

**BLOCKCHAINK2 CORP.**  
**(FORMERLY AFRICA HYDROCARBONS INC.)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FORM 51-102F1**

**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**January 27, 2020**

Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2019. 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 Corporation will become a blockchain technology company, listed on the Exchange. On May 28, 2018, the Corporation completed its COB transaction and changed its name to BlockchainK2 Corp. and its stock symbol to BITK.

The Corporation is currently operating as a holding company investing in blockchain technology solutions for capital markets and other sectors that can be made more efficient through tokenization.

Following closing of the COB transaction, the Corporation's outstanding subscription receipts issued upon closing of the Corporation's concurrent non-brokered and brokered private placement financings, as described in the Corporation's news releases dated January 19, 2018 and April 4, 2018, automatically converted into an aggregate of 3,335,334 common shares in the capital of the Corporation and 1,667,667 common share purchase warrants. Each warrant entitles the holder to purchase one common share of the Corporation at an exercise price of \$2.00 per common share for 12 months from the date of issuance.

Aggregate proceeds of \$4,169,168, which had been held in escrow in accordance with the terms of the subscription receipts, have been released to the Corporation.

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 Corporation was transferred to the NEX board in July 2015. On May 28, 2018, in connection with the closing of the COB transaction and the Corporation's name change, the Corporation changed its stock symbol to BITK.

Effective August 3, 2018, the Corporation began trading on the U.S. OTC Market under the symbol BIDCF.

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 140,000 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 finders' warrants to acquire 31,557 common shares at a price of \$0.61 per share for a period of 12 months was paid. The Corporation also paid legal fees of \$9,840.

During the year ended September 30, 2018, upon completion of the COB transaction, the Corporation issued 3,335,334 common shares and 1,666,667 common share purchase warrants, for gross proceeds of \$4,169,168. Each warrant entitles the holder to purchase one common share of the Corporation at an exercise price of \$2.00 per common share for 12 months from the date of issuance. Finders' fee totaling \$392,117 in cash, 20,000 common shares valued at \$26,200, and finders' warrants to acquire 28,000 common shares at a price of \$1.25 per share for a period of two years valued at \$36,119, finders' warrants to acquire 10,000 common shares at a price of \$2.00 per share for a period of two years valued at \$12,847, finders' warrants to acquire 176,773 common shares at a price of \$1.25 per share for a period of one year valued at \$192,108, was paid. The Corporation also paid legal fees of \$97,063.

## **INVESTMENT**

In June 2019, the Corporation acquired 185,625 shares of series seed preferred stock of Envexergy Inc., a private company, for \$654,350 (US\$ 500,000).

## **REFERRAL BUSINESS AGREEMENT WITH STANDARD POWER**

On July 15, 2019, the Corporation entered into a business referral agreement with Standard Power wherein the Corporation, having connection with and to third-party entities in the business of mining bitcoin and other cryptocurrencies ("Referral Businesses"), agrees to refer Referral Businesses to Standard Power.

The Corporation shall be compensated for any qualified referral by the payment to it by Standard Power in an amount equal to 5% of the qualifying net profits generated during the preceding calendar month from any bitcoin or other cryptocurrency miners hosted by Standard Power.

As at September 30, 2019, the Corporation referred no Referral Businesses to Standard Power yet.

## **SALE, ASSUMPTION AND ASSIGNMENT AGREEMENT WITH STANDARD POWER**

On July 22, 2019, the Corporation entered into a sale, assumption and assignment agreement and income promissory note with respect to its S9J Miners.

Pursuant to the agreement, the Corporation was issued an income promissory note as sole and total consideration for the sale of the Corporation's S9J Miners.

The fair market value of the equipment was determined to be US\$400,000 (CAD\$524,120), represented by the promissory note for which the payment would be based upon the actual future cash flows derived from the equipment. The terms of the note state that it may be prepaid in full or in part at any time and from time to time. Interest is accrued at a rate of 10% per annum and is payable annually. The note shall expire on July 21, 2029. If the full payment cannot be made, within 5 days after the end of each calendar month, 50% of all net profits derived from the S9J Miners shall be paid to the Corporation.

As at September 30, 2019, the fair value of the promissory note is calculated at \$50,865. The fair value of the promissory note has been based on expected cash flows from the S9J Miners. Expected cash flows has been calculated by extrapolating the net profits generated over the first three months use over the expected

useful life of the S9J Miners. Expected cash flows were discounted by 15% per annum. The expected useful life of the S9J Miners was estimated to be 2.67 years.

This sale transaction resulted a loss of \$80,226.

## SELECTED ANNUAL INFORMATION

	September 30, 2019 (audited) \$	September 30, 2018 (audited) \$	September 30, 2017 (audited) \$
Net loss	(684,729)	(2,573,163)	(544,202)
Total assets	2,949,656	3,917,160	1,062,752
Working capital	2,190,497	3,417,927	949,371
Basic and diluted per share	(0.04)	(0.19)	(0.06)

## RESULTS OF OPERATIONS

### Year ended September 30, 2019

#### Net loss

The net loss for the year ended September 30, 2019 of \$684,729 (\$0.04 per share) compares to \$2,573,163 (\$0.19 per share) for the year ended September 30, 2018, representing a decrease in net loss of \$1,888,434. The decrease in net loss was mainly attributable to the decrease in expenses and recognition of gain from sale of equipment during the current year. A net loss position is expected in the next year.

#### Expenses

The expenses for the year ended September 30, 2019 of \$614,508 compares to \$2,472,108 for the year ended September 30, 2018, representing a decrease in expenses of \$1,857,600. The decrease in expenses was mainly attributable to the decrease in consulting fees to \$36,000 from \$186,384 in 2018, decrease in filing and listing fees to \$29,067 from \$84,357 in 2018, decrease in general and administrative expenses to \$65,121 from \$200,153 in 2018, decrease in professional fees to \$51,136 from \$417,359 in 2018, and decrease in share-based payments to \$Nil from \$1,203,348 in 2018. The decrease in expenses was mainly due to lower corporate expenses in 2019. In comparison, higher 2018 corporate expenses included significant professional fees of \$417,359. These 2018 high legal professional fees significantly exceeded the quoted budgeted legal professional fees and were incurred in the change of business.

## SELECTED QUARTERLY INFORMATION

Quarter ended	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018
Net Loss	\$(247,910)	\$(134,197)	\$(174,895)	\$(127,727)
Net Loss per Share	\$(0.02)	\$(0.01)	\$(0.01)	\$(0.01)
Working Capital	\$2,190,497	\$2,357,656	\$3,147,132	\$3,292,549

Quarter ended	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017
Net Loss	\$(195,558)	\$(1,409,212)	\$(428,218)	\$(540,175)
Net Loss per Share	\$(0.01)	\$(0.10)	\$(0.03)	\$(0.04)
Working Capital	\$3,417,927	\$3,572,272	\$4,214,362	\$1,059,736

The above noted financial data should be read in conjunction with the consolidated financial statements for the year ended September 30, 2019.

## LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2019, the Corporation had a working capital of \$2,190,497 which compares to a working capital of \$3,417,927 as at September 30, 2018. During the year ended September 30, 2019, the Corporation issued 349,062 common shares for an aggregate value of \$72,420 pursuant to exercise of warrants. During the year ended September 30, 2018, the Corporation closed a number of private placement financing for total gross proceeds of \$4,444,168 (2017 - \$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 \$50,000. The Corporation has paid \$50,000 to the former partner and agreed upon that a further \$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 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, 2019 and 2018:

- a.) During the year ended September 30, 2019, the Corporation incurred directors' fees of \$396,141 (2018 - \$374,165).
- b.) During the year ended September 30, 2019, the Corporation incurred consulting fees of \$24,000 (2018 - \$Nil) to Canmore Financial Services, Inc., a company controlled by the CFO of the Corporation.
- c.) During the year ended September 30, 2019, the Corporation incurred consulting fees of \$12,000 (2018 - \$24,000) to BridgeMark Financial Corp., a company controlled by the former CFO of the Corporation.
- d.) During the year ended September 30, 2019, the Corporation incurred consulting fees of \$Nil (2018 - \$15,000) to PJW Consulting Services Ltd., a company controlled by a director of the Corporation.
- e.) As at September 30, 2019, included in the accounts payable and accrued liabilities, the Corporation has \$4,414 (2018 - \$9,863) due to related parties as result of related party transactions incurred throughout the year. These amounts are unsecured, due on demand and bear no interest.
- f.) As at September 30, 2019, \$99,558 (2018 - \$96,930) was included in prepaid expenses to directors of the Corporation for directors' fees.

### *Compensation of key management personnel*

<b>Years ended September 30,</b>	<b>2019</b>	<b>2018</b>
Directors' and consulting fees	\$ 432,141	\$ 413,165
Share-based payments	-	1,203,348
	<b>\$ 432,141</b>	<b>\$ 1,616,513</b>

## **MANAGEMENT CHANGES**

On January 29, 2018, the Corporation appointed Anthony Jackson as chief financial officer and corporate secretary of the Corporation.

On January 30, 2019, the Corporation appointed Yuying Liang as chief financial officer of the Corporation, in lieu of Anthony Jackson who resigned from the position.

On September 4, 2019, the Corporation appointed Sergei Stetsenko as chief executive officer, in lieu of D Lindsay Wu who resigned from the position. D Lindsay Wu now serves as chairman of the Corporation.

## **SUBSEQUENT EVENTS**

On January 22, 2020, the Company signed a term sheet with Sobe Organics, Inc. (“Sobe”) (a private Delaware corporation) to purchase 51% equity ownership interest in Sobe for total consideration of USD \$250,000. The transaction is subject to a number of conditions, including receipt of all necessary corporate and regulatory approvals, including approval of the TSX Venture Exchange.

## **ACCOUNTING POLICIES**

The 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 year ended September 30, 2019.

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 and presentation currency.

## **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:

### **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.

**d) Depreciation**

Depreciation of the equipment is based on an estimate of the assets' expected life. In order to determine the useful life of the assets, assumptions are required about a range of computing industry market and economic factors, including global hashrates dedicated to proof of work mining, network difficulty, technological changes, release and availability of newer and more efficient hardware and other inputs, and production costs. Based on the data that management has reviewed, management has determined to use the straight-line method of depreciation over three years, to best reflect the current expected useful life of mining equipment. Management will review its estimates and assumptions at each reporting date and will revise its assumptions if new information supports the change.

**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.

**c.) Going concern assessment**

The 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.

**FINANCIAL INSTRUMENTS**

As at September 30, 2019, the Corporation's financial instruments are cash and cash equivalents, trade and other receivables, and trade 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 January 27, 2020:

<b>Class</b>	<b>Par Value</b>	<b>Authorized</b>	<b>Issued</b>
Common	Nil	Unlimited	16,250,687
Preferred	Nil	Unlimited	Nil

### Description of Options and Warrants Outstanding

The following is outstanding as of January 27, 2020:

<b>Security Type</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Options	820,549	\$0.16	July 6, 2027
Options	434,080	\$0.52	November 8, 2027
Options	1,130,614	\$0.25	June 15, 2028
Options	795,081	\$0.33	June 15, 2028
Broker Warrants	28,000	\$1.25	April 4, 2020
Broker Warrants	10,000	\$2.00	April 4, 2020

### 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 Corporation is planning to change its business to digital currency mining and block chain software businesses. There is no assurance that the Corporation will receive requisite regulatory, exchange and shareholder approvals. In the event that the Corporation 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](http://www.sedar.com)