange and will remain halted until such time as all required documentation has been filed with and accepted by the Exchange and permission to resume trading has been obtained from the Exchange. The Company will then operate within the technology sector.

The Corporation is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, PEI and Newfoundland and its shares are listed on the TSX Venture Exchange ("TSXV") under the symbol NFK. The Company was transferred to the NEX board in July 2015.

On June 30, 2017, the Corporation completed a consolidation of its issued and outstanding common shares on the basis of twenty (20) pre-consolidation common shares for each one (1) post-consolidation common share. All per share numbers in this MD&A have been adjusted to reflect this consolidation.

FINANCING

On July 31, 2017, the Corporation closed a non-brokered private placement of 1,406,250 equity units at a price of \$0.16 per unit for gross proceeds of \$225,000. Each unit consists of 1 common share and 1 common share purchase warrant in which the warrant entitles the holder to acquire 1 common share at an exercise price of \$0.21 per share for a period of 12 months. Finders' fee totaling \$3,850 in cash and a finder's warrant to acquire 24,062 common shares at a price of \$0.16 per share for a period of 12 months was paid.

On July 31, 2017, the Corporation closed a shares for debt transaction where the short-term loan in the amount of \$75,000 plus interest payable of \$2,400 was settled by the issuance of 483,750 common shares at a price of \$0.16 per share.

On August 25, 2017, the Corporation closed a non-brokered private placement of 2,000,000 common shares at a price of \$0.50 per share for gross proceeds of \$1,000,000. Finders' fee totaling \$70,000 in cash and a finder's warrant to acquire 70,000 common shares at a price of \$0.50 per share for a period of 12 months was paid.

On November 8, 2017, the Corporation closed a non-brokered private placement of 450,816 common shares at a price of \$0.61 per common share for gross proceeds of \$275,000. Finders' fee totaling \$19,250 in cash and a finder's warrant to acquire 31,557 common shares at a price of \$0.61 per share for a period of 12 months was paid.

On November 8, 2017, the Corporation announced the grant of options to certain directors of the Corporation to acquire a total of 434,080 common shares at an exercise price of \$0.52 per share and expire 10 years from the date of grant.

On November 24, 2017, the Corporation announced a proposed non-brokered private placement of a minimum of 1,600,000 units and a maximum of 2,400,000 units at a price of \$1.25 per unit for total gross proceeds of a minimum of \$2,000,000 to a maximum of \$3,000,000. Each unit consists of 1 common share and 0.5 common share purchase warrant in which each warrant entitles the holder to acquire 1 common share at an exercise price of \$2.00 per share for a period of 12 months. See the Corporations press release dated November 24, 2017 for more information. The net proceeds of the private placement will be used with a view to developing the business of the company resulting from the COB Transaction and for general working capital purposes.

SELECTED ANNUAL INFORMATION

	Sept. 30, 2017 (audited)	Sept. 30, 2016 (audited)	Sept. 30, 2015 (audited)
Loss from continuing operations	\$(544,202)	\$(367,847)	\$(1,154,595)
Income from discontinued operations	-	22,963	145,499
Net Loss	(544,202)	(344,884)	(1,009,096)
Total Assets	1,062,752	206,502	489,494
Working capital	949,371	70,496	416,337
Basic and diluted per share amounts			
From continuing operations	(0.06)	(0.04)	(0.14)
From discontinued operations	-	0.00	0.02
Net loss	(0.06)	(0.04)	(0.12)

RESULTS OF OPERATIONS - YEAR ENDED SEPTEMBER 30, 2017

General and administrative

General and administrative expenses for the year ended September 30, 2017 totaled \$207,612 compared with \$200,493 for the year ended September 30, 2016. The Corporation incurred consulting and management fees of \$28,946 (2016 – \$99,000), directors fees of \$116,167 (2016 - \$29,150) and professional fees of \$89,081 (2016 - \$89,244). The remaining expenses are composed of general office costs and travel expenses.

Net loss

The net loss of \$544,202 (\$0.06 per share) compares to a net loss of \$344,884 (\$0.04 per share) in 2016. The loss for the year is due mainly to the consulting costs and professional fees required to find a new business opportunity. A net loss position is expected in the next period.

SELECTED QUARTERLY INFORMATION

Quarter ended	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016
Net Income (Loss)	\$(430,031)	\$(45,329)	\$(6,683)	\$(62,159)
Net Income (Loss) per Share	(0.05)	(0.01)	(0.00)	(0.01)
Working Capital (Deficit)	949,371	(43,753)	2,730	9,383

Quarter ended	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015
Net Loss	\$(179,862)	\$(49,002)	\$(138,983)	\$(66,639)
Net Loss per Share	(0.02)	(0.01)	(0.02)	(0.01)
Working Capital (Deficit)	70,496	223,954	273,036	348,099

The above noted financial data should be read in conjunction with the consolidated financial statements for the year ended September 30, 2017.

RESULTS OF OPERATIONS - THREE MONTH PERIOD ENDED SEPTEMBER 30, 2017

General and administrative

General and administrative expenses for the three month period ended September 30, 2017 totaled \$130,080 compared with \$46,708 for the same period in 2016. The Corporation incurred consulting and management fees of \$11,446 (2016 – \$22,500), directors fees of \$75,002 (2016 - \$6,650) and professional fees of \$69,610 (2016 - \$57,399). The remaining expenses are composed of general office costs and travel expenses.

Net loss

The net loss of \$430,031 (\$0.05 per share) compares to a net loss of \$179,862 (\$0.02 per share) for the same three month period in 2016. The loss in the period is due mainly to the consulting costs required to find a new business opportunity. A net loss position is expected in the next period.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2017 the Corporation had a working capital of \$949,371 which compares to a working capital of \$70,496 as at September 30, 2016. In 2017, the Corporation closed a number of private placement financing for total gross proceeds of \$1,577,400, these funds have been used to by the Corporation to continue searching for other business opportunities.

COMMITMENTS AND CONTINGENCIES

The Corporation was involved in litigation matters arising out of the ordinary course and conduct of its business from operations conducted in Tunisia in the amount of US\$135,989. A settlement estimate of \$75,000 was accrued in the 2016 financial statements.

On April 3, 2017 the Corporation executed and finalized a full and final release on a claim in arbitration for a settlement amount of CDN\$50,000. The Corporation has paid CDN\$50,000 to the former partner and agreed upon that a further CDN\$35,000 payment will be required if the Corporation completes either a \$1,000,000 in financing on or before April 3, 2018, either as a single or part of multiple financings or the market capitalization of the release exceeds \$2,500,000 for a 30 day period within the next 2 years. As at September 30, 2017, these events were met and therefore \$35,000 has been paid resulting in an additional \$10,000 being expensed in the consolidated statement of comprehensive loss.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The following is a summary of the related party transactions that occurred throughout the years ended September 30, 2017 and 2016:

- a.) Paid \$15,000 (2016 - \$90,000) for consulting fees and paid \$Nil (2016 - \$24,000) for rent supplement to a company controlled by the previous CEO.
- b.) Paid \$116,167 (2016 - \$26,650) and accrued \$50,315 (2016 - \$2,500) for directors fees and \$172,105 (2016 - \$Nil) for share-based payments paid to key management being directors and officers.
- c.) On March 17, 2017, the Corporation received a loan (the "Loan") in the amount of \$75,000 from a shareholder of the Corporation. The loan is due on demand and accrues interest of 12% per annum, payable upon maturity. On July 31, 2017, the Corporation closed a shares for debt transaction where the short-term loan in the amount of \$75,000 plus interest payable of \$2,400 was settled by the issuance of 483,750 common shares at a price of \$0.16 per share which was valued at \$101,588. A loss of \$24,188 has been recorded in the statement of loss and comprehensive loss.

ACCOUNTING POLICIES

The condensed interim consolidated financial statements and related MD&A have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets recorded on the date of transition. The consolidated financial statements have been prepared on a going concern basis.

A summary of the Corporations significant accounting policies under IFRS is presented in Note 3 – "Significant accounting policies" in the Corporation's consolidated financial statements for the years ended September 30, 2017 and 2016.

Items included in the financial statements of the Corporation and its subsidiaries are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency.

ACCOUNTING STANDARDS – ADOPTED AND FUTURE

Future accounting standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after October 1, 2017 or later periods. The standards impacted that are applicable to the Corporation are as follows:

- a) IFRS 2, "Share-based Payment" was amended in June 2016, the International Accounting Standards Board (IASB) issued amendments to IFRS 2, incorporated in Part I of the CPA Canada Handbook-Accounting by the Accounting Standards Board (AcSB) in November 2016, to clarify how to account for

certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on measurement of cash-settled share based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Corporation continues to assess this new standard, but does not expect it to have a significant impact.

b) IFRS 9, “Financial Instruments” was issued in November 2009 as the first step in its project to replace IAS 39 ‘Financial Instruments: Recognition and Measurement’. IFRS 9 introduces new requirements for classifying and measuring financial assets. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for impairment and hedge accounting. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018. The Corporation continues to assess this new standard, but does not expect it to have a significant impact.

c) IFRS 15, “Revenue from Contracts with Customers” was issued in May 2016 to replace IAS 18 “Revenue” and IAS 11 “Construction Contracts”, and several revenue related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options and other common complexities. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The Corporation continues to assess this new standard, but does not expect it to have a significant impact until revenue generating activities occur.

d) IFRS 16, “Leases” was issued on January 13, 2017, the IASB issued IFRS 16 Leases which replaces IAS 17. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The standard becomes effective January 1, 2019. IFRS 16 will not impact the Corporation’s consolidated financial statements until such time as the Corporation enters into lease arrangements.

e) IAS 7, “Statement of Cash Flows” was issued in January 2017, the IASB has published amendments to IAS 7 ‘Statement of Cash Flows’. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity’s financing activities. The IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. They are effective for annual periods beginning on or after 1 January 2017, with earlier application being permitted. The Corporation is currently assessing the impact of this standard.

CRITICAL ACCOUNTING ESTIMATES

The Corporation has made estimates and assumptions regarding certain assets, liabilities, and expenses in the preparation of the consolidated financial statements. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a.) Share-based payments

The Corporation has made various assumptions in estimating the fair values of the common stock options granted including expected volatility, expected exercise behavior and future forfeiture rates. At each period end, options outstanding are re-measured for changes in the fair value of the liability due to forfeitures.

b.) Measurement of warrant valuation

The Corporation uses an option-pricing model to determine the fair value of the warrant. Inputs to the model are subject to various estimates about volatility, interest rates, dividend yields, forfeiture rates and expected life of the instruments issued. Fair value inputs are subject to market factors as well as internal estimates. The Corporation considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

c.) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

d.) Deferred taxes

Tax interpretations, regulations and legislation are subject to change and as such income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

Actual results may differ from these estimates due to, among other factors, future changes in business environment, currently unknown changes in income tax legislation, or results from the final review of tax returns by tax authorities.

e.) Functional currency

The determination of the Corporation's functional currency requires analyzing facts that are considered primary factors, and if the results are not conclusive, secondary factors. The analysis requires the Corporation to apply significant judgment since primary and secondary factors may be mixed. In determining its functional currency the Corporation analyzed both the primary and secondary factors, including the currency of the Corporation's revenues, operating costs, general and administrative costs and financing proceeds in the countries that it operates in.

f.) Going concern assessment

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption were not appropriate for the consolidated financial statements, then adjustments to the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position would be necessary.

FINANCIAL INSTRUMENTS

As at September 30, 2017, the Corporation's financial instruments are cash and cash equivalents, trade and other receivables, and trade and other payables. The amounts reflected in the balance sheet for these financial instruments approximate their fair values due to the short-term nature and negligible credit losses.

The Corporation does not use derivative instruments or hedges to manage risks because the Corporation's exposure to credit risk, interest rate risk and currency risk is not considered significant.

OFF BALANCE SHEET ARRANGMENTS

The Corporation has not engaged in any off-balance sheet arrangements.

DISCLOSURE OF OUTSTANDING SHARE DATA

Authorized and Issued Share Capital

The following is outstanding as of December 8, 2017:

Class	Par Value	Authorized	Issued
Common	Nil	Unlimited	12,546,291
Preferred	Nil	Unlimited	Nil

Description of Options and Warrants outstanding

The following is outstanding as of December 8, 2017:

Security Type	Number	Exercise Price	Expiry Date
Options	820,549	\$0.16	July 6, 2027
Options	434,080	\$0.52	Nov 8, 2027
Warrants	1,406,250	\$0.21	July 31, 2018
Warrants	140,000	\$0.50	Aug 25, 2018
Broker Warrants	24,062	\$0.16	July 31, 2018
Broker Warrants	31,557	\$0.61	Nov 8, 2018

FORWARD LOOKING STATEMENTS

This MD&A, which contains certain forward-looking statements, are intended to provide readers with a reasonable basis for assessing the financial performance of the Corporation. All statements, other than statements of historical fact, are forward-looking statements. The words “believe”, “expect”, “anticipate”, “contemplate”, “target”, “plan”, “intends”, “continue”, “budget”, “estimate”, “may”, “will”, “schedule” and similar expressions identify forward looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Corporation, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, fluctuations in the currency markets such as Canadian dollar and U.S. dollar, fluctuations in the prices of gold and other commodities, changes in government legislation, taxation, controls, regulations and political or economic developments in Canada, the United States or other countries in which the Corporation carries or may carry on business in the future, risks associated with mining or development activities, the speculative nature of exploration and development, including the risk of obtaining necessary licenses and permits, and quantities or grades of reserves. Many of these uncertainties and contingencies can affect the Corporation’s actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Corporation. Readers are cautioned that forward-looking statements are not guarantees of future performance. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those acknowledged in such statements. Specific reference is made to the “Risk and Uncertainties” section of these MD&A for a discussion of some of the factors underlying forward-looking statements. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable laws.

RISK FACTORS

In the normal course of business, the Corporation is exposed to various business risks and uncertainties that can have an effect on the Corporation's results of operations, financial position, or liquidity. While some exposures may be reduced by the Corporation's risk management strategies, many risks are driven by external factors beyond the Corporation's control or are of a nature which cannot be eliminated. The following is a discussion of key areas of business risks and uncertainties.

The Corporation

The Corporation will be in the early stage of development and must be considered a start-up. As such, the Corporation is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Corporation will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. The Corporation has no intention of paying any dividends in the near future.

The Corporation will have limited financial resources and there is no assurance that additional funding will be available to it for further development of its business or to fulfil its obligations under any applicable agreements.

As certain of the officers and directors of the Corporation are directors, officers or shareholders of other companies, there are potential conflicts of interest to which the officers and directors of the Corporation may be subject to from time to time, in connection with the operations of the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the Business Corporation Act (Alberta).

The Corporation may need additional financing to continue in business and there can be no assurance that such financing will be available or, if available, will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Corporation may change and investors may suffer additional dilution. To the extent financing is not available, business opportunities and potential acquisitions could be lost for the Corporation.

Liquidity

Disruptions in the financial markets or deterioration of the Corporation's credit ratings could hinder the Corporation's access to external sources of funding to meet its liquidity needs. There can be no assurance that changes in the financial markets will not have a negative effect on the Corporation's liquidity and its access to capital at acceptable rates.

Risks from Acquisitions, Strategic Alliances and Joint Ventures

The Corporation may pursue acquisitions, strategic alliances and joint ventures. The ability of the Corporation to complete acquisitions, strategic alliances and joint ventures is dependent upon, and may be limited by, the availability of suitable candidates and capital. In addition, acquisitions, strategic alliances and joint ventures involve risks that could adversely affect the Corporation's results of operations, including the management time that may be diverted from operations in order to pursue and complete such transactions and, difficulties in the case of acquisitions, integrating and managing the additional operations and personnel of acquired businesses. There can be no assurance that the Corporation will be able to obtain the capital necessary to consummate acquisitions, strategic alliances or joint ventures on satisfactory terms, if at all. Future acquisitions, strategic alliances or joint ventures could result in the incurrence of additional debt, costs and contingent liabilities, all of which could materially adversely affect the Corporation.

The Company is planning to change its business to digital currency mining and block chain software businesses. There is no assurance that the Company will receive requisite regulatory, exchange and shareholder approvals. In the event that the Company is able to change its business to technology and block chain businesses, such businesses are inherently early stage, unproven, volatile and subject to risks including regulatory, technological and financing.

Dependence on Key Personnel

The success of the Corporation will depend, to a significant extent, upon the efforts and abilities of its senior management team. The loss of any management, or the inability to attract and retain additional skilled management, could have a material adverse effect on the business, operating results and financial condition of the Corporation.

Global Financial Conditions

Global financial conditions may be subject to high volatility which could result, as they have in the past, in numerous commercial and financial enterprises either going into bankruptcy or creditor protection or having had to be rescued by governmental authorities. In recent years, access to public financing has been negatively impacted by sub-prime mortgage defaults in the United States, the liquidity crisis affecting the asset-backed commercial paper and collateralized debt obligation markets, massive investment losses by banks with resultant recapitalization efforts and a deterioration in the global economy. More recently, the European debt crisis has affected equity investor sentiment and, if it worsens, could also affect worldwide credit markets, which might impact the Corporation.

Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions can cause the broader credit markets to further deteriorate and stock markets to decline substantially. Banks have been adversely affected by the worldwide economic crisis and have somewhat curtailed existing liquidity lines, increased pricing and introduced new and tighter borrowing restrictions to corporate borrowers, with limited access to new facilities or for new borrowers. These factors, if they were to reoccur, could negatively impact the Corporation's ability to access liquidity needed for the Corporation's business in the longer term. These factors may impact the Corporation's future ability to obtain equity, debt or bank financing on terms favourable to the Corporation, or at all. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses.

Potential Volatility of Share Price

The market price of the common shares of the Corporation may be volatile and could be subject to wide fluctuations due to a number of factors, including but not limited to: actual or anticipated fluctuations in the

Corporation's results of operations; changes in estimates of the Corporation's future results of operations by management or securities analysts; introduction of new products or services by the Corporation or its competitors; and general industry changes. In addition, the financial markets have in the past experienced significant price and value fluctuations that have particularly affected the market prices of equity securities of many venture issuers and that sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally, may adversely affect the market price of the shares.

Tax Considerations

The return on an investment in common shares of the Corporation will be subject to changes in federal and provincial tax laws. There can be no assurance that the income tax legislation in Canada will not be amended so as to fundamentally alter the tax consequences of holding or disposing of the common shares.

Legal or Regulatory Proceedings

Although the Corporation is not currently a party to any material legal or regulatory proceedings, legal or regulatory proceedings could be filed against the Corporation in the future. No assurance can be given as to the final outcome of any legal or regulatory proceedings or that the ultimate resolution of any legal or regulatory proceedings will not have a material adverse effect on the Corporation.

Additional Information

Additional information is available on SEDAR at www.sedar.com.

Appendix F

Pro Forma Financial Statements as of December 31, 2017

[beginning on following page]

AFRICA HYDROCARBONS INC.

**Unaudited Pro Forma Statement of Financial Position
December 31, 2017**

(unaudited – prepared by management)

AFRICA HYDROCARBONS INC.
PRO FORMA STATEMENT OF FINANCIAL POSITION
December 31, 2017
(Unaudited)
(Stated in Canadian Dollars)

	Unaudited December 31, 2017	Notes	Pro Forma Adjustments	Adjusted December 31, 2017
Assets				
Current assets:				
Cash and cash equivalents	\$1,081,735	a	\$3,581,668	\$2,656,186
		b	-\$2,250,000	
		c	-\$255,967	
		d	\$587,500	
		e	-\$88,750	
Trade and other receivables	\$3,371			\$3,371
Prepaid expenses	\$4,074			\$4,074
	\$1,089,180		\$1,574,451	\$2,663,631
Property & Equipment	\$0	b	\$2,250,000	\$2,250,000
TOTAL ASSETS	\$1,089,180		\$3,849,451	\$4,913,631
Liabilities and Shareholders' Equity				
Current liabilities:				
Trade and other payables	\$29,444			\$29,444
Related party loan	\$0			
Deferred income tax liability	\$0			\$0
TOTAL LIABILITIES	\$29,444		\$0	\$29,444
Shareholders' Equity				
Share Capital	\$44,218,564	a	\$2,969,884	\$47,143,310
		c	-\$374,428	
		d	\$454,902	
		e	-\$125,612	
Warrants	\$123,024	a	\$611,783	\$1,022,729
		c	\$118,461	
		d	\$132,598	
		e	\$36,863	
Contributed surplus	\$10,354,211			\$10,354,211
Accumulated foreign currency translation	\$1,455,366			\$1,455,366
Deficit	-\$55,091,429			-\$55,091,429
Total equity	\$1,059,736		\$3,824,451	\$4,884,187
TOTAL LIABILITIES AND EQUITY	\$1,089,180		\$3,824,451	\$4,913,631

The accompanying notes are an integral part of this unaudited pro-forma statement of financial position.

AFRICA HYDROCARBONS INC.
NOTES TO THE PRO FORMA STATEMENT OF FINANCIAL POSITION
December 31, 2017 (unaudited)

1. BASIS OF PRESENTATION

The unaudited pro forma statement of financial position of Africa Hydrocarbons Inc. (the “**Company**”), as at December 31, 2017, has been prepared by management of the Company in accordance with International Financial Reporting Standards (“**IFRS**”) for illustrative purposes only, to show the effect of the Company’s cryptocurrency mining activities (note 3), and concurrent private placement financings (note 4).

The Company is a public company continued under the *Business Corporations Act* (Alberta) and its shares are listed on the NEX on the TSX Venture Exchange (“**TSX-V**”).

The unaudited pro forma statement of financial position has been compiled from the unaudited statement of financial position of the Company as at December 31, 2017.

The unaudited pro forma statement of financial position as at December 31, 2017 has been prepared as if the transactions described in notes 3 and 4 had occurred on December 31, 2017. The Company is not required to present a pro forma statement of operations in accordance with the rules of the TSX-V.

It is management’s opinion that the unaudited pro forma statement of financial position presents, in all material respects, the transactions, assumptions and adjustments described in notes 3 and 4, in accordance with IFRS. The unaudited pro forma statement of financial position is not intended to reflect the financial position of the Company would have actually resulted had the transactions been effected on the dates indicated. Actual amounts recorded upon consummation of the agreement will likely differ from those recorded in the unaudited pro forma statement of financial position.

The unaudited pro forma statement of financial position should be read in conjunction with the historical financial statements including the notes thereto of the Company, as referred to above and included in the Company’s filing statement (the “**Filing Statement**”) filed with the TSX-V in connection with the COB Transaction (defined below).

2. SIGNIFICANT ACCOUNTING POLICIES

This unaudited pro forma statement of financial position has been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s audited financial statements for the year ended September 30, 2017.

3. MINING OF CRYPTOCURRENCY

On November 23, 2017, the Company announced its intention to complete a change of business transaction (the “**COB Transaction**”) pursuant to the policies of the TSX-V, with the result that the Company will become a blockchain technology company, listed on the exchange. Upon completion of the COB Transaction, the Company will acquire no less than \$2.25 million worth of cryptocurrency mining equipment and employ such technology in a cryptocurrency mining data centre, to be located in North America, to mine Bitcoin (algorithm SHA256) and other alternative cryptocurrencies (for example, Bitcoin Cash, Litecoin). The Company expects that if the COB Transaction is completed, and it can place the order for the aforementioned equipment.

The Company has sought and received shareholder approval to change the name of the company to BlockchainK2 Corp. Any such name change is subject to applicable TSX-V and other regulatory approvals.

The COB Transaction is conditional upon, among other things:

- the Company preparing its Filing Statement in accordance with the rules of the TSX-V, outlining the terms of the COB Transaction and the resulting business of the Company;

- receipt of all requisite regulatory approvals, including the approval of the exchange, and any third party approvals and authorizations (if applicable);
- the Company obtaining the requisite shareholder approvals for the COB Transaction (as applicable);
- the Company completing a private placement financing for minimum gross proceeds of not less than \$2-million; and
- the Company meeting the applicable initial listing requirements of the TSX-V as a technology issuer (pursuant to Policy 2.1 -- *Initial Listing Requirements* of the TSX-V), including, without limitation, the public float requirements.

4. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

- a) On January 19, 2018, the Company closed the first tranche of its previously announced non-brokered private placement offering of subscription receipts ("**Subscription Receipts**"), representing an aggregate of 2,865,334 Subscription Receipts and total proceeds of \$3,581,667.50. Each Subscription Receipt has been issued at a price of \$1.25. The private placement was completed in conjunction with the previously announced proposed COB Transaction pursuant to the policies of the TSX-V.

Each Subscription Receipt entitles the holder one common share of the Company and one-half of one common share purchase warrant ("**Warrant**"), upon satisfaction of certain release conditions, including the satisfaction of applicable conditions precedent of the COB Transaction.

Each Warrant will entitle the holder to purchase one common share at an exercise price of \$2 per common share for 12 months from the date of issuance. The Warrants will contain an acceleration right in favour of the Company that will allow the Company to accelerate the time of expiry to a date that is a minimum of 30 days following the delivery of the applicable acceleration notice to the holders of the Warrants, if at any time following the issuance of the Warrants, the VWAP (volume-weighted average price) is equal to or greater than \$2.50 for a period of 20 consecutive trading days on the TSX-V.

The Company allocated a fair value of \$611,783 to the warrants using the Black-Scholes Option Pricing Model with the following assumptions: expected life of 1 year, expected dividend yield of 0%, a risk-free interest rate of 1.76% and an expected volatility of 133.43%.

- b) Upon completion of the COB Transaction, the Company will acquire no less than \$2.25 million worth of cryptocurrency mining equipment and employ such technology in a cryptocurrency mining data centre, to be located in North America, to mine Bitcoin (algorithm SHA256) and other alternative cryptocurrencies (for example, Bitcoin Cash, Litecoin).
- c) To record cash finders' fees paid to:

Foster & Associates Financial Services Inc.	\$4,375
Smaller Company Capital Ltd.	\$220,967
Corporate Resource Group OU	\$30,625

The Company issued finder's warrants to Smaller Company Capital Ltd. to acquire up to 176,773 common shares, exercisable at \$1.25 per share for 12 months from the date of issuance. The Company measures the fair value of the finder's warrants on the date of issuance as determined using the Black-Scholes option pricing model. The Company allocated a fair value of \$118,461 to these finder's warrants using the Black-Scholes Option Pricing Model with the following assumptions: expected life of 1 year, expected dividend yield of 0%, a risk-free interest rate of 1.76% and an expected volatility of 133.43%.

- d) On April 4, 2018, the Company has closed its previously announced brokered private placement offering of 400,000 Subscription Receipts at an issue price of \$1.25 per Subscription Receipt, for aggregate gross proceeds of \$500,000. In connection with the brokered offering, the Company entered into an agency agreement with Mackie Research Capital Corp.

The Company also closed the second tranche of its previously announced non-brokered private placement offering of 70,000 Subscription Receipts at an issue price of \$1.25 per Subscription Receipt, for aggregate gross proceeds of \$87,500.

Each Subscription Receipt entitles the holder to receive, without further consideration or action, one common share of the Company and one-half of one Warrant, upon satisfaction of certain release conditions, including the satisfaction of applicable conditions precedent of the COB Transaction.

Each Warrant will entitle the holder to purchase one common share at an exercise price of \$2 per common share for 12 months from the date of issuance. The Warrants will contain an acceleration right in favour of the Company that will allow the Company to accelerate the time of expiry to a date that is a minimum of 30 days following the delivery of the applicable acceleration notice to the holders of the Warrants, if at any time following the issuance of the Warrants, the VWAP (volume-weighted average price) is equal to or greater than \$2.50 for a period of 20 consecutive trading days on the TSX-V.

The Company allocated a fair value of \$132,598 to these Warrants using the Black-Scholes Option Pricing Model with the following assumptions: expected life of 1 year, expected dividend yield of 0%, a risk-free interest rate of 1.81% and an expected volatility of 180.47%.

e) To record cash finders' fees paid to:

Mackie Research Capital Corporation	\$88,750
The Company issued 20,000 common shares at a deemed share price of \$1.25 per share.	

The Company issued warrants to Mackie Research Capital Corporation to acquire up to 10,000 common shares, exercisable at \$2.00 per share for 12 months from the date of issuance. The Company allocated a fair value of \$7,287 to these warrants using the Black-Scholes Option Pricing Model with the following assumptions: expected life of 1 year, expected dividend yield of 0%, a risk-free interest rate of 1.81% and an expected volatility of 180.47%.

The Company issued broker's warrants (the "**Broker's Warrants**") to Mackie Research Capital Corporation exercisable at \$1.25 per share for 24 months from the date of issuance, to acquire up to 18,200 common shares and 9,100 warrants with an exercise price of \$2.00 per share for 12 months from the date of issuance.

The Company also issued Broker's Warrants to:

- Haywood Securities Inc. to acquire up to 5,600 common shares and 2,800 warrants with an exercise price of \$2.00 per share for 12 months from the date of issuance; and
- Canaccord Genuity Corp. to acquire up to 4,200 common shares and 2,100 warrants with an exercise price of \$2.00 per share for 12 months from the date of issuance.

The Company allocated a fair value of \$29,576 to these Broker's Warrants using the Black-Scholes Option Pricing Model with the following assumptions: expected life of 2 years, expected dividend yield of 0%, a risk-free interest rate of 1.81% and an expected volatility of 176.59%.