

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

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

**FOR THE PERIOD ENDED JUNE 30, 2021**

**August 30, 2021**

Management's Discussion and Analysis ("MD&A") should be read in conjunction with the interim consolidated financial statements for the period ended June 30, 2021 and the audited consolidated financial statements for the year ended September 30, 2020. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

The Corporation is an early stage technology company. The Corporation has limited financial resources, and there is no assurance that additional funding will be available to the Corporation to carry out the completion of all proposed activities. Although the Corporation has not yet obtain financing through the sale of equity securities, there can be no assurance that the Corporation will be able to obtain adequate financing in the future or that the terms of such financing will be favorable.

## **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.

Effective February 19, 2021, the Corporation began trading on the Frankfurt Stock Exchange under the symbol KRL2.

On February 23, 2021, the Corporation incorporated a wholly owned subsidiary, IRecover Inc., a company that offers online substance abuse education and support for middle, high school and college students.

On March 1, 2021, the Corporation launched Amplify Games Inc. ("Amplify Games"). Amplify Games utilizes blockchain technology to create a decentralized distribution network for digital games.

## **INVESTMENT IN ENVEXERGY INC.**

In June 2019, the Corporation acquired 185,625 shares of series seed preferred stock of Envexergy Inc., ("Envexergy") a private company, for \$654,350 (US\$500,000). As at June 30, 2021, the fair value of the investment was calculated to be \$1,298,477.

	<b>Note receivable</b>	
Balance, September 30, 2019	\$	654,350
Change in fair value		378,287
<b>Balance, September 30, 2020</b>	<b>\$</b>	<b>1,032,637</b>
Addition		265,840
<b>Balance, June 30, 2021</b>	<b>\$</b>	<b>1,298,477</b>

In October 2020, the Corporation invested \$265,840 (US\$200,000) to Envexergy as part of Envexergy's US\$7 million Series A round of financing. The Corporation's investment allows it to maintain its pro rate share of Envexergy and adds to its previous \$654,350 (US\$500,000) investment in Envexergy, which was completed in July of 2019 as part of a US\$3.1-million seed round of financing by Envexergy.

#### **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 June 30, 2021, 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.

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

As at September 30, 2019, the fair value of the promissory note was calculated at \$50,865. The fair value of the promissory note was 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.

As at September 30, 2020, the fair value of the promissory note was calculated to be \$46,033. 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 16 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 1.67 years.

In April 2021, the Corporation provided an operational update to its existing profit-sharing partnership with Standard Power. The operations have been profitable producing bitcoin with the company's original generation Bitmain S9 miners since the beginning of operation in July 2019.

Located in Coshocton, Ohio, Standard Power has existing hosting capacity that allows for 56 megawatts of power use of operations. The company also has secured a 40-acre site in nearby Conesville, Ohio, with plans to add an additional 160 acres there. This would provide hosting capacity to accommodate cryptocurrency miners with up to 1,000 megawatts of power use at Standard Power’s below-market pricing.

#### **ACQUISITION OF SOBE ORGANICS, INC.**

In March 2020, the Corporation acquired 51% of all the issued and outstanding shares of Sobe Organics for a cash investment of \$335,525 (US\$ 250,000). The transaction was accounted for as a business combination under IFRS 3, Business Combinations. At the date of acquisition, the Corporation determined the fair value of the net identified net assets of Sobe Organics and recognized goodwill of \$215,464.

The fair value of the total consideration has been allocated as below:

Cash consideration	\$	335,525
Identified fair value of net assets:		
Cash	\$	302,281
Inventory		6,799
Trade and other payables		(47,394)
Loan payable		(26,273)
Total net assets		235,413
Percentage acquired		51%
Net assets acquired		120,061
Non-controlling interest		115,352
Goodwill	\$	215,464

During the nine months ended June 30, 2021, Sobe Organics contributed net loss of \$84,665 to the Corporation’s consolidated results.

Sobe Organics is a private beauty, health and wellness company that sells health and beauty products nationwide in the United States independent stores, including resorts, spas, pharmacies, salons, hotel chains, and department stores.

#### **AMPLIFY GAMES**

On March 1, 2021, the Corporation launched Amplify Games Inc. (“Amplify Games”). Amplify Games utilizes blockchain technology to create a decentralized distribution network for digital games.

On March 4, 2021, Amplify Games announced alliance with Se7enSins gaming community which will be part of the first gaming sites to launch on the Amplify storefront. Se7enSins will receive a portion of every sale made on its white-labelled Amplify storefront, greatly increasing their potential revenue from their site.

On March 8, 2021, Amplify Games announced alliance with Leaptrade Marketplace (“Leaptrade”). Leaptrade will bring a robust marketplace to the Amplify network that allows its members to buy and sell everything from retro physical game disc/cartridges to digital game keys and non-fungible tokens (NFTs).

On March 11, 2021, Amplify Games joined the largest association of companies promoting blockchain and non-fungible tokens within the gaming industry; the BGA or Blockchain Game Alliance. Amplify Games' inclusion into the BGA will enable new partnerships with blockchain technologies companies and inclusion of new game titles on the Amplify platform through relationships with game studio members.

On March 15, 2021, Amplify Games joined as a partner in the largest association of game developers in the gaming industry, the International Game Developers Association (IGDA). Amplify Games' inclusion into the IGDA, participating with other IGDA partners and exposure to its 30,000 members will accelerate

adoption of the Amplify platform in the indie gaming market, helping game developers reach the next level of success for their games and careers.

On May 17, 2021, Amplify Games announced that Teravision Games joined the Amplify alliance to provide vital developer guidance as Amplify continues to build its coming gaming technology platform.

On June 1, 2021, Amplify Games has officially partnered with The Amplifier Group, a strategic communications consultancy focused exclusively on interactive entertainment.

On June 7, 2021, Amplify Games welcomed Santiago Zapata (aka slashie), a games industry veteran developer and leader for the roguelike community, to its industry alliance.

On July 15, 2021, Amplify Games also welcomed Rupert Ochsner, chief executive officer of Bonus Level Entertainment, to the Amplify alliance.

The fast-growing Amplify alliance is an advisory counsel of worldwide developers with first-hand experience in the games industry. This diverse and talented group will provide invaluable guidance to Amplify Games as it continues to build its gaming technology platform, which will provide much-desired resources to game developers and content creators.

## SELECTED ANNUAL INFORMATION

	September 30, 2020 (audited)	September 30, 2019 (audited)	September 30, 2018 (audited)
	\$	\$	\$
Net loss	(320,800)	(684,729)	(2,573,163)
Total assets	2,794,918	2,949,656	3,917,160
Working capital	1,417,089	2,190,497	3,417,927
Basic and diluted per share	(0.02)	(0.04)	(0.19)

## RESULTS OF OPERATIONS

### Year ended September 30, 2020

#### Net loss

The net loss for the year ended September 30, 2020 of \$320,800 (\$0.02 per share) compares to \$684,729 (\$0.04 per share) for the year ended September 30, 2019, representing a decrease in net loss of \$363,929. The decrease in net loss was mainly attributable to the increase in other income items such as government grant, forgiveness of loan, change in fair value of notes receivable, change in fair value of investment and other income, offset by an increase in expenses during the current period. A net loss position is expected in the next year.

#### Expenses

The expenses for the year ended September 30, 2020 of \$754,584 compares to \$614,508 for the year ended September 30, 2019, representing an increase in expenses of \$140,076. The increase in expenses was mainly attributable to the increase in consulting fees to \$42,726 from \$36,000 in 2019, increase in filing and listing fees to \$38,497 from \$29,067 in 2019, increase in investor relations to \$46,101 from \$Nil in 2019, increase in professional fees to \$69,861 from \$51,136 in 2019, and increase in salaries expense to \$76,032 from \$Nil in 2019. The increase in expenses was mainly due to higher corporate expenses in 2020 as well as the additional costs incurred by the Corporation from the newly acquired subsidiary.

## SELECTED QUARTERLY INFORMATION

<b>Quarter ended</b>	<b>Jun. 30, 2021</b>	<b>Mar. 31, 2021</b>	<b>Dec. 31, 2020</b>	<b>Sep. 30, 2020</b>
Net Income (Loss)	\$(327,927)	\$(1,209,468)	\$(155,284)	\$216,328
Net Earnings (Loss) per Share	\$(0.02)	\$(0.07)	\$(0.01)	\$0.01
Working Capital	\$552,389	\$699,475	\$985,089	\$1,417,089

<b>Quarter ended</b>	<b>Jun. 30, 2020</b>	<b>Mar. 31, 2020</b>	<b>Dec. 31, 2019</b>	<b>Sep. 30, 2019</b>
Net Loss	\$(211,238)	\$(200,239)	\$(125,651)	\$(247,910)
Net Loss per Share	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.02)
Working Capital	\$1,669,049	\$1,924,943	\$2,068,824	\$2,190,497

The above noted financial data should be read in conjunction with the interim consolidated financial statements for the period ended June 30, 2021.

### RESULTS OF OPERATIONS

#### Three months ended June 30, 2021

##### Net loss

The net loss for the three months ended June 30, 2021 of \$327,927 (\$0.02 per share) compares to \$211,238 (\$0.01 per share) for the three months ended June 30, 2020, representing an increase in net loss of \$116,689. The increase in net loss was mainly attributable to the increase in expenses during the current period. A net loss position is expected in the next period.

##### Expenses

The expenses for the three months ended June 30, 2021 of \$334,198 compares to \$207,200 for the three months ended June 30, 2020, representing an increase in expenses of \$126,998. The increase in expenses was mainly attributable to the increase in advertising and promotion to \$6,836 from \$2,924 in 2020, increase in consulting fees to \$39,716 from \$9,000 in 2020, increase in general and administrative expenses to \$11,746 from \$10,467 in 2020, increase in salaries to \$74,453 from \$42,087 in 2020, increase in professional fees to \$24,748 from \$79 in 2020, increase in selling expenses to \$555 from \$Nil in 2020, increase in share-based compensation to \$72,000 from \$Nil in 2020, and increase in travel to \$1,882 from (\$3) in 2020. The increase in expenses was mainly due to increased corporate activity during the current period.

#### Nine months ended June 30, 2021

##### Net loss

The net loss for the nine months ended June 30, 2021 of \$1,692,679 (\$0.10 per share) compares to \$537,128 (\$0.03 per share) for the nine months ended June 30, 2020, representing an increase in net loss of \$1,149,851. The increase in net loss was mainly attributable to the increase in expenses during the current period. A net loss position is expected in the next period.

##### Expenses

The expenses for the nine months ended June 30, 2021 of \$1,719,368 compares to \$522,818 for the nine months ended June 30, 2020, representing an increase in expenses of \$1,196,550. The increase in expenses was mainly attributable to the increase in advertising and promotion to \$18,296 from \$2,924 in 2020, increase in consulting fees to \$80,666 from \$30,433 in 2020, increase in transfer agent, filing, and listing fees to \$61,697 from \$36,178 in 2020, increase in investor relations to \$113,423 from \$14,015 in 2020, increase in professional fees to \$75,218 from \$32,476 in 2020, increase in salaries to \$115,043 from \$42,087 in 2020,

increase in selling expenses to \$1,555 from \$Nil in 2020, and increase in share-based compensation to \$985,485 from \$Nil in 2020. The increase in expenses was mainly due to increased corporate activity during the current period.

#### **NON-CONTROLLING INTEREST**

As at June 30, 2021, the carrying value of non-controlling interest (“NCI”) was \$56,293 which was determined as follows:

		<b>Sobe Organics</b>
Balance, September 30, 2019	\$	-
NCI recognized upon acquisition		115,352
Loss allocated to NCI		(48,539)
Loss on translation allocated to NCI		(1,772)
<b>Balance, September 30, 2020</b>	<b>\$</b>	<b>65,041</b>
Loss allocated to NCI		(41,486)
Loss on translation allocated to NCI		(3,752)
<b>Balance, June 30, 2021</b>	<b>\$</b>	<b>19,803</b>

#### **REVENUE AND GEOGRAPHIC INFORMATION**

Revenues consist of revenues from Sobe Organics, the Corporation’s subsidiary. During the three and nine months ended June 30, 2021, 100% of revenues were earned from United States.

#### **LIQUIDITY AND CAPITAL RESOURCES**

As at June 30, 2021, the Corporation had a working capital of \$552,389 which compares to a working capital of \$1,417,089 as at September 30, 2020. During the nine months ended June 30, 2021, the Corporation received \$65,644 from issuance of common shares pursuant to options exercised. During the year ended September 30, 2020, the Corporation received net proceeds from loans of \$70,458. 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**

The following is a summary of the related party transactions that occurred throughout the three and nine months ended June 30, 2021 and 2020:

- a.) During the three months ended June 30, 2021, the Corporation incurred directors’ fees and salaries of \$81,640 (2020 - \$99,678) to current directors.

During the nine months ended June 30, 2021, the Corporation incurred directors’ fees and salaries of \$256,494 (2020 - \$297,285) to current directors.

- b.) During the three months ended June 30, 2021, the Corporation incurred consulting fees \$9,000 and accounting fees of \$6,000 (2020 - \$9,000 and \$Nil, respectively) to Canmore Financial Services Inc., a company controlled by the CFO of the Corporation.

During the nine months ended June 30, 2021, the Corporation incurred consulting fees \$27,000 and accounting fees of \$6,000 (2020 - \$27,000 and \$Nil, respectively) to Canmore Financial Services Inc., a company controlled by the CFO of the Corporation.

- c.) During the three months ended June 30, 2021, the Corporation incurred salaries of \$43,000 (2020 - \$Nil) to officers of the Corporation.

During the nine months ended June 30, 2021, the Corporation incurred salaries of \$43,000 (2020 - \$Nil) to officers of the Corporation.

- d.) On June 21, 2021, the Corporation issued 120,000 common shares with a fair value of \$72,000 to officers of the Corporation as part of their employment contracts.

- e.) As at June 30, 2021, included in the accounts payable and accrued liabilities, the Corporation has \$50,840 (September 30, 2020 - \$4,414) due to related parties as result of related party transactions incurred throughout the period. These amounts are due on demand, unsecured and non-interest bearing.

- f.) As at June 30, 2021, \$Nil (September 30, 2020 - \$79,008) was included in prepaid expenses to directors of the Corporation for directors' fees.

- g.) As at June 30, 2021, loans payable includes \$14,253 (September 30, 2020 - \$15,340) owing to a former director. These amounts are due on demand and unsecured.

*Compensation of key management personnel*

<b>Three months ended June 30,</b>		<b>2021</b>	<b>2020</b>
Directors' and consulting fees, and salaries	\$	139,640	\$ 108,678
Share-based compensation		72,000	-
	<b>\$</b>	<b>211,640</b>	<b>\$ 108,678</b>

  

<b>Nine months ended June 30,</b>		<b>2021</b>	<b>2020</b>
Directors' and consulting fees, and salaries	\$	332,494	\$ 324,285
Share-based compensation		72,000	-
	<b>\$</b>	<b>404,494</b>	<b>\$ 324,285</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.

On July 14, 2020, Yuying Liang has taken on the additional role of corporate secretary of the Corporation.

On September 22, 2020, the Corporation appointed Steven Sangha to the board of directors in lieu of Andri Stytsenko who resigned from the board.

On September 25, 2020, the Corporation appointed John Lema to the board of directors.

On March 1, 2021 announced the appointment of Tony Caputo as chief executive officer and president of Amplify Games, a wholly owned subsidiary of the Corporation.

On April 19, 2021, the Corporation appointed Jose Formoso as chief operating officer of Amplify Games.

### **SUBSEQUENT EVENT**

On July 15, 2021, Amplify Games welcomed Rupert Ochsner, chief executive officer of Bonus Level Entertainment, to the Amplify alliance.

### **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 Corporation's 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, 2020.

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 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.

##### **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.) Note receivable**

The Corporation estimates the fair value of the note receivable based on expected future cash flow from its borrower. The calculation is subject to other estimates about discount rate and expected life of machine the borrower uses to generate the cash flows.

## **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.

### **d.) Business combination and asset acquisition**

Judgement is required to determine if the Corporation's acquisition represented a business combination or an asset purchase. For an acquisition to qualify as a business combination, the assets acquired are required to be an integrated set of activities with inputs, processes and outputs. For acquisitions that represented the purchase of assets, no goodwill was recognized on the transactions and acquisition costs were capitalized to the assets purchased rather than expensed. As the Corporation concluded that the Sobe Organics acquisition was a business combination, an allocation of the purchase price to the individual identifiable assets acquired, including intangible assets, and liabilities assumed based on their fair values at the date of purchase was required. The fair values of the net assets acquired were calculated using significant estimates and judgments. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statement of financial position.

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

## FINANCIAL INSTRUMENTS

As at June 30, 2021, the Corporation's financial instruments are cash, receivables, note receivable, trade payables and loans payable. 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 August 30, 2021:

Class	Par Value	Authorized	Issued
Common	Nil	Unlimited	16,780,962
Preferred	Nil	Unlimited	Nil

### Description of Options and Warrants Outstanding

The following is outstanding as of August 30, 2021:

Security Type	Number	Exercise Price	Expiry Date
Options	410,274	\$0.16	July 6, 2027
Options	434,080	\$0.52	November 8, 2027
Options	1,130,614	\$0.25	June 15, 2028
Options	700,000	\$0.77	January 7, 2031
Options	70,000	\$1.21	March 5, 2031

## 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 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. 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 is 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.

### **COVID-19**

In March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, the Corporation anticipates this outbreak might increase the difficulty in capital raising which may negatively impact the Corporation's business and financial condition.

### **Additional Information**

Additional information is available on SEDAR at [www.sedar.com](http://www.sedar.com)