

KONNECT VENTURES CORP.

**CSE FORM 2A
LISTING STATEMENT**

MAY 29, 2018

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GLOSSARY

"**ACH**" means Automated Clearing House, an electronic network for financial transactions in the United States;

"**Acquisition Agreement**" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business – General Development of the Business of the Issuer Prior to the Transaction*";

"**Agent**" means MRCC;

"**Agent's Option**" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Subscription Receipt Financing*";

"**Amalco**" has the meaning ascribed to that term under "1.4. *Fundamental Change*";

"**Amalgamation**" has the meaning ascribed to that term under "1.4. *Fundamental Change*";

"**AMF**" means Autorité des marchés financiers;

"**API**" means an application program interface: a set of routines, protocols, and tools for building software applications;

"**Athabasca**" means Athabasca Nuclear Corp.;

"**BCBCA**" means the *Business Corporations Act* (British Columbia), as amended, including the regulations promulgated thereunder;

"**Bill Transactions**" has the meaning ascribed to that term under "3. *Narrative Description of the Business – General Business of Konnect and the Resulting Issuer – PaySocial – Types of Transactions*";

"**Bitumen**" means Bitumen Capital Inc.;

"**Blockchain**" refers to a type of data structure that enables identifying and tracking transactions digitally and sharing this information across a distributed network of computers, creating in a sense a distributed trust network;

"**Blockchain Token**" means a coin or token issued using Blockchain methods received as a result of an initial coin offering or initial token offering which is not intended for use as a currency;

"Bridge Financing" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Bridge Financing*";

"CBCA" means the *Canada Business Corporations Act*, as amended, including the regulations promulgated thereunder;

"CEO" means Chief Executive Officer;

"CFO" means Chief Financial Officer;

"Coins" refer to Blockchain Tokens and Cryptocurrencies;

"Company" unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

"CD Conversion Price" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Bridge Financing*";

"Cryptocurrency" means a coin or token issuing using Blockchain technology and intended for use as a currency, such as Bitcoin;

"CSE" means the Canadian Securities Exchange;

"EFT" means Electronic Funds Transfer, an electronic network for financial transactions in Canada;

"EFT Canada" means EFT Canada Inc.;

"Eligible Persons" has the meaning ascribed to that term under "8. *Options to Purchase Securities – Resulting Issuer Share Unit Plan – Nature and Administration of the RSU Plan*";

"Escrow Agreement" has the meaning ascribed to that term under "10. *Escrowed Securities*";

"Escrowed Funds" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Subscription Receipt Financing*";

"Escrow Release Conditions" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Subscription Receipt Financing*";

"Expiry Date" has the meaning ascribed to that term under "8. *Options to Purchase Securities – Resulting Issuer Share Unit Plan – Vesting*";

"Facility" has the meaning ascribed to that term under "3. *Narrative Description of the Business – Mining Test Program*".

"Fintech" means financial technology and refers to new technology and innovation that aims to compete with traditional financial methods in the delivery of financial services;

"FINTRAC" means the Financial Transactions and Reports Analysis Centre of Canada;

"Forward-Looking Information" has the meaning ascribed to that term under "*Cautionary Note Regarding Forward-Looking Statements*";

"Going Public Event" has the meaning ascribed to that term under "*2. General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Bridge Financing*";

"Governmental Authority" means any (a) multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, court, tribunal, commission, board or agency, domestic or foreign, or (b) regulatory authority, including any securities commission, or stock exchange, including the CSE;

"Issue Price" means the issuance price of the Subscription Receipts, being \$0.50 per Subscription Receipt;

"Issuer" means Rojo Resources Ltd.;

"Issuer Board" means the board of directors of the Issuer;

"Issuer Options" means options to acquire Issuer Shares pursuant to the Issuer Option Plan;

"Issuer Option Plan" means the stock option plan of the Issuer;

"Issuer Shares" means the common shares of the Issuer;

"Issuer Shareholders" mean the holders of Issuer Shares;

"Issuer Warrants" means the common share purchase warrants to acquire Issuer Shares;

"Konnect" means Konnect Mobile Communications Inc.;

"Konnect Broker Warrants" has the meaning ascribed to that term under "*2. General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Subscription Receipt Financing*";

"Konnect CD Warrants" has the meaning ascribed to that term under "*2. General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Bridge Financing*";

"Konnect Convertible Debentures" has the meaning ascribed to that term under "*2. General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Bridge Financing*";

"Konnect Finder Shares" has the meaning ascribed to that term under "*2. General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Subscription Receipt Financing*";

"Konnect NEOs" has the meaning ascribed to that term under "*14. Executive Compensation – Konnect Executive Compensation*";

"Konnect Options" has the meaning ascribed to that term under "*2. General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Transaction*";

"Konnect Post-Split Shares" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Subscription Receipt Financing*";

"Konnect Post-Split Units" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Subscription Receipt Financing*";

"Konnect Post-Split Warrants" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Subscription Receipt Financing*";

"Konnect Shareholders" means the shareholders of Konnect;

"Konnect Shares" means the common shares in the capital of Konnect;

"Konnect Share Unit Plan" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Transaction*";

"Konnect Share Units" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Transaction*";

"Licensee" has the meaning ascribed to that term under "3. *Narrative Description of the Business – PaySocial - Licensing & Regulations*";

"Listing Statement" means this listing statement;

"Machine Owners" has the meaning ascribed to that term under "3. *Narrative Description of the Business – Mining Test Program*";

"Management Fee" has the meaning ascribed to that term under "3. *Narrative Description of the Business – Mining Test Program*";

"Marketing Fee" has the meaning ascribed to that term under "3. *Narrative Description of the Business – PaySocial – Referral Fees and Marketing Fees*";

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

"Merchants" has the meaning ascribed to that term under "3. *Narrative Description of the Business – General Business of Konnect and the Resulting Issuer – PaySocial – Types of Transactions*";

"Mining Machine" has the meaning ascribed to that term under "3. *Narrative Description of the Business – Mining Test Program*";

"Mining Test Program" has the meaning ascribed to that term under "3. *Narrative Description of the Business – Mining Test Program*";

"MRCC" means Mackie Research Capital Corporation;

"MSB" means a money service business;

"**Newco**" means 10659070 Canada Inc.;

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

"**NIS**" means National Issuer Services Ltd.;

"**Noka**" means Noka Resources Inc.;

"**Notre-Dame**" means Notre-Dame Capital Inc.;

"**Payment Transactions**" has the meaning ascribed to that term under "3. *Narrative Description of the Business – General Business of Konnect and the Resulting Issuer – PaySocial – Types of Transactions*";

"**PaySocial**" or "**PaySocial Platform**" means the PaySocial money transfer and payment service;

"**PaySocial App**" means the mobile application for the PaySocial Platform;

"**PaySocial Transactions**" means Payment Transactions, Transfer Transactions and Bill Payments;

"**PCMLTFA**" means the Proceeds of Crime (Money Laundering) and Terrorist Financing Act;

"**person**" means a Company or individual;

"**Purchaser**" has the meaning ascribed to that term under "3. *Narrative Description of the Business – General Business of Konnect and the Resulting Issuer – PaySocial – Types of Transactions*";

"**Referral Fees**" has the meaning ascribed to that term under "3. *Narrative Description of the Business – General Business of Konnect and the Resulting Issuer – PaySocial – Referrals and Referral Fees*";

"**Referring User #1**" has the meaning ascribed to that term under "3. *Narrative Description of the Business – General Business of Konnect and the Resulting Issuer – PaySocial – Referrals and Referral Fees*";

"**Referring User #2**" has the meaning ascribed to that term under "3. *Narrative Description of the Business – General Business of Konnect and the Resulting Issuer – PaySocial – Sharing Purchase Transactions and Marketing Fees*";

"**Referring Users**" has the meaning ascribed to that term under "3. *Narrative Description of the Business – General Business of Konnect and the Resulting Issuer – PaySocial – Sharing Purchase Transactions and Marketing Fees*";

"**Resulting Issuer**" means the Issuer upon completion of the Transaction;

"**Resulting Issuer Board**" means the board of directors of the Resulting Issuer;

"**Resulting Issuer Broker Warrants**" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Subscription Receipt Financing*";

"Resulting Issuer CD Warrants" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Bridge Financing*";

"Resulting Issuer Convertible Debentures" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Bridge Financing*";

"Resulting Issuer Legacy Options" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Transaction*";

"Resulting Issuer Options" means options to acquire Resulting Issuer Shares pursuant to the Resulting Issuer Option Plan;

"Resulting Issuer Option Plan" means the 10% rolling stock option plan of the Resulting Issuer;

"Resulting Issuer Shareholders" means the holders of common shares of the Resulting Issuer;

"Resulting Issuer Shares" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Transaction*";

"Resulting Issuer Share Unit Plan" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Transaction*";

"Resulting Issuer Share Units" has the meaning ascribed to that term under "8. *Options to Purchase Securities – Resulting Issuer Share Unit Plan*";

"Resulting Issuer Warrants" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Transaction*";

"RSU Plan Recipients" has the meaning ascribed to that term under "8. *Options to Purchase Securities – Resulting Issuer Share Unit Plan – Nature and Administration of the RSU Plan*";

"SEDAR" means System for Electronic Document Analysis and Retrieval;

"Service Provider" has the meaning ascribed to that term under "16, *Risk Factors – Risks Relating to the Resulting Issuer's Technology – Dependence on Technical Infrastructure*";

"Share Compensation Arrangement" means a stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of common shares from treasury to one or more directors, consultants, officers and employees of the Resulting Issuer and its related entities;

"Skyharbour" means Skyharbour Resources Ltd.;

"SMS" means Short Message Service and is also commonly referred to as a "text message";

"Split" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Subscription Receipt Financing*";

"**Subscription Receipts**" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Subscription Receipt Financing*";

"**Subscription Receipt Agent**" means NIS;

"**Subscription Receipt Financing**" means issuance and sale of the Subscription Receipts;

"**Subscription Receipt Financing Closing**" means the closing of the Subscription Receipt Financing;

"**Subscription Receipt Financing Cash Commission**" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of Konnect Prior to the Transaction – Subscription Receipt Financing*";

"**Tower One**" means Tower One Wireless Corp.;

"**Transaction**" means the completion of the Amalgamation and the listing of the Resulting Issuer Shares on the CSE;

"**Transaction Closing**" means the completion of the Amalgamation;

"**Transferor**" has the meaning ascribed to that term under "3. *Narrative Description of the Business – General Business of Konnect and the Resulting Issuer – PaySocial – Types of Transactions*";

"**Transferee**" has the meaning ascribed to that term under "3. *Narrative Description of the Business – General Business of Konnect and the Resulting Issuer – PaySocial – Types of Transactions*";

"**Transfer Transactions**" has the meaning ascribed to that term under "3. *Narrative Description of the Business – General Business of Konnect and the Resulting Issuer – PaySocial – Types of Transactions*";

"**Trigger Date**" has the meaning ascribed to that term under "8. *Options to Purchase Securities – Resulting Issuer Share Unit Plan – Vesting*";

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

"**User**" has the meaning ascribed to that term under "3. *Narrative Description of the Business – General Business of Konnect and the Resulting Issuer – PaySocial*";

"**Vesting Date**" has the meaning ascribed to that term under "8. *Options to Purchase Securities – Resulting Issuer Share Unit Plan – Nature and Administration of the RSU Plan*";

"**Vesting Date Value**" has the meaning ascribed to that term under "8. *Options to Purchase Securities – Resulting Issuer Share Unit Plan – Payment of RSUs*";

"**Vn3t**" means Vn3t Technologies Inc.;

"**Warrant Agent**" means NIS;

"**Western Athabasca Syndicate**" has the meaning ascribed to that term under "2. *General Development of the Business – General Development of the Business of the Issuer Prior to the Transaction*"; and

"9192 Quebec" means 9192-1858 Quebec Inc.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements contained in this Listing Statement that are not historical facts are "forward-looking statements" or "forward-looking information" (collectively, "**Forward-Looking Information**") (within the meaning of applicable Canadian securities legislation).

Forward-Looking Information includes, but is not limited to, statements relating to the timing, availability and amount of financings; expected use of proceeds; business objectives; results of operations; potential investments; the timing and costs of developing the Resulting Issuer's products; success of the Resulting Issuer's products and investments; and requirements for additional capital. In certain cases, Forward-Looking Information can be identified by the use of words such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intended", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur", or "be achieved".

In providing the Forward-Looking Information in this Listing Statement, the Issuer and Konnect have applied several material assumptions, including, but not limited to, the assumption that additional financings needed will be available on reasonable terms, that the objectives concerning its products and investments can be achieved, that general business and economic conditions will not change in a materially adverse manner, and that all necessary governmental approvals for its current and future products will be obtained in a timely manner and on acceptable terms. Other assumptions are discussed throughout this Listing Statement and, in particular, in the "Risk Factors" found in this Listing Statement.

Forward-Looking Information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Resulting Issuer to be materially different from any future results, performance or achievements expressed or implied by the Forward-Looking Information. Such risks and other factors include, among others, risks set out below as well as those factors discussed in the "Risk Factors" found in this Listing Statement:

- Risks Related to PaySocial: interest rate risks; user acquisition and attrition; merchant acquisition and attrition; loss of referral sources; reliance on advertisers; banking matters; and increases in interchange rates.
- Risks Relating to the Resulting Issuer's Technology: product development and rapid technological change; dependence on technical infrastructure; intellectual property; network security risks; risk of system failure or inadequacy; and use of open source software.
- Additional Risks Related to the Blockchain Industry: regulatory risks; speculative investment in Vn3t; prices; electricity pricing; cybersecurity threats and hacks; Coin exchanges; Coin sell-offs; geopolitical events and Coins; limited history of Blockchain industry; limited use of Cryptocurrencies; open-source structure of Blockchain network protocols; insufficient miner incentives; incorrect or fraudulent transactions; and insurance risks.
- Legal and Regulatory Risks: reliance on licensing & registrations; reliance on Licensee; regulation and compliance; and legal and regulatory change and uncertainty.
- Risks Related to the Resulting Issuer's Operations: use and storage of personal information and compliance with privacy laws; ability to manage growth; competition; risk management and internal controls; reliance on third party software; fraud or identity theft; marketing and brand development; use of the Resulting Issuer's services for improper or illegal purposes; customer complaints and negative publicity; reliance on key personnel; conflicts of interest; insurance and uninsured risks; and taxes.
- Financial Risks: limited operating history; history of operating losses; future capital needs and uncertainty of additional financing; foreign currency and exchange rate risk; market price of the Resulting Issuer Shares; and dividend policy.

Although the Issuer and Konnect have attempted to identify important factors that could affect the Resulting Issuer and may cause actual actions, events or results to differ materially from those described in Forward-Looking Information, 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 Information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on Forward-Looking Information.

The Forward Looking Information contained in this Listing Statement are made as of the date hereof and, unless so required by applicable law, the Issuer, Konnect and the Resulting Issuer undertake no obligation to update publicly or revise any Forward Looking Information, whether as a result of new information future events or otherwise. The Forward Looking Information contained in this Listing Statement is expressly qualified by this cautionary statement.

GENERAL MATTERS

Any market data or industry forecasts used in this Listing Statement, unless otherwise specified, were obtained from publicly available sources. Although the Issuer and Konnect believe these sources to be generally reliable, the accuracy and completeness of such information are not guaranteed and have not been independently verified.

Statistical information included in this Listing Statement and other data relating to the industry in which the Resulting Issuer intends to operate is derived from recognized industry reports published by industry analysts, industry associations and independent consulting and data compilation organizations.

1. CORPORATE STRUCTURE

1.1 Corporate Name and Office

The full corporate name of the Resulting Issuer will be Konnect Ventures Corp. (formerly Rojo Resources Ltd.). The registered office of the Resulting Issuer will be the Issuer's current head office. The head office of the Resulting Issuer will be 230 Rue de Notre Dame West, Montréal QC H2Y 1T3.

1.2 Jurisdiction of Incorporation

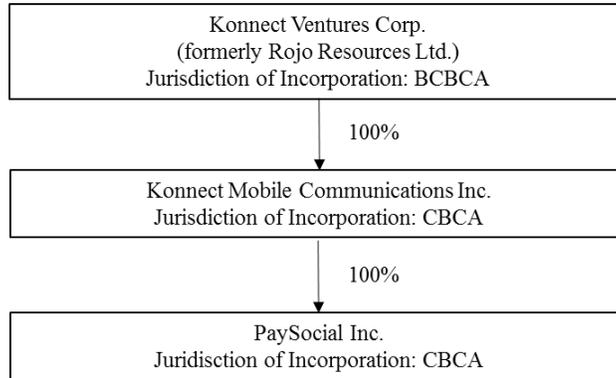
The Issuer was incorporated on June 26, 1962 under the *Company Act* of British Columbia (the predecessor Act to the BCBCA) under the name "Triform Explorations (B.C.) Ltd." On October 26, 1964, the Issuer amended its articles to change its name from "Triform Explorations (B.C.) Ltd." to "Triform Mining Ltd." On October 21, 1968, the Issuer amended its articles to change its name from "Triform Mining Ltd." to "Lucky Strike Mines Ltd." On June 24, 1980, the Issuer amended its articles to change its name from "Lucky Strike Mines Ltd." to "Lucky Strike Resources Ltd." On February 18, 2015, the Issuer amended its articles to change its name from "Lucky Strike Resources Ltd." to "Rojo Resources Ltd."

10659070 Canada Inc., the Issuer's wholly-owned subsidiary, was incorporated on March 1, 2018 under the CBCA and was created for the sole purpose of amalgamating with Konnect pursuant to the Amalgamation and the listing of the Resulting Issuer Shares on the CSE ("**Transaction**").

Konnect was incorporated on June 1, 2011 under the CBCA and PaySocial Inc., Konnect's wholly-owned subsidiary, was incorporated on May 5, 2017 under the CBCA.

1.3 Intercorporate Relationships

The corporate structure of Resulting Issuer will be as follows:



1.4 Fundamental Change

Immediately before listing on the Canadian Securities Exchange ("CSE"), the Issuer, Newco and Konnect will complete the Transaction. In conjunction with the Transaction, the Issuer will change its name to "Konnect Ventures Corp." and delist the Issuer Shares from the NEX board of the TSX Venture Exchange ("NEX"). Upon completion of the amalgamation of Newco and Konnect (the "Amalgamation"), the Issuer will become the Resulting Issuer and have one direct wholly owned subsidiary, being the resulting entity from the Amalgamation of Konnect and Newco ("Amalco"), along with one indirect wholly owned subsidiary, PaySocial Inc. (as shown in the corporate structure diagram in Section 1.3 above).

1.5 Non-Corporate Issuers and Issuers Incorporated Outside of Canada

The Issuer and Konnect are not non-corporate issuers or issuers incorporated outside of Canada.

2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 General Development of the Business

General Development of the Business of the Issuer Prior to the Transaction

The Issuer Shares are listed for trading on the NEX under the trading symbol "RJ.H". The Issuer's head and principal office is located at 1746 MacDonald Street, Vancouver, BC V6K 3X8.

In a working agreement dated July 2013, the Issuer, Skyharbour Resources Ltd. ("**Skyharbour**"), Athabasca Nuclear Corp. ("**Athabasca**") and Noka Resources Inc. ("**Noka**") agreed to associate (the "**Western Athabasca Syndicate**") for the purpose of conducting a co-ordinated exploration program to be carried out on the mineral properties owned by Skyharbour and Athabasca located in the Athabasca area of the Province of Saskatchewan.

Details with respect to the relevant properties are noted below:

Skyharbour Property

On April 26, 2013, the Issuer entered into an option agreement with Skyharbour whereby the Issuer would acquire a 25% interest in the Skyharbour property consisting of 45 mineral claims covering 161,755 hectares located in the Athabasca area in the Province of Saskatchewan. Total consideration consisted of 250,000 Issuer Shares (issued), and \$100,000 cash payment upon execution of the agreement (paid). The Issuer needed to incur \$500,000 in expenditures on or before May 1, 2014 and an additional \$500,000 on or before May 1, 2015. Skyharbour acted as the operator for all expenditures incurred on the property.

The property was subject to a 2% net smelter returns royalty agreement between Skyharbour and a third party individual, and if the Issuer acquired a 25% interest in the property it would be liable to pay its proportionate share of the royalty to the third party individual. In the event that the Issuer did not complete all of the funding requirements for exploration expenditures on the property to earn its 25% interest in the property, then the Issuer would be able to pay Skyharbour an amount equal to such shortfall in expenditures within 30 days after the option deadline. In the event the required payments were not made, then the option agreement would terminate.

On July 9, 2013, the Issuer entered into a working agreement with Skyharbour, Athabasca, and Noka for the purpose of conducting a coordinated exploration program to be carried out on mineral properties owned by Skyharbour and Athabasca located in the Athabasca area in the Province of Saskatchewan. Each party to the working agreement had the option to acquire a 25% interest in the property.

In April 2015, the Issuer paid \$104,862 towards a cash call made by the Western Athabasca Syndicate operator.

Athabasca Property

On June 28, 2013, the Issuer entered into an option agreement with Athabasca whereby the Issuer would acquire a 25% interest in the Athabasca property consisting of 36 mineral claims covering 125,375 hectares located in the Athabasca area in the Province of Saskatchewan. Total consideration consisted of 121,234 Issuer Shares and \$100,000 cash payment upon execution of the agreement (paid). The Issuer needed to incur \$1,000,000 in expenditures on or before June 1, 2015. Athabasca acted as the operator for all expenditures incurred on the property.

The property was subject to a 2% net smelter returns royalty agreement between Athabasca and a third party individual, and if the Issuer acquired a 25% interest in the property it would be liable to pay its proportionate share of the royalty to the third party individual.

As noted above, on July 9, 2013, the Issuer entered into a working agreement with Skyharbour, Athabasca and Noka for the purpose of conducting a coordinated exploration program to be carried out on mineral properties owned by Skyharbour and Athabasca located in the Athabasca area in the Province of Saskatchewan. Each party to the working agreement had the option to acquire a 25% interest in the property.

In June 2013, the Issuer paid \$100,000 in accordance with the agreement and issued 121,234 Issuer Shares during August 2013.

On February 18, 2015 the Issuer consolidated its shares on basis of one (1) post-consolidation Issuer Shares for every eight (8) pre-consolidation Issuer Shares, resulting in a total of 6,872,854 Issuer Shares outstanding at the time of the consolidation, with a fractional adjustment of 206 Issuer Shares resulting in 6,875,060 Issuer Shares outstanding at this date.

On July 15, 2015, the Western Athabasca Syndicate made their second cash call required by the Issuer in the amount of \$645,333.33 on the Skyharbour and Athabasca properties as agreed to in the option agreement. On July 17, 2015, the Western Athabasca Syndicate issued a default notice to the Issuer and gave the Issuer 30 days to remedy the default. However, on August 14, 2015, the Issuer decided to not to continue investing in the property and wrote-off its interest accordingly.

On November 12, 2015, the Issuer announced the resignation of Henry Neugebauer as a director of the Issuer and the appointment of Mark Tommasi as a director of the Issuer.

During the 2016 financial year, the Issuer conducted preliminary due diligence on a non-resource opportunity in the South American telecommunications infrastructure industry. As such, the Issuer paid a refundable deposit of \$66,051 (\$50,000 USD) to a potential target company operating in the technology sector in Argentina, South America pursuant to an agreement. During the 2017 financial year, the Issuer paid a refundable deposit of \$39,433 (\$30,000 USD) to the same company operating in the technology sector in Argentina, South America pursuant to the agreement. On January 12, 2017 and February 2, 2017 the Issuer announced that it had decided not to proceed with this opportunity and entered into an assignment agreement with Tower One Wireless Corp. ("**Tower One**") on February 2, 2017 pursuant to which the Issuer assigned 100% of its interest in the Argentine business, including all accounts payable and receivable in connection therewith, to Tower One for consideration of 500,000 of Tower One. In addition to the statutory four month and one day hold period, these shares were subject to escrow restrictions on the following basis: 10% of the shares being released immediately on issuance and 15% of the total number of shares being released every six months thereafter for a period of three years from issuance.

During the 2017 financial year to the date of this Listing Statement, the Issuer did not have any interest in any mineral property options and had actively pursued opportunities in other sectors including technology and legal marijuana. As at July 31, 2017, the Issuer's efforts in invest in other sectors had not yet materialized.

On January 12, 2017 the Issuer formed an advisory board comprised of experienced capital markets and industry veterans, to assist the Issuer in its review of a variety of strategic opportunities going forward. The initial advisory board members on January 12, 2017 were Larry Timlick and Paul Pederson.

On May 4, 2017 the Issuer completed a non-brokered private placement of 5,000,000 units at a price of \$0.05 per unit, for aggregate gross proceeds of \$250,000. Each unit consisted of one Issuer Share and one transferable Issuer Warrant, with each warrant entitling the holder thereof to acquire one additional Issuer Share at a price of \$0.10 for a period of one year. In connection with closing of the offering, the Issuer paid finder's fees of \$14,035 and issued 401,000 non-transferable finder's warrants to certain agents in accordance with applicable securities laws and the policies of the TSX Venture Exchange ("**TSXV**"). The net proceeds from the offering were for general working capital and due diligence investigation of opportunities in the marijuana services industry.

On May 29, 2017, the Issuer consolidated the Issuer Shares on a basis of 1:5 for a total of 4,890,612 Issuer Shares with a fractional adjustment of 526 Issuer Shares resulting in outstanding Issuer Shares of 4,890,086 at the date of this consolidation.

On June 19, 2017, the Issuer announced that it had entered into a binding Letter of Intent with NextLeaf Solutions Ltd. ("**NextLeaf**") wherein the Issuer, NextLeaf and the security holders of NextLeaf agreed to negotiate the terms of a definitive Share Exchange Agreement whereby all outstanding securities of NextLeaf would be exchanged for securities of the Issuer. On September 14, 2017 the Issuer announced that it had decided not to proceed with this potential transaction with NextLeaf, as the deadline for

completion of due diligence and the execution of a definitive agreement set out in the Letter of Intent had passed and accordingly the Letter of Intent was terminated.

On November 3, 2017 the Issuer announced that the Issuer Shares were to resume trading on the NEX board of the TSXV effective at the opening of the market on November 6, 2017 under the symbol "RJ.H".

On November 30, 2017, the Issuer entered into a letter of intent with Konnect wherein the parties agreed to negotiate the terms of the Acquisition Agreement (defined below).

On February 26, 2018, certain directors and officers of the Issuer entered into Option Surrender Agreements and surrendered all of their Issuer Options resulting in no Issuer Options issued and outstanding. As such, the Resulting Issuer will not be required to issue replacement options for these surrendered Issuer Options.

On May 29, 2018, the Issuer entered into the Acquisition Agreement between the Issuer, Konnect and Newco ("**Acquisition Agreement**"). See "*General Development of the Business of Konnect and the Resulting Issuer Prior to the Transaction - Transaction*".

General Development of the Business of Konnect Prior to the Transaction

The business of the Resulting Issuer will be the business of Konnect upon completion of the Transaction.

Konnect is an emerging growth Canadian technology company focused on developing technology based products and services routinely used by the general public.

Konnect's principal product is PaySocial, a new mobile money transfer and payments service utilized using a mobile app (the "**PaySocial App**"), which is supported by consumer rewards and social affiliate advertising programs.

Konnect was incorporated as "Hitlab Promoter Inc." in June 2011, and changed its name to "Konnect Mobile Communications Inc." in May 2015. Since 2016, its focus has been on mobile applications and Fintech.

PaySocial

On May 11, 2017, Konnect completed its acquisition of PaySocial Inc. See "*Narrative Description of the Business - General Business of Konnect and the Resulting Issuer – PaySocial*" for information regarding the PaySocial Platform.

Pursuant to such acquisition, Konnect acquired all of the outstanding securities of PaySocial Inc. in exchange for (a) 5,000,000 Konnect Shares to the former holders of common shares of PaySocial Inc. and (b) a payment of \$200,000 for development services provided by 9192-1858 Quebec Inc. ("**9192 Quebec**"), a company controlled by William L. Coyle. In addition, in consideration for the repurchase of 3,000,000 Class D preferred shares of PaySocial Inc. and 9192 Quebec foregoing its right to receive fees from PaySocial Inc. for such repurchase, Konnect agreed to grant to 9192 Quebec a revenue share equal to 15% of the net revenue of Konnect and a provisions that the parties may negotiate either a buyout of the revenue share or consideration in the form of Konnect Shares. The above-noted revenue share arrangement has subsequently been terminated. 3,300,000 Konnect Shares were issued to Richard Groome and William Coyle in connection with their employment agreements. See "*Executive Compensation*".

Mining Test Program

Konnect has begun testing a number of Mining Machines pursuant to the Mining Test Program. See "*Narrative Description of the Business - General Business of Konnect and the Resulting Issuer – Mining Test Program*" for information regarding the Mining Test Program.

Subscription Receipt Financing

On November 30, 2017, Konnect entered into an engagement letter with Mackie Research Capital Corporation (the "**Agent**" or "**MRCC**") and the Issuer dated November 30, 2017 with respect to the proposed issuance of subscription receipts ("**Subscription Receipts**") of Konnect. The Agent agreed to issue, on a best-efforts agency basis, \$3.5 million to \$4.5 million Subscription Receipts at a price of \$0.50 per Subscription Receipt (the "**Issue Price**"), on a private placement basis in the provinces of Canada (the "**Subscription Receipt Financing**"). Each Subscription Receipt will be automatically exchanged, for no additional consideration, into one Konnect Share after completion of the proposed 1:4 stock split ("**Split**") of the Konnect Shares (each post-Split Konnect Share is referred to herein as a "**Konnect Post-Split Share**") and one Konnect Share purchase warrant after completion of the Split ("**Konnect Post-Split Warrant**" and collectively with a Konnect Post-Split Share, a "**Konnect Post-Split Unit**") upon the satisfaction of the Escrow Release Conditions (defined below). Thereafter, the Konnect Post-Split Shares and Konnect Post-Split Warrants will be exchanged for Resulting Issuer Shares and Resulting Issuer Warrants (bearing substantially the same terms) upon completion of the Amalgamation.

Each warrant will be exercisable into one share upon payment of \$1.00 per warrant for a period of 12 months from the Amalgamation; however, in the event that the closing price of the outstanding Resulting Issuer Shares on the CSE is greater than \$1.50 for a period of 20 consecutive trading days at any time after the Transaction Closing, the Resulting Issuer may, at its option, accelerate the expiry date of the warrants by giving notice to the holders thereof and in such case the warrants will expire at 5:00 p.m. (Toronto time) on the 30th day after the date on which such notice is given by the Resulting Issuer.

Konnect also granted the option to the Agent (the "**Agent's Option**") to offer up to an additional 15% in Subscription Receipts, by giving written notice of the exercise thereof, or a part thereof, to Konnect at any time up to 48 hours prior to the closing of the Subscription Receipt Financing (the "**Subscription Receipt Financing Closing**").

In connection with the proposed Amalgamation, Konnect agreed to issue MRCC Konnect Post-Split Shares immediately prior to completion of the Amalgamation representing 5% of the Konnect Post-Split Shares outstanding immediately prior to the Amalgamation ("**Konnect Finder Shares**").

Konnect agreed to pay to the Agent 8.0% of the gross proceeds (4.0% with respect to President's List subscribers) arising from the Subscription Receipt Financing (including upon exercise of the Agent's Option, if applicable) (the "**Subscription Receipt Financing Cash Commission**").

In addition, Konnect agreed to issue broker warrants ("**Konnect Broker Warrants**"), entitling the Agent to purchase such number of Konnect Post-Split Units equal to 8.0% (4.0% with respect to President's List subscribers) of the Subscription Receipts issued in the Subscription Receipt Financing (including upon exercise of the Agent's Option, if applicable) at an exercise price equal to the Issue Price (\$1.00) for a period of 12 months following the Amalgamation. In connection with the Amalgamation, the Konnect Broker Warrants shall be exchanged for broker warrants of the Resulting Issuer bearing substantially the same terms ("**Resulting Issuer Broker Warrants**").

Each Konnect Broker Warrant (a Resulting Issuer Broker Warrant on completion of the Transaction) will be exercisable into one Konnect Post-Split Unit (or the equivalent securities of the Resulting Issuer) upon payment of \$1.00 per broker warrant for a period of 12 months from the Amalgamation; however, in the event that the closing price of the outstanding Resulting Issuer Shares on the CSE is greater than \$1.50 for a period of 20 consecutive trading days at any time after the Transaction Closing, the Resulting Issuer may, at its option, accelerate the expiry date of the broker warrants by giving notice to the holders thereof and in such case the broker warrants will expire at 5:00 p.m. (Toronto time) on the 30th day after the date on which such notice is given by the Resulting Issuer.

The Subscription Receipt Financing may be completed in one or more tranches.

For each tranche of the Subscription Receipt Financing, the gross proceeds, save for the following amounts, shall be placed in escrow (the "**Escrowed Funds**"), into an interest-bearing escrow account through NIS (the "**Subscription Receipt Agent**"):

- 50% of the Subscription Receipt Financing Cash Commission to be paid to the Agent;
- all expenses of the Agent; and
- a \$500,000 advance to Konnect (to be paid on the first tranche of the Subscription Receipt Financing).

The Escrowed Funds shall be released to Konnect, less the 50% balance of the Subscription Receipt Financing Cash Commission to be paid to the Agent, upon the satisfaction of the following escrow release conditions ("**Escrow Release Conditions**"):

- a) Konnect, Newco and the Issuer having confirmed that all conditions precedent to the completion of the Transaction, on terms previously disclosed to or otherwise reasonably acceptable to the Agent, have been satisfied, other than the filing of the requisite documents to give effect to the Transaction and the conversion of the Subscription Receipts;
- b) the receipt of all necessary shareholder approvals with respect to the Transaction;
- c) the conditional approval of the Transaction by the CSE;
- d) Konnect having delivered to the Agent a certification that the conditions set forth in (a), (b) and (c) have been satisfied; and
- e) Konnect and the Agent having delivered to the Subscription Receipt Agent a joint notice confirming that the conditions set forth in (a), (b) and (c) have been satisfied.

The Subscription Receipt Financing will be completed prior to the closing of the Amalgamation; the conversion of the Subscription Receipts will occur immediately prior to completion of the Amalgamation.

Bridge Financing

Prior to completion of the Transaction, Konnect may complete a bridge financing (the "**Bridge Financing**"), pursuant to which Konnect would issue convertible debentures for an aggregate principal amount of a minimum of \$250,000 and up to a maximum of \$3,000,000 with a term of 12 months and bearing interest at 6% annum, payable quarterly in arrears ("**Konnect Convertible Debentures**"). If completed, in connection with the Transaction, the Resulting Issuer would issue Resulting Issuer Convertible Debentures in exchange for the Konnect Convertible Debentures.

Conversion Price

For the purpose of the Bridge Financing, the conversion price for the Konnect Convertible Debentures, or Resulting Issuer Convertible Debentures, as applicable, would be as follows ("**CD Conversion Price**"): subject to adjustment in the event of any stock split, consolidation or other capital reorganization:

- after a Going Public Event, (a) the price per share would be equal to the Issue Price for the proposed Subscription Receipt Financing or other equity financing completed concurrently with a Going Public Event; or (b) where there is no Subscription Receipt or other equity financing completed concurrently with a Going Public Event, the CD Conversion Price would be \$2.00 (without factoring in the proposed Split); or
- prior to a Going Public Event, \$2.00 (without factoring in the proposed Split).

For the purposes of the Bridge Financing, a "**Going Public Event**" refers to a merger, amalgamation, business combination, initial public offering, share exchange, reorganization or plan of arrangement of Konnect with a reporting issuer in Canada on terms determined by the board of directors of Konnect, including, for greater certainty, the Transaction.

Conversion Scenarios Prior to Going Public Event

Prior to the completion of a Going Public Event, the Konnect Convertible Debentures would be convertible into:

- Konnect Shares at the election of the holder or upon the maturity of the Konnect Convertible Debentures (after the 12 month term) on the basis of the CD Conversion Price; and
- Konnect Share purchase warrants, exercisable at an amount equal to the CD Conversion Price and exercisable for a period of 12 months from the date of conversion of the Konnect Convertible Debenture ("**Konnect CD Warrants**"). The number of Konnect CD Warrants to be received would equal the number of Konnect Shares issued on conversion of the Konnect Convertible Debentures. The Konnect CD Warrants would be subject to accelerated exercise provisions in the event Konnect completes a Going Public Event subsequent to the conversion and the closing price of the relevant shares on the CSE, or other stock exchange on which the relevant shares are listed, is greater than two (2) times the CD Conversion Price for a period of 20 consecutive trading days at any time after a Going Public Event.

Conversion Scenarios After Going Public Event

After completion of a Going Public Event, the Konnect Convertible Debentures would be exchanged by the Resulting Issuer for convertible debentures of the Resulting Issuer bearing the same terms as the

Konnect Convertible Debentures ("**Resulting Issuer Convertible Debentures**"). The Resulting Issuer Convertible Debentures would be convertible into:

- Resulting Issuer Shares on the basis of the CD Conversion Price in the following circumstances: (i) at the election of the holder, (ii) upon the maturity of the Resulting Issuer Convertible Debentures or (iii) in the event the closing price of the relevant shares on the CSE, or other stock exchange on which the relevant shares are listed, is greater than two (2) times the CD Conversion Price for a period of 20 consecutive trading days at any time after a Going Public Event.
- Resulting Issuer Share purchase warrants exercisable at an amount equal to the CD Conversion Price and exercisable for a period of 12 months from the date of conversion of the Resulting Issuer Convertible Debenture ("**Resulting Issuer CD Warrants**"). The number of Resulting Issuer CD Warrants to be received would equal the number of Resulting Issuer Shares that would be issued on conversion of the Resulting Issuer Convertible Debentures. The Resulting Issuer CD Warrants would be subject to accelerated exercise provisions in the event the closing price of the relevant shares on the CSE, or other stock exchange on which the relevant shares are listed, is greater than two (2) times the CD Conversion Price for a period of 20 consecutive trading days at any time after a Going Public Event.

Compensation

In connection with the Bridge Financing, Konnect would pay a cash commission of 6% to registered finders.

Transaction

On May 29, 2018, the Issuer, Konnect and Newco, a wholly-owned subsidiary of the Issuer, entered into the Acquisition Agreement. Pursuant to the Acquisition Agreement, Newco and Konnect agreed to the Amalgamation and Konnect agreed to a 1:4 split of Konnect's securities (referred to herein as the Split). In consideration for the Amalgamation, the Issuer agreed to issue securities of the Issuer, on the basis of one security of Konnect for one security of the Resulting Issuer, as follows:

- for the Konnect Post-Split Shares (reflecting the conversion of the Subscription Receipts and the issuance of the Konnect Finder Shares), shares of the Resulting Issuer ("**Resulting Issuer Shares**");
- for the pre-Split options to purchase Konnect Shares ("**Konnect Options**"), options to purchase Resulting Issuer Shares on substantially the same terms, with adjustments to the exercise price to reflect the Split ("**Resulting Issuer Legacy Options**");
- for the Konnect Post-Split Warrants, common share purchase warrants of the Resulting Issuer on substantially the same terms ("**Resulting Issuer Warrants**");
- for the Konnect Broker Warrants, broker warrants of the Resulting Issuer on substantially the same terms (referred to herein as Resulting Issuer Broker Warrants); and
- for the Konnect Convertible Debentures, if any, convertible debentures of the Resulting Issuer bearing substantially the same terms (referred to herein as Resulting Issuer Convertible Debentures).

The Amalgamation effectively provides for the acquisition of all of the outstanding equity interests of Konnect by the Issuer indirectly through Newco. As a result of the Amalgamation of Konnect and Newco, the Resulting Issuer will become the sole beneficial owner of all of the outstanding shares of Konnect.

Upon completion of the Amalgamation, every one (1) Konnect Share held by shareholders of Konnect will be exchanged for one (1) Resulting Issuer Share. Certain of the Resulting Issuer Shares will be subject to escrow conditions and applicable resale restrictions as required by applicable securities laws and CSE requirements. See "*12. Escrowed Securities*".

Konnect has created a share unit plan pursuant to which 20,000,000 Konnect Post-Split Shares are reserved for issuance on the vesting of the share units of Konnect ("**Konnect Share Units**") in accordance with the plan ("**Konnect Share Unit Plan**"). In connection with the Amalgamation, the Issuer has agreed to assume the Konnect Share Unit Plan ("**Resulting Issuer Share Unit Plan**"), delist from the TSXV and change its name to "Konnect Ventures Corp."

The board of directors of the Resulting Issuer will be reconstituted in connection with the closing of the Transaction ("**Transaction Closing**"). See "*Directors and Officers of the Resulting Issuer*".

Completion of the Transaction is subject to, among other things, shareholder approval from Konnect and the Issuer, all conditions precedent set forth in the Acquisition Agreement having been satisfied or waived by the appropriate party and the receipt of all necessary corporate, regulatory and third-party approvals including the approval of CSE, and compliance with all applicable regulatory requirements and conditions in connection with the Amalgamation.

2.2 Significant Acquisitions or Dispositions

See "*General Development of the Business of Konnect and the Resulting Issuer Prior to the Transaction - Transaction*".

2.3 Trends, Commitments, Events or Uncertainties

Except as may be disclosed elsewhere in this Listing Statement, the Issuer and Konnect are not aware of any trend, commitment, event or uncertainty presently known to management and reasonably expected to have a material effect on the Resulting Issuer's business, financial condition, or results of operations.

3. NARRATIVE DESCRIPTION OF THE BUSINESS

General Business of the Issuer

The Issuer is a Canadian company based in Vancouver, British Columbia, Canada, which, prior to entering into the Acquisition Agreement, was engaged in the acquisition, exploration and development of mineral properties of merit in Canada and worldwide with the aim of developing them to a point whereby they can be put into production or offered for joint venture whereby funding would be available for further development and exploration. During the three most recently completed financial years, the Issuer engaged in evaluating mineral properties that may have the potential for further exploration and development. Currently the Issuer does not have any assets or mineral properties that are in production and does not derive any revenue from its operations.

General Business of Konnect and the Resulting Issuer

The business of the Resulting Issuer will be the business of Konnect upon completion of the Transaction.

Konnect develops and innovates disruptive Fintech, Blockchain and Cryptocurrency technologies.

In the event Konnect raises the minimum amount under the Subscription Receipt Financing (\$3,500,000), Konnect will focus its efforts on PaySocial until subsequent funds are raised. Should funds be raised in excess of the minimum amount noted above, funds will first apply to the Mining Program and then to Konnect's StarCoin initiative.

Noted below are references to "TIPSTERcoin", "SWEEPcoin", a "Cryptocurrency Exchange" and a "Consumer Spending Score". At this time, these are proposed future initiatives of Konnect which may or may not occur. For the use of proceeds of Konnect's Bridge Financing, if any, and Subscription Receipt Financing, no funds have been allocated to these initiatives.

Konnect is actively searching for new transactions which are complimentary and accretive to its business and may determine to pursue such transactions in an opportunistic manner if an opportunity becomes available.

PaySocial

The first product Konnect intends to launch PaySocial (www.paysocial.ca) a mobile application and website portal, best described as a new mobile money transfer and payment service, which is supported by consumer rewards, social affiliate and advertising programs. For more information on the PaySocial Platform, please see "PaySocial" below. Konnect has signed a letter of intent with Decosta Marketing to participate in the development and marketing of PaySocial.

Mining Test Program

Konnect has begun testing a number of Mining Machines pursuant to the Mining Test Program. See "Narrative Description of the Business - General Business of Konnect and the Resulting Issuer – Mining Test Program" for information regarding the Mining Test Program.

Vn3t Investment

Konnect has also made a third party strategic investment of \$250,000 into an early stage artificial intelligence and big data company called Vn3t Technologies Inc. ("Vn3t"). Vn3t intends to provide a solution to cybersecurity and privacy concerns for Fintech, banks, lawyers and firms needing secured handling of vast secured data by utilizing artificial intelligence techniques in conjunction with recursive neural network discriminators. As part of the investment, Vn3t agreed to provide a perpetual right to access Vn3t's services at no cost. In addition, if Vn3t proceeds with a Coin offering, Konnect will receive the aggregate of \$250,000 of the first funds raised and 10% of the gross proceeds raised. In addition, Konnect will receive 150,000,000 of the Coins issued in connection with a Coin offering by Vn3t. **There is no guarantee that Vn3t will complete a Coin offering and at what amount; consequently Konnect may not see a return on all or a part of its investment in Vn3t. See "16. Risk Factors - Additional Risks Related to the Blockchain Industry - Speculative Investment in Vn3t".**

Blockchain and Cryptocurrency Initiatives

Konnect is also exploring opportunities in a number of different opportunities in the Blockchain industry. **These initiatives are in the very early stages of development with management currently working on ensuring that each initiative will be compliant with all applicable Canadian and US laws; consequently, management is not able to determine the timing of the proposed initiatives or if the initiatives will come to fruition.**

1) Blockchain Tokens & Cryptocurrencies – Konnect has entered into a letter of intent with Decosta Marketing to participate in the development and marketing of three potential Coin offerings. The details of the three proposed Coins are as follows:

STARcoin: An entertainment-based Coin called STARcoin (www.starcoins.io). STARcoin will be accessible via a mobile application and entertainment social network and marketplace like YouTube, Amazon and Facebook combined called STARspace (www.star.space) that will reward and connect fans with their favorite celebrity influencers. Presently, celebrity influencers are seeking to strengthen their negotiating power with the studios and demonstrate that they can affect box-office sales, merchandise sales and live event ticket sales. StarCoin will be a better way to track and reward fan behavior beyond social media.

TIPSTERcoin: A tipping Coin (www.tipstercoin.io) and mobile application, created to target both the food and beverage and night club industries but also to be used for purposes such as supporting YouTube content creators. A better way to ensure tips for great service or content make it to the right person without being garnished, withheld or manipulated by the business entity (employer or website) or split between other people. Not only will customers be able to tip their favourite servers/employees, customers can also rate them and promote their great service via the platform to help them get more business. On the backend, Tipster intends to work with human resources managers in the food and beverage and night club industries (and others) to help them find, hire, reward and promote the right servers and employees who deserve recognition based on customer feedback and work ethic.

SWEEPcoin: A cleaning service Coin (www.sweepcoin.io) and mobile application for mobile cleaning service for busy property and business owners. Book a cleaning service, track progress, communicate in real-time with your cleaner for special requests, approve end results via photos and or video chat, pay for the service via mobile wallet and review the service provided.

2) Cryptocurrency Exchange – Konnect is presently negotiating terms to license and or acquire cryptocurrency exchange technology as it is exploring the possibility of launching a cryptocurrency exchange.

Consumer Spending Score

Konnect is exploring the possibility of creating a "Credit Score" system to be called the "Consumer Spending Score" which will be used by micro-financing companies in developing markets where credit card usage is limited, allowing them to make better lending decisions. **This project is in the very early stages of development and management is not able to determine the timing of the proposed project or if the project will commence.**

Business Objectives & Milestones

The Resulting Issuer's primary business objectives, associated milestones and estimated costs over the next 12-month period are as follows:

PaySocial

See "*PaySocial*" below for a detailed description of the PaySocial Platform, which will assist with an understanding of the business objectives and milestones noted below.

1. **Obtain required registrations, licensing and supplier services required to operate the business in Canada.** See "3. Narrative Description of the Business – PaySocial - Licensing & Regulations"
 - Apply for money service business (MSB) license and registration for the province of Quebec and register with FINTRAC and follow required transaction reporting
 - Open third-party supplier accounts with a bank, electronic funds transfer (EFT) / automated clearing house (ACH) supplier, short message service (SMS) gateway and merchant services provider
 - Estimated costs: \$96,000
2. **Build out PaySocial team**
 - Hire a President & CEO for PaySocial Inc.
 - Hire a Chief Scientific Officer (CSO) for PaySocial Inc.
 - Estimated cost: \$144,000 to \$370,000, depending on the amount of funds raised under the Bridge Financing and Subscription Receipt Financing
3. **Increase security levels and protocols of the PaySocial product**
 - Retain Hitachi Security Systems, as a third party internal security consultants, to prepare Konnect for a Deloitte penetration testing audit, which will test PaySocial to find vulnerabilities that an attacker or hacker could exploit
 - Retain Deloitte to complete an audit with respect to penetration testing
 - Estimated costs: \$173,000
4. **Launch PaySocial in Canada.** See "3. Narrative Description of the Business – Sales & Marketing"
 - Initial marketing campaign, which will focus on low-cost unconventional marketing tactics, particularly social media, 90 days prior to the Beta (initial) launch
 - Beta (initial) launch PaySocial in Montreal
 - Beta (initial) launch PaySocial in Toronto and Vancouver
 - Beta (initial) launch PaySocial across Canada, starting with the rest of the major cities
 - Official Launch Canada wide, starting with major cities
 - Estimated costs: \$360,000 to \$1,212,000, depending on the amount of funds raised under the Bridge Financing and Subscription Receipt Financing. The amount of funds raised will determine the scale of the marketing campaign

Mining Program

See "*Mining Test Program*" below for a detailed description of the Mining Test Platform, which will assist with an understanding of the business objectives and milestones noted below.

The Resulting Issuer intends to proceed with its Mining Program initiative in the event that Konnect raises in excess of the minimum Subscription Receipt Financing (\$3,500,000). Phase #1, being the Mining Test Program, is currently underway.

With respect to the associated costs of the Mining Program, Konnect notes that the planned approach with respect to the Mining Program is to structure the partnership agreements with the data centre and mining operator on a performance-based and profit-sharing basis such that the division will be self-financed.

1. **Secure data centre partner** – Konnect is seeking to partner with a data centre within the province of Quebec, but more specifically on the Native reserve in Kahnawake, where the cost of

electricity ranges between \$0.01 to \$0.035 per kilowatt, as opposed to \$0.06 to \$0.11 per kilowatt in the rest of Quebec

- Konnect intends to enter into a binding partnership agreement matching its three phase launch approach as set out below under items 3, 4 and 5.
 - Estimated costs: \$10,000
2. **Recruit cryptocurrency mining operator** – Konnect is in discussions with several groups of existing mining operators to join the division and the Resulting Issuer intends to finalize its arrangement after completion of the Subscription Receipt Financing and after listing on the CSE.
 - Konnect intends to enter into a binding partnership agreement matching its three phase launch approach as set out below under items 3, 4 and 5.
 - Estimated costs: \$10,000
 3. **Complete phase #1** - Mining Test Program starting with up to 20 Mining Machines to prove the model over 30 to 90 days to the potential partners. The Mining Test Program is underway.
 - There are no associated costs with this portion of the mining initiative.
 4. **Complete phase #2** - Launch the Mining Program after successful pilot with up to 500 Mining Machines
 - Estimated costs: \$75,000
 5. **Complete phase #3** - Expand the Mining Program by moving the mining operations into a larger facility capable of hosting a larger number of Mining Machines
 - Estimated costs: \$175,000

Star Coin & Related Offering

See "3. Narrative Description Of The Business - General Business of Konnect and the Resulting Issuer - Blockchain and Coin Initiatives" for information concerning StarCoin.

The Resulting Issuer intends to proceed with its StarCoin initiative in the event that (a) Konnect raises in excess of the minimum Subscription Receipt Financing (\$3,500,000); and (b) the required funds have been applied to PaySocial and the Mining Program.

1. **Celebrity influencer and industry professionals recruitment** - Jesse DeCosta will act as Chief Marketing Officer of the Resulting Issuer; he is the principal of Decosta Global (www.decosta.global). Decosta currently represents and manages the digital assets and social media campaigns/profiles of hundreds of brands and celebrity influencers, mostly in Entertainment industry. The Resulting Issuer intends to utilize Decosta Global's services for celebrity influencer and industry professional recruitment.
 - Estimated Costs: \$250,000
2. **Build out technology backend and recruit related personnel** - Konnect is in discussions with several groups of Blockchain coders to build out the technology backend for StarCoin and the Resulting Issuer intends to finalize its arrangement after completion of the Subscription Receipt Financing and after listing on the CSE.
 - Estimated costs: \$500,000
3. **Initial Coin Offering in both Canada and USA** – Upon completion of its celebrity influencer and industry professional recruitment efforts and the build out of its technology, the Resulting

Issuer intends to complete a Coin offering in Canada and potentially the United States in full compliance with securities laws.

- Estimated costs: \$250,000

Revenue Sources

See "*PaySocial*" below for a detailed description of the PaySocial Platform, which will assist with an understanding of the revenue sources noted below.

The Resulting Issuer expects its main sources of revenue will be from:

a) Fees from the PaySocial Platform:

Fee per PaySocial Transaction if the User does not wish to view advertisements to offset fees from the transaction.

b) Advertising on the PaySocial Platform:

Revenue from advertisements displayed on the PaySocial Platform on a pay per advertisement impression, pay per click on an advertisement or through the use of affiliate programs. Affiliate programs refer to advertising programs which provide the advertiser with a commission equal to the percentage of goods purchased as a result of the advertiser's display of the advertisement.

c) Interest on funds held (user and merchant deposited float) through the PaySocial Platform:

Konnect will earn interest on all funds loaded onto the PaySocial Platform by Users and will continue to earn interest on those funds until the funds are withdrawn by the Merchant or Purchaser (each a User), as applicable. The amount of interest to be earned will depend on the amount of funds held on the PaySocial Platform and prevailing interest rates.

For information on how funds are loaded onto the PaySocial Platform, see "*Paysocial – Loading Funds*". For information on how funds are withdrawn from the PaySocial Platform, see "*Paysocial – Withdrawing Funds*".

d) Subscription fees on the PaySocial Platform:

A monthly fee for Users to forego advertisements on the PaySocial Platform.

e) Marketing Fees

PaySocial shall receive between 20% and 50% of Marketing Fees charged to Merchants when a Purchaser shares its Purchase Transaction from a Merchant and posts a positive review on social media. The amount of the Marketing Fee that PaySocial will retain depends on whether Referring Users also share the Purchaser's specific Purchase Transaction and provide a positive review. See "*PaySocial – Sharing Purchase Transactions and Marketing Fees*" for further information on Marketing Fees. See "*PaySocial – Referrals and Referral Fees*" for further information on User referrals and Referral Fees.

If the Resulting Issuer proceeds with any of the initiatives set out above under "*General Business of Konnect and the Resulting Issuer*", such initiatives have the potential to become additional sources of revenue to the Resulting Issuer.

Funds Available

The estimated working capital deficiency of Konnect as at April 30, 2018 is \$215,650. The estimated working capital deficiency of Rojo as at April 30, 2018 is \$85,136.

Assuming that the Subscription Receipt Financing is fully subscribed for to the maximum offering amount, \$4,500,000, and the Bridge Financing is fully subscribed for to the maximum amount, \$3,000,000, the Resulting Issuer is expected to have approximately \$7,199,213 available to it on the closing of the Transaction. Assuming that the Subscription Receipt Financing is subscribed for to the minimum offering amount, \$3,500,000, and no Bridge Financing is completed, the Resulting Issuer is expected to have approximately \$3,199,214 available to it on the closing of the Transaction.

The Subscription Receipt Financing is a condition of the Amalgamation and will close prior to the completion of the Amalgamation. The conversion of the Subscription Receipts will occur immediately prior to the completion of the Amalgamation. The Bridge Financing will occur prior to the completion of the Amalgamation.

The principal purposes of the funds available to the Resulting Issuer are set out below:

Use of Available Funds	Minimum Subscription Receipt Financing and no Bridge Financing (\$)⁽¹⁾	Maximum Subscription Receipt Financing and \$3 million Bridge Financing (\$)⁽²⁾
General and Administrative Expenses, including salaries, consulting fees for programmers, rent, utilities, equipment costs, insurance, public company expenses, legal fees and auditor fees.	1,638,300	2,003,500
PaySocial Licensing & Registrations	96,000	96,000
PaySocial Team	144,000	370,000
PaySocial Security	173,000	173,000
PaySocial Launches	360,000	1,212,000
Cryptocurrency Mining Partner	-	10,000
Cryptocurrency Mining Operator	-	10,000
Cryptocurrency Mining Phase #1	-	-
Cryptocurrency Mining Phase #2	-	75,000
Cryptocurrency Mining Phase #3	-	175,000
Starcoin Recruitment Efforts	-	250,000
Starcoin Technology & Personnel	-	500,000
StarCoin Offering	-	250,000
Transaction Costs	225,000	225,000
Cash Commission for the Financings	280,000	540,000
Unallocated working capital	282,914	1,309,713
Total	3,199,214	7,199,213

Notes:

(1) Assuming the minimum amount subscribed for under the Subscription Receipt Financing (\$3.5 million) and no Bridge Financing.

(2) Assuming the maximum amount subscribed for under the Subscription Receipt Financing (\$4.5 million) and \$3,000,000 raised under the Bridge Financing.

Notwithstanding the proposed uses of available funds as 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. For these reasons, management 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.

If the Agent's Option is exercised with respect to the Subscription Receipt Financing, the Resulting Issuer will use the proceeds for general working capital purposes.

See above under “*Business Objectives and Milestones*” for a description of how the principal purposes of the funds available will be used to achieve the milestones of the Resulting Issuer.

PaySocial

The first product that Konnect intends to release is the PaySocial Platform, a new mobile money transfer and payment service which is supported by consumer reward, social affiliate and advertising programs. Once the full functionality of the PaySocial Platform is implemented, money will be able to be sent and received by any user that signs up to the PaySocial Platform (each a “**User**”).

Konnect is in the process of finalizing its arrangements with EFT Canada Inc. (“**EFT Canada**”), a provider of electronic funds transfer (EFT) and automated clearing house (ACH) services in both Canada and the United States. Konnect is in the process of building out an application program interface (API) to connect to EFT Canada's EFT and ACH gateways which are connected to major banks in Canada and USA. Money loaded on and off of the PaySocial Platform using bank accounts will be processed through EFT Canada.

Konnect is currently aiming to launch the PaySocial Platform in Q3 of 2018. Konnect is drafting, adopting and implementing an Anti-Money Laundering Policy, Privacy Policy and related procedures and drafting, negotiating and entering into commercial agreements for the operation of the business. In addition, it is currently exploring different avenues for addressing the registration and licensing requirements as a “money service business”. See “*Licensing & Regulations*” below for additional information.

How to Access the PaySocial Platform

PaySocial will work with smart phones through the PaySocial App (both Android / iPhone) via barcode scanning, legacy (non-smart) phones via short message service (SMS), email and any device that connects to the Internet via the PaySocial website.

Types of Transactions

Payment Transaction

During the initial stages of the launch of the PaySocial Platform, Users will be limited to completing transactions with merchants that have signed up to the PaySocial Platform (“**Merchants**”). In this context, a User is referred to as a “**Purchaser**” and payments from a Purchaser to a Merchant are “**Payment Transactions**”.

Examples of Payment Transactions include:

- paying for services such as a hairdresser or dog groomer;
- buying consumer goods such as clothing or electronics;
- paying for bills at restaurants; and
- buying consumables such as food and drinks at fast food restaurants or convenience stores.

In this context, Purchasers will either: view an advertisement or pay a transaction fee. In addition, if the Purchaser shares their Purchase Transaction and provides a positive review, the Merchant will pay a Marketing Fee (defined below under "*Sharing Purchase Transactions and Marketing Fees*"), and the Purchaser shall be eligible to receive 50% of the Marketing Fee. See below under "*PaySocial - Sharing Purchase Transactions and Marketing Fees*".

Merchants will have multiple ways to initiate Payment Transactions: (a) via the PaySocial App or (b) integration into a merchant's existing point of sale terminal, in a similar manner as other loyalty programs. Integration into an existing point of sale terminal will require written authorization from the point of sale software provider.

Transfer Transaction

At a later stage, Konnect will allow Users to make transfers between Users. In this context, the sending User is referred to as a "**Transferor**" and a receiving user is referred to as a "**Transferee**" and transfers from a Transferor to a Transferee refer to transactions on the "**Transfer Transactions**".

Examples of Transfer Transactions include:

- repaying a debt to friend;
- splitting a bill between friends;
- giving a gift to a family member or friend;
- financially assisting a child;
- payment between businesses for merchandise; and
- sending a deposit.

Bill Payments

At a later stage, Konnect will allow Users to pay bills through PaySocial Platform ("**Bill Transactions**").

Collectively, Payment Transactions, Transfer Transactions and Bill Transactions are referred to herein as "**PaySocial Transactions**".

Referrals and Referral Fees

In order to recruit Users onto the PaySocial Platform, Konnect will pay referral fees ("**Referral Fees**") when a User or Merchant is able to refer an individual to join the PaySocial Platform and become a User. Users can be referred to the PaySocial Platform by sharing a hyperlink or referral code issued by PaySocial and sent by the referring User to the new User. When a User refers a new User to the PaySocial Platform, the referring User is described as "**Referring User #1**" for the purposes of this Listing Statement.

For organizations such as existing independent sales organizations of merchant services, merchant associations and student associations who can refer a large amount of accounts (both Users and Merchants), Konnect will pay an additional referral fee, assuming the referring entity completes the entire onboarding and training process.

Sharing Purchase Transactions and Marketing Fees

As an incentive for Users to enter into Payment Transactions on the PaySocial Platform as well as a differentiating factors for Merchants to offer PaySocial Platform as a payment option, Merchants shall

pay a fee, initially estimated to be 10% of the amount of the Payment Transaction (the "**Marketing Fee**"), to be shared amongst the Purchaser and Konnect, as well as Referring Users, when the applicable Users share the Purchase Transaction on social media and provide a positive review. When Referring User #1 has been referred by a User, the referring user is described as "**Referring User #2**" for the purposes of this Listing Statement. Collectively, Referring User #1 and Referring User #2 are referred to as "**Referring Users**".

The Marketing Fee is proposed to be divided as follows:

- If only the Purchaser shares the Purchase Transaction, the Purchaser shall receive 50% of the Marketing Fee and PaySocial will receive 50% of the Marketing Fee;
- If the Purchaser and Referring User #1 share the Purchase Transaction, the Purchaser shall receive 50% of the Marketing Fee, Referring User #1 shall receive 15% of the Marketing Fee and PaySocial will receive 35% of the Marketing Fee; and
- If the Purchaser, Referring User #1 and Referring User #2 share the Purchase Transaction, the Purchaser shall receive 50% of the Marketing Fee, Referring User #1 shall receive 15% of the Marketing Fee, Referring User #2 shall receive 15% of the Marketing Fee and PaySocial will receive 20% of the Marketing Fee.

Referral Fees are distinct from Marketing Fees in that Referral Fees are directed towards getting a User to join the PaySocial Platform whereas Marketing Fees are directed toward promoting the business of the Merchant and the relevant Purchase Transaction. When a User attempts to refer another user to the PaySocial Platform, the User will be posting a link or graphic about PaySocial; in contrast, when a Purchaser shares a Purchase Transaction, the Purchaser is sharing information about the Merchant and the Purchase Transaction.

Loading Funds

A User will be able to load money onto the PaySocial Platform through its own bank account, credit card, direct deposit from an employer, through a bank-based bill payment solution (at participating financial institutions, once available) and by loading cash (at participating Merchant teller locations, once available). While the PaySocial Platform has the ability to load money via credit card for money transfer purposes, it has currently disabled this feature due to the risks associated with chargebacks.

Withdrawing Funds

A User will be able to withdraw money from the PaySocial Platform through its own bank account, by requesting a cheque from PaySocial and by withdrawing cash (at participating Merchants, once available).

Currencies

While PaySocial will initially support Canadian dollars, PaySocial intends to eventually support multiple currencies. It is also exploring the possibility of supporting Cryptocurrencies on its platform.

User Verification

User verification involves verifying a copy of the User's identification, a utility bill and confirmation via short message service (SMS). In addition, a nominal deposit is sent to the User's bank account and the User is then required to provide the exact nominal amount back to PaySocial. In addition, the verification

process will meet the standards of FINTRAC and PCMLTFA. Konnect may also utilize the services of a third party supplier such as Equifax to assist with its verification process.

Production

Development

9192 Quebec D.B.A. InstaPay Technology began the development of the PaySocial Platform in October 2015 using third party contractors. PaySocial Inc., a subsidiary of 9192 Quebec which was created to hold the PaySocial technology and intellectual property, was acquired by Konnect and Konnect has continued the development of PaySocial since then by using third party contractors. Prior to the sale to Konnect, 9192 Quebec and PaySocial Inc. spent approximately \$1 million (unaudited) on the development of the PaySocial Platform and subsequent to the acquisition, Konnect has spent a significant portion of its available funds, including the \$1,558,350 raised under the non-brokered private placement, on the development of the PaySocial Platform. See "*Prior Sales*".

The PaySocial Platform was tested (audited) by Deloitte LLP in August 2016 to test the functionality of the various features of the PaySocial Platform, including account login features and the ability to load, send and receive funds.

Currently the Beta version of the website portal and Android version of the PaySocial App have been completed. Development of the iPhone version of the PaySocial App has begun. Konnect has engaged Hitachi Systems Security to oversee its security protocols, encryption levels and application program interface (API) in order to better prepare us for the next Deloitte audit of the PaySocial platform with respect to penetration testing, which will test PaySocial to find vulnerabilities that an attacker or hacker could exploit. Konnect is in the process of integrating its technology into key suppliers for short message service (SMS), electronic funds transfer (EFT), credit card processing and bill payment services.

Sales & Marketing

PaySocial will initially target two types of transactions: Payment Transactions and Transfer Transactions. Even though the financial mechanisms are similar, the usage and context differs between the two types of transactions. Payment Transactions involve an action made to acquire physically a product or service from a store or supplier and Transfer Transactions involve regulating an imbalanced situation (such as a debt to friend, split bill between friends, gift to family or help to child) or between companies (such as a payment for merchandise or sending a deposit).

The first phases of Konnect's marketing strategy will concentrate on gathering information and reactions from the market by implementing strategies to target Payment Transactions and Transfer Transactions.

In order to do so, first, Konnect's marketing efforts will be concentrated on the onboarding of Merchants, since benefits for Purchasers and Merchants are more tangible in the short term. In parallel, targeting Transfer Transactions can lead to a more expanded market in the long run.

Marketing Plan

Step A: Payment Transactions & Merchant Associations

The mission of merchant associations is to help brick and mortar stores develop their local businesses; as such, Konnect expects that merchant associations will view PaySocial as a good way to encourage local customers to spend their money within the neighbourhood. In addition, the involvement of merchant

associations will be incentivized through a referral bonus for each merchant they onboard and a bonus for each User their Merchants onboard.

Merchant associations will be contacted and met with a presentation to present the concept. Once the merchant association agrees to participate and endorse the PaySocial Platform, each merchant association will receive a promotional package to encourage Merchants involved in the merchant association to participate.

In addition, Konnect intends to set up contests with a cash prize value to be drawn amongst the Users who complete Purchase Transactions in the participating stores within a set timeframe, supported by customized posters and online advertisements.

Initially, merchant associations will be targeted where a high level of commercial activity occurs in a strong competitive landscape. In addition, the selection of merchant associations to target will take into consideration the potential of conversion of a recruited Purchaser from the platform into a Transferor completing Transfer Transactions as well.

Step B: Payment Transactions & Millennial/Student Population

As a second way to develop a fast-growing membership, Konnect intends to utilize a push/pull strategy in highly condensed and concentrated advertising in geographic area with a very high density of millennials and students.

Although commercial activities are not their primary focus, student associations may be attracted to promote the PaySocial Platform due to the potential for non-traditional revenue through Merchant and user referral bonuses. Konnect intends for its salesforce to onboard Merchants in a similar manner as discussed above under Step A.

Step C: Transfer Axis

As the number of Users increases through Konnect's marketing plan for targeting Payment Transactions, it will become easier to upsell the Transfer Transaction functionality of the PaySocial Platform.

At this stage, messages will be sent to the onboarded Users to entice them (with a Referral Fee) to use the PaySocial App for a Transfer Transaction to friends and family. To receive the money from the Transfer Transaction, the Transferee will need to obtain a PaySocial account.

In connection with this stage of its marketing plan, Konnect intends to implement a printed and digital media campaign. The digital campaign will consist of amusing advertisements on how it is dangerous to carry a wallet and will communicate PaySocial as the "Transform fee into free" solution. Konnect intends to implement the campaign through video and printed advertisements in targeted spaces.

Actions may be re-adjusted according to the results from the various phases of the PaySocial marketing plan.

Once this process has been completed in Montreal, Konnect intends to target Toronto and Vancouver as they both have a high migrant worker / student presence, in order to build up a promising transfer users base, right from the beginning. As for the Montreal market, activities may be adjusted pending the results of the first six months of the plan. The proposed model will be optimized as the roll-out process continues.

Market

The rapid evolution and integration of new technologies in recent years has changed the way that payments are made in Canada, while new business models and new market entrants have reinvigorated what was previously a relatively stable industry.

While businesses and consumers can choose from an ever-widening array of payment options, the magnitude of this evolution of the payments marketplace has created considerable uncertainty regarding the near and medium-term direction of the industry.

PaySocial's payment platform is focused on money transfers and payments.

According to Payments Canada's Canadian Payment Methods and Trends (2016):

- the payments market in Canada grew to 21.3 billion transactions
- the total amount of those transactions were worth more than \$9.2 trillion
- electronic fund transfer value surpassed cheque value for the first time
- online transfers topped all payment methods in growth: transactions rose nearly 48% to 177 million and value increased by 51% to \$68 billion
- the online transfer category is mostly dominated by Interac® e-Transfers which account for about 90 per cent of the category volume
- with respect to online transfers, the size of the market is large, growing and one company (Interac®) has a dominant share of the market

PaySocial is also focused on digital payments. According to BI Intelligence, in store mobile payments in the United States are expected to total approximately USD \$75 billion in 2017 and approximately USD \$503 billion by 2020. According to research conducted by Allied Market Research, the global mobile payments market is projected to grow at a compound annual growth rate of 33.4% from 2016 to 2022 and reach USD \$3.388 trillion by 2022.

Competitive Conditions

The PaySocial Platform intersects with a number of different groups of competitors, as outlined below:

Loyalty Apps	Mobile Payment Apps	Loyalty Cards	Banking Apps
Freebees Trendigo Mpoints	Apple Pay Paypass Google Wallet Visa Paywave WeChat Pay Zoompass Western Union	Aeroplan Airmiles Optimum Starbucks	TD Bank Tangerine Chase RBC
<ul style="list-style-type: none"> • Offer rebates and rewards • Some are cash rebates • Typically cannot cash out the rewards in dollars • Limited transfer opportunities • Limited to participating retailers 	<ul style="list-style-type: none"> • Only at approved retailers • Need a bank account or credit card to load the wallet • No rebates or loyalty programs with retailers • Most need an NFC enabled phone or physical 	<ul style="list-style-type: none"> • Rewards are typically points, not cash • Need to reach certain threshold amounts of points to receive anything of value • Often limited to one retailer or a chain of 	<ul style="list-style-type: none"> • Transfers may be limited to the same institution • Can use Interac® e-Transfers, but usage may be limited to country of origin • Fees depending on

	keychain device	merchants <ul style="list-style-type: none">• Becomes complicated for users to manage multiple loyalty cards	user's banking plan
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Specialized Skill & Knowledge

The operation and success of the PaySocial Platform requires expertise in the payments industry. There is competition in recruiting personnel in the payments industry. Konnect's President and Chief Executive Officer, Bill Coyle, has over 15 years of entrepreneurial experience in the areas of banking, direct sales, marketing, mobile money transfer and mobile application development. Previously, Mr. Coyle created SB Mobile (Selfbank Mobile), a short message service (SMS) money transfer service in Canada with a money service business (MSB) license.

The operation and success of the PaySocial Platform requires programming expertise. There is competition in recruiting personnel in the programming industry. Mr. Leon, the Chief Technology Officer of Konnect, has over 15 years of experience in the areas of technology development, website development, mobile money transfer, mobile app development, gaming, ecommerce, casino and content management systems. Mr. Leon is responsible for managing and maintaining Konnect's pool of programming consultants.

Konnect has employed a strategy of contracting consultants and other service providers to supplement the skills and knowledge of Mr. Coyle and Mr. Leon in order to provide programming and technical support for the PaySocial Platform.

The failure of Konnect to retain its key personnel may have a material adverse effect on its business, results and operations. See "*Risk Factors*".

Licensing & Regulations

Money Service Business

Money services business ("**MSB**") compliance in Canada for the PaySocial Platform, consists of three key elements:

(i) FINTRAC Registration & AML Program: FINTRAC registration together with adoption of an anti-money laundering program that complies with FINTRAC requirements and those of the PCMLTFA. Konnect is not currently registered with FINTRAC. PaySocial has an AML program, and it is in the process of updating it for the latest version of its business model.

(ii) AMF License: Quebec is the only provincial jurisdiction in Canada that requires licensure of MSBs. For a nominal fee, and review of basic documents, Quebec's AMF grants licenses to MSBs that it believes require licensure. Konnect is in the process of preparing an application for such a license.

(iii) MSB Banking: Many banks in Canada will not accept MSBs as clients. The official reasons given are related to AML, fraud and security risk. Konnect is in the process of approaching banks for its own MSB banking.

Konnect may choose to operate through a financial institution or "money service business" license holder and registrant under FINTRAC and if applicable, the AMF, whereby Konnect would enter into a licensing

or similar arrangement with such entity in order to facilitate the payment processing elements of PaySocial ("**Licensee**").

If Konnect decides to operate through the use of a Licensee, the arrangement will involve the payment of a monthly fee and a fee for each transaction through the Licensee. Konnect would rely on the MSB licenses of the Licensee and its bank accounts. If Konnect does not utilize a Licensee, it will need to obtain its own banking services and expects to be required to register with FINTRAC as a MSB and obtain a license from the AMF to be a MSB.

Konnect is in the process of drafting, adopting and implementing an Anti-Money Laundering Policy, Privacy Policy and related procedures, which would be required in the event Konnect operates with or without a Licensee.

Mining Test Program

Konnect is in the process of testing ("**Mining Test Program**") ten (10) Graphic Processing Units (GPU) and/or Application Specific Integrated Circuit (ASIC) machines ("**Mining Machines**"). The Mining Machines are located in a data centre in Quebec (the "**Facility**"). The purpose of the Mining Test Program is to test the viability of a long-term Coin mining program (the "**Mining Program**") and upon completion of a successful Mining Test Program, Konnect intends to initiate a Mining Program and subject to the size of the Subscription Receipt Financing and Bridge Financing.

Production and Sales

The Mining Machines being used in the Mining Test Program are owned by a third party advisor who is consulting Konnect on an informal basis with respect to its Coin mining activities.

With respect to Konnect's proposed Mining Program, Konnect is considering potential structures pursuant to which it will partner with the Facility and manage Mining Machines owned by third party investors ("**Machine Owners**"), whereby a management fee (to be paid in cash or Coins) will be charged to the Machine Owner based on a percentage of the Coins mined (the "**Management Fee**"). The percentage will be determined based on the number of Mining Machines the Machine Owner has in the Mining Program. The Machine Owner will receive Coins mined by its Mining Machines and shall pay the Management Fee and electricity costs. Konnect will be responsible for the operating and managing costs (excluding electricity and the Facility's costs). The Facility will be responsible for infrastructure and building costs. The terms of the proposed Mining Program are (a) subject to negotiation and (b) subject to Konnect's successful completion of the Mining Test Program.

Konnect will determine which Coins it will mine based on the global network hash rate, the price of the Coins, the Blockchain mining difficulty level, the Blockchain difficulty adjustment periods, as well as the hash rate of each available Mining Machine.

Coin Mining Process

Miners can download and run a mining client which turns the user's computer into a "node" on the network that validates blocks. Transactions are recorded in new blocks that are added to the Blockchain and new coins are issued to the miners. Miners, through the use of the speciality software programs, engage in a set of prescribed complex mathematical calculations in order to add a block to the Blockchain and thereby confirm transactions included in that block's data.

Most Coin transactions are recorded in blocks added to the Blockchain. Each block contains the details of some or all of the most recent transactions that are not memorialized in prior blocks, as well as a record of the award of a specific Coin to the miner who added the new block. Each unique block can only be solved and added to the Blockchain by one miner; therefore miners are engaged in a competitive process of constantly increasing their computing power to improve their likelihood of solving for new blocks. As more miners join a specific network and its processing power increases, the network adjusts the complexity of the block-solving equation to maintain a predetermined pace of adding a new block to the Blockchain.

A miner's proposed block is added to the Blockchain once a majority of the nodes on the network confirms the miner's work. Miners that are successful in adding a block to the Blockchain are typically awarded Coins for their effort plus any transaction fees paid by transferors whose transactions are recorded in the block.

Custody, Cybersecurity Measures and Insurance

A Coin "wallet" is a software program that stores private and public keys and interacts with various Blockchains to allow users to send and receive digital Coins and monitor their balance. There are two main categories of wallets: a hot wallet and a cold wallet. A hot wallet is an electronic wallet that is always connected to the internet and is more prone to hacks. A cold wallet is disconnected from the internet and is considered more secure. Konnect may use hot wallets, cold wallets and other methods to store its Coins, if any, in connection with the proposed Mining Program.

Physical access to the Mining Machines will be restricted to authorized personnel, including officers of Konnect. Konnect will continuously evaluate and update processes and procedures with respect to its Coin mining initiative.

Given the early stages of the Konnect's Coin mining activities, Konnect has not obtained any specialized insurance for its Coin mining initiative. Depending on the success of the Mining Test Program, Konnect may obtain, or seek to obtain, relevant insurance, depending on its availability at commercially reasonable terms. See "*Risk Factors*".

Liquidation and Coin Exchanges

In connection with the Mining Test Program, any mined Coins will be owned by the owner of the Mining Machines (Konnect's third party advisor).

In connection with the proposed Mining Program, for Coins payable to the investors that own the Mining Machines, Konnect intends to either (a) transfer the Coins to the owner of the Mining Machine or (b) facilitate the liquidation of the Coins on exchanges having adequate know your client (KYC), anti-money laundering, consumer protection and cyber-security procedures in place, and market liquidity for Coins. Similarly, to the extent the Management Fee is paid in Coins, Konnect will store its Coins in a wallet (see above under "*Custody, Cybersecurity Measures and Insurance*") with the aim of liquidating the Coins on exchanges having adequate know your client (KYC), anti-money laundering, consumer protection and cyber-security procedures in place, and market liquidity for Coins.

Specialized Skills and Knowledge

Konnect believes its long-term success in the Coin mining industry will depend on its ability to retain qualified personnel to operate the Coin mining initiative. There is competition in recruiting personnel in the technology industry, particularly the Blockchain industry. Konnect believes that it may be required to

provide personnel with a competitive compensation package. Konnect has had discussions with a number of qualified individuals and may retain one or more of such individuals to assist with the Mining Test Program, the proposed Mining Program or further Coin mining initiatives.

Konnect has had informal discussions with certain Blockchain advisors; given the preliminary stage of Konnect's Coin mining initiatives, Konnect has not yet formally retained any advisors. Depending on the scale and success of the Mining Test Program, Konnect may retain such advisors.

Competitive Conditions

In connection with its Coin mining initiatives, Konnect will compete with other users and companies who have commenced, or indicated an expression of interest to commence, Coin mining operations, such as CryptoGlobal, Bitmain, Russia Mining Company, Hive Blockchain Technologies Ltd. and Bitfury.

Future Developments

Should the Mining Test Program be successful, Konnect may initiate the proposed Mining Program or other strategic parties and may enter into additional transaction(s) which are accretive to its business and may determine to pursue such transactions in an opportunistic manner if an opportunity becomes available.

Intangible Properties

Konnect has made applications with respect to the following intellectual property:

Trademarks

Canada:

1. Canadian Trademark Application No. 1877166 for "KONNECT MOBILE COMMUNICATIONS"
2. Canadian Trademark Application No. 1877167 for "STARCOIN"
3. Canadian Trademark Application No. 1870365 for "ECURNC"
4. Canadian Trademark Application No. 1873538 for "PAYSOCIAL"

United States:

1. US Trademark Application No. 87/753780 for "STARCOIN"
2. US Trademark Application No. 87/753765 for "KONNECT MOBILE COMMUNICATIONS"
3. US Trademark Application No. 87/725598 for "PAYSOCIAL"
4. US Trademark Application No. 87/705680 for "ECURNC"

PCT International Patent Applications

1. METHODS AND SYSTEMS FOR PROVIDING AN ELECTRONIC WALLET FOR MANAGING TRANSACTION-BASED TARGETED MEDIA
International Patent Application No. PCT/CA2017/000254
2. METHODS AND SYSTEMS FOR MANAGING A SOCIAL COMMERCE REWARDS PLATFORM
International Patent Application No. PCT/CA2017/000253

3. SYSTEMS AND METHODS FOR DEVICE-PRESENT ELECTRONIC COMMERCE TRANSACTION CHECKOUT

International Patent Application No. PCT/CA2018/000005

Employees

As at June 30, 2017 and the date of this Listing Statement, Konnect does not have any employees.

3.2 *Companies with Asset-backed Securities Outstanding*

Not applicable.

3.3 *Mineral Projects*

Not applicable.

3.4 *Issuers with Oil and Gas Operations*

Not applicable.

4. SELECTED CONSOLIDATED FINANCIAL INFORMATION

4.1 *Financial Information*

Issuer

	Year Ended July 31, 2017 (audited)	Year Ended July 31, 2016 (audited)
Total Revenue	\$nil	\$nil
Income from continuing operations (total)	\$nil	\$nil
Income from continuing operations (per share)	\$nil	\$nil
Net income (or loss) (total)	\$(259,645)	\$(1,978,115)
Net income (or loss) (per share)	\$(0.06)	\$(0.11)
Total assets	\$201,395	\$231,956
Total long-term financial liabilities	\$nil	\$nil
Cash dividends declared per share	\$nil	\$nil

A copy of the financial statements for the financial years ended July 30, 2017 and July 31, 2016 previously filed with applicable securities commissions are available on the Issuer's SEDAR profile at www.sedar.com and attached to Schedule "A" of this Listing Statement.

(total)								
Income from continuing operations (per share)	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil
Net income (or loss) (total)	\$(64,039)	\$19,488	\$(259,645)	\$(85,581)	\$(121,496)	\$(60,912)	\$(1,978,115)	\$(1,920,257)
Net income (or loss) (per share)	\$(0.10)	\$(0.01)	\$(0.06)	\$(0.10)	\$(0.10)	\$(0.01)	\$(0.11)	\$(0.10)

Copies of the respective unaudited interim financial statements for the periods listed above for the Issuer are available on the Issuer's SEDAR profile at www.sedar.com. A copy of the unaudited interim financial statements of Konnect for the period ended January 31, 2018 is attached as Schedule "B" to this Listing Statement.

Konnect

Konnect is currently a private company and did not prepare quarterly financial statements during the period from incorporation to September 30, 2016. Accordingly, limited quarterly information is included for the six months ended December 31, 2017:

	Six Months Ended December 31, 2017
Total Revenue	\$nil
Income from continuing operations (total)	\$nil
Income from continuing operations (per share)	\$nil
Net income (or loss) (total)	\$(693,731)
Net income (or loss) (per share)	\$(0.047)

4.3 Dividends

Neither the Issuer nor Konnect have paid any dividends on its common shares since incorporation.

Other than statutory rules provided by the BCBCA or CBCA, as applicable, there are no restrictions in the Resulting Issuer's articles that prevent the declaration of dividends.

With respect to the Resulting Issuer, the payment of dividends, if any, will rest within the sole discretion of the directors of the Resulting Issuer. The decision to declare and pay dividends depends upon earnings, capital requirements and financial condition, as well as other relevant factors. Since incorporation, Konnect has not declared any cash dividends and it intends to retain its earnings to finance the growth and expansion of its operations. As such, Konnect and the Issuer do not anticipate that the Resulting Issuer will pay any dividends on the Resulting Issuer Shares or other securities in the foreseeable future.

4.4 Foreign GAAP

Not applicable.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS

The Issuer's management's discussion and analysis for the year ended July 31, 2017 and the six months ended January 31, 2018 are available on the Issuer's SEDAR profile at www.sedar.com and are attached as Schedule "C" hereto.

Konnect's management's discussion and analysis for year ended June 30, 2017 and the six-month period ended December 31, 2017 are attached as Schedule "D" hereto.

6. MARKET FOR SECURITIES

The Issuer Shares are listed on the NEX as "RJ.H" and, subject to the final approval of the CSE, upon completion of the Transaction the Issuer's Shares will be delisted from the NEX and the Resulting Issuer Shares will be listed on the CSE under the trading symbol "KONN". Listing on the CSE will be subject to the Resulting Issuer fulfilling all of the requirements of the CSE.

7. CONSOLIDATED CAPITALIZATION

The following table sets out the capitalization of the Issuer as at July 31, 2017 and prior to giving effect to the Transaction:

Designation of Security	Authorized Amount	Amount Outstanding as at July 31, 2017	Amount Outstanding prior to the Transaction
Issuer Shares	Unlimited	4,890,086	5,088,086
Issuer Options	10% of the issued and outstanding Issuer Shares	12,500	Nil ⁽¹⁾
Issuer Warrants	1,080,200	1,080,200	Nil ⁽²⁾

Notes:

(1) On February 26, 2018, certain directors and officers of the Issuer entered into Option Surrender Agreements and surrendered all of their Issuer Options resulting in no Issuer Options issued and outstanding. As such, the Resulting Issuer will not be required to issue replacement options for these surrendered Issuer Options.

(2) On March 5, 2018, Kyly Investment Corporation, a company owned and controlled by Allen Morishita, exercised 118,000 Issuer Warrants at an exercise price of \$0.50, and Patricia Wilson exercised 50,000 Issuer Warrants at an exercise price of \$0.50. On April 27, 2018

30,000 Issuer Warrants were exercised by 622738 BC Ltd., a company controlled by Mark Tommasi. The balance of the warrants expired on May 3, 2018.

The following table sets out the capitalization of the Resulting Issuer after giving effect to the Transaction, and should be read with the unaudited pro forma consolidated financial statements of the Resulting Issuer included as Schedule "E" hereto:

Designation of Security	Authorized Amount	Amount Outstanding after Transaction (assuming \$3.5 Subscription Receipt Financing and no Bridge Financing)	Amount Outstanding after Transaction (assuming \$4.5 Subscription Receipt Financing, the exercise of the Agent's Option and \$3 million Bridge Financing)
Resulting Issuer Shares ⁽¹⁾	Unlimited	Total: 95,528,226	Total: 98,878,226
<ul style="list-style-type: none"> • Issuer Shares 		5,088,086	5,088,086
<ul style="list-style-type: none"> • Konnect Post-Split Shares from conversion of Subscription Receipts 		7,000,000	10,350,000
<ul style="list-style-type: none"> • Konnect Post-Split Shares from issuance of the Konnect Finder Shares 		3,973,340	3,973,340
<ul style="list-style-type: none"> • Konnect Post-Split Shares not described above 		79,466,800	79,466,800
Resulting Issuer Shares reserved for issuance upon exercise of Resulting Issuer Warrants	Minimum Subscription Receipt Financing: 7,000,000 Maximum Subscription Receipt Financing (including the exercise of the Agent's Option): 10,350,000	7,000,000	10,350,000
Resulting Issuer Shares reserved upon exercise of Resulting Issuer Broker Warrants	Minimum Subscription Receipt Financing: 560,000 Broker Warrants Maximum Subscription Receipt Financing (including the exercise of the Agent's Option): 828,000	1,120,000	1,656,000
Resulting Issuer Shares reserved for issuance upon conversion of Resulting Issuer Convertible Debentures, if any	Minimum Bridge Financing, if any: 500,000 Resulting Issuer Shares and 500,000 Resulting Issuer CD Warrants Maximum: 6,000,000	Nil	12,000,000

	Resulting Issuer Shares and 6,000,000 Resulting Issuer CD Warrants		
Resulting Issuer Shares reserved for issuance upon exercise of Resulting Issuer Options	10% of the issued and outstanding Resulting Issuer Shares	Nil	Nil
Resulting Issuer Shares reserved for issuance upon exercise of Resulting Issuer Legacy Options	2,130,000	2,130,000	2,130,000
Resulting Issuer Shares reserved for issuance upon vesting of Resulting Issuer Share Units	20,000,000	Nil	Nil

8. OPTIONS TO PURCHASE SECURITIES

Issuer Option Plan

The Issuer has adopted the Issuer Option Plan which reserves a rolling maximum of 10% of the number of Issuer Shares on the applicable date of grant, to obtain shareholder ratification to the Issuer Option Plan on an annual basis. As at the date of this Listing Statement, the Issuer has 5,088,086 Issuer Shares issued and outstanding so that a maximum of 508,808 Issuer Shares would be available for issuance pursuant to Issuer Options granted under the Issuer Option Plan. Currently there are no Issuer Options outstanding under the Issuer Option Plan, leaving 508,808 Issuer Shares available for grant of further Issuer Options.

The following is a summary of the principal terms of the Issuer Option Plan, which summary is qualified by and is subject to the full terms and conditions of the Issuer Option Plan. Except as otherwise defined herein, capitalized terms used herein have the meanings ascribed thereto in the Issuer Option Plan.

The purpose of the Issuer Option Plan is to advance the interests of the Issuer by attracting, retaining and motivating persons as directors, officers, key employees and consultants of the Issuer, and providing them with a greater incentive to develop and promote the growth and success of the Issuer by granting to them options to purchase shares in the capital of the Issuer. The granting of such options is intended to align the interests of such persons with that of the holders of Issuer Shares. Pursuant to the Issuer Option Plan, the board of directors of the Issuer may from time to time authorize the issue of Issuer Options to directors, officers, key employees and consultants of the Issuer and its affiliates. Issuer Options will be exercisable over periods of up to ten years as determined by the board of directors and are required to have an exercise price no less than the fair market value of the Issuer Shares at the date of grant of such options, as determined in accordance with the Issuer Option Plan. In accordance with the policies of the CSE, no Resulting Issuer Options will be granted with an exercise price lower than the greater of the closing market price of the Resulting Issuer Shares on (a) the trading day prior to the date of grant of the Resulting Issuer Options; and (b) the date of grant of the Resulting Issuer Options.

The maximum number of Issuer Shares which may be issued pursuant to Issuer Options previously granted and those granted under the Issuer Option Plan will be a maximum of 10% of the issued and outstanding Issuer Shares at the time of the grant.

Pursuant to the policies of the CSE, under the Resulting Issuer Option Plan: (a) the maximum number of Resulting Issuer Shares which may be reserved for any one individual for any Resulting Issuer Options shall not exceed 5% of the issued and outstanding Resulting Issuer Shares; and (b) the maximum number of Resulting Issuer Shares to be issued pursuant to Resulting Issuer Options within 12 months to any one individual shall not exceed 5% of the issued and outstanding Resulting Issuer Shares.

In addition, the number of Issuer Shares which may be reserved for issuance to any one individual may not, on a yearly basis, exceed 2% of the issued and outstanding Issuer Shares if the optionee is engaged in investor relations activities or is a consultant.

The Issuer Option Plan contains no vesting requirements, but permits the board of directors to specify a vesting schedule in its discretion.

Administration

The Issuer Option Plan is administered by the board of directors in accordance with the rules and policies of the exchange on which the Issuer Shares are listed in respect of employee stock option plans. The board of directors shall receive recommendations of management and shall determine and designate from time to time those Eligible Persons to whom an Issuer Option should be granted, the number of Issuer Shares which will be optioned from time to time to any Eligible Person and the terms and conditions of the Issuer Option.

Subject to Applicable Law, Subsection 3.1(c) of the Issuer Option Plan and the limitations of the Plan, the Plan will be administered by the Issuer Board and the Issuer Board has the sole and complete authority, in its discretion, to:

- grant Issuer Options to Eligible Persons;
- determine the terms, limitations, restrictions and conditions upon such grants;
- interpret and construe the terms and conditions of the Issuer Option Plan and the Issuer Options;
- adopt, amend and rescind such administrative guidelines and other rules relating to the Issuer Option Plan as the Issuer Board may from time to time deem advisable;
- make all other determinations and to take all other actions in connection with the implementation; and
- administration of the Plan as the Board may deem necessary or advisable.

The Issuer Option Plan requires that the Issuer Option Plan be approved annually by the affirmative vote of a majority of the votes cast at the applicable shareholder meeting.

Resulting Issuer Option Plan

On completion of the Transaction, the Resulting Issuer will continue the Issuer Option Plan (the "**Resulting Issuer Option Plan**").

On completion of the Transaction, no Resulting Issuer Options will be outstanding under the Resulting Issuer Option Plan:

Resulting Issuer Legacy Options

On completion of the Transaction, the Issuer will exchange the Konnect Options for Resulting Issuer Legacy Options and 2,130,000 Resulting Issuer Legacy Options will be outstanding:

Category	Number of Optionees	Date of Grant	Number of Options	Exercise Price	Expiry Date
Executive officers and past executive officers of the Resulting Issuer ⁽¹⁾	3	May 29, 2017	780,000	\$0.125	May 29, 2027
Directors and past directors of the Resulting Issuer who are not also executive officers of the Resulting Issuer ⁽²⁾	1	May 29, 2017	500,000	\$0.125	May 29, 2027
Executive officers and past executive officers of all subsidiaries of the Resulting Issuer who are not also directors or executive officers of the Resulting Issuer	N/A	N/A	N/A	N/A	N/A
Directors and past directors of those subsidiaries who are not also executive officers of a subsidiary and who are not also directors or executive officers of the Resulting Issuer ⁽³⁾	1	November 1, 2017	200,000	\$0.125	November 1, 2018
Other employees and past employees of the Resulting Issuer	N/A	N/A	N/A	N/A	N/A
Other employees and past employees of subsidiaries of the Resulting Issuer	N/A	N/A	N/A	N/A	N/A
Consultants of the Resulting Issuer ⁽⁴⁾	2	October 31, 2017	600,000	\$0.125	October 31, 2017
	1	December 1, 2017	50,000	\$0.125	December 1, 2018
Any other person or company	N/A	N/A	N/A	N/A	N/A
TOTAL			2,130,000		

Resulting Issuer Share Unit Plan

On completion of the Transaction, the Resulting Issuer will adopt the Konnect Share Unit Plan (referred to herein as the "**Resulting Issuer Share Unit Plan**" or "**RSU Plan**"). The RSU Plan was designed to

provide certain directors, employees and officers of the Resulting Issuer and its related entities with the opportunity to acquire share units of the Resulting Issuer ("**Resulting Issuer Share Units**" or "**RSUs**") in order to enable them to participate in the long-term success of the Resulting Issuer and to promote a greater alignment of their interests with the interests of the shareholders of the Resulting Issuer ("**Resulting Issuer Shareholders**"). The board of directors of the Resulting Issuer ("**Resulting Issuer Board**") is responsible for administering the RSU Plan.

As of the date of this Listing Statement, no share units (representing pre-Split securities of Konnect) have been issued under the Konnect Share Unit Plan.

The RSU Plan allows the Resulting Issuer to grant RSUs, under and subject to the terms and conditions of the RSU Plan, which may be exercised to purchase up to a maximum of 20,000,000 Resulting Issuer Shares.

The following is a summary of the RSU Plan. Capitalized terms used but not defined in this section of the Listing Statement shall have the meanings ascribed thereto in the RSU Plan.

Benefits of the RSU Plan

The RSU Plan is designed to be a long term incentive for the directors, consultants, employees and officers of the Resulting Issuer. RSUs provides the Resulting Issuer Board with an additional compensation tool which can be used to help retain and attract highly qualified officers, consultants and employees and further align the interests of officers, consultants and key employees with the interest of the Resulting Issuer Shareholders. It is intended to promote a greater alignment of interests between the Resulting Issuer Shareholders and the officers, consultants and key employees by providing an opportunity to participate in increases to the value of the Resulting Issuer.

The Resulting Issuer Board may engage such consultants and advisors as it considers appropriate, including compensation or human resources consultants or advisors, to provide advice and assistance in determining the amounts to be paid under this Plan and other amounts and values to be determined hereunder or in respect of this Plan including, without limitation, those related to a particular Fair Market Value.

Nature and Administration of the RSU Plan

All directors, consultants, officers and employees of the Resulting Issuer and its related entities ("**Eligible Persons**") are eligible to participate in the RSU Plan (as "**RSU Plan Recipients**"), though the Resulting Issuer reserves the right to restrict eligibility or otherwise limit the number of persons eligible for participation in the RSU Plan at any time. Eligibility to participate in the RSU Plan does not confer upon any person a right to receive an award of RSUs.

Subject to certain restrictions, the Resulting Issuer Board or a committee appointed by the Resulting Issuer Board can, from time to time, award RSUs to Eligible Persons. RSUs will be credited to an account maintained for each RSU Plan Recipient on the books of the Resulting Issuer as of the award date. The number of RSUs to be credited to each RSU Plan Recipient's account shall be determined at the discretion of the Resulting Issuer Board and pursuant to the terms of the RSU Plan.

Each award of RSUs vests on the date(s) (each a "**Vesting Date**") that is the later of the Trigger Date (as defined below) and the date upon which the relevant performance condition or other vesting condition set out in the award has been satisfied, subject to the requirements of the RSU Plan.

Rights and obligations under the RSU Plan can be assigned by the Resulting Issuer to a successor in the business of the Resulting Issuer, any Resulting Issuer resulting from any amalgamation, reorganization, combination, merger or arrangement of the Resulting Issuer, or any corporation acquiring all or substantially all of the assets or business of the Resulting Issuer.

Payment of RSUs

Under the RSU Plan, the Resulting Issuer, in its discretion and as may be determined by the Resulting Issuer Board, will pay out vested RSUs by paying or issuing (net of any applicable withholding taxes) to a RSU Plan Recipient, on or subsequent to the Trigger Date and before the Expiry Date (as defined below) an award payout of either: (a) one Resulting Issuer Share for each whole vested RSU; and (b) a cash amount equal the fair market value of one Share (as determined in accordance with the RSU Plan) as at the Trigger Date (the "**Vesting Date Value**") of each whole vested RSU.

Fractional Resulting Issuer Shares will not be issued pursuant to the RSU Plan, and where a RSU Plan Recipient would be entitled to receive a fractional Resulting Issuer Share in respect of a fractional vested RSU, the Resulting Issuer shall pay to such RSU Plan Recipient, in lieu of such fractional Resulting Issuer Share, cash value equal to the Vesting Date Value of such fractional Resulting Issuer Share.

Credit for Dividends

An RSU Plan Recipient's account will be credited with additional RSUs as of each dividend payment date in respect of which cash dividends are paid on Resulting Issuer Shares. The number of additional RSUs to be credited to an RSU Plan Recipient's account is computed by multiplying the amount of the dividend per Resulting Issuer Share by the aggregate number of RSUs that were credited to the RSU Plan Recipient's account as of the record date for payment of the dividend, and dividing that number by the Fair Market Value. Note that the Resulting Issuer is not obligated to pay dividends on Resulting Issuer Shares.

Resignation, Termination for Cause

Generally, if an RSU Plan Recipient's employment or service is terminated for cause, or if the RSU Plan Recipient resigns from employment with the Resulting Issuer, then any RSUs credited to him or her under the RSU Plan which have not vested on or before the separation date for the RSU Plan Recipient are forfeited, cancelled and terminated without payment.

Retirement, Total Disability, Death and Termination without Cause

In the event an RSU Plan Recipient is terminated without cause, unvested RSUs will immediately vest on the date of termination and if an RSU Plan Recipient dies, or suffers Total Disability, all unvested RSUs are automatically cancelled without compensation.

Change of Control

In the event of a Change of Control, all RSUs credited to an RSU Plan Recipient vest on the date on which the Change of Control occurs. Within thirty (30) days after the date on which the Change of Control Occurs, the RSU Plan Recipient must receive a payment equal to the number of RSUs that vested on the date of the Change of Control, multiplied by the Fair Market Value on that date.

Adjustments

In the event of any dividend paid in shares, share subdivision, combination or exchange of shares, merger, consolidation, spin-off or other distribution of Resulting Issuer assets to the Resulting Issuer Shareholders, or any other change in the capital of the Resulting Issuer affecting Resulting Issuer Shares, the Resulting Issuer Board will make adjustments with respect to the number of RSUs available under this Plan and any outstanding RSUs and any proportional adjustments as it, in its discretion, considers appropriate to reflect that change.

Vesting

The Resulting Issuer Board has the discretion to grant RSUs to Eligible Persons as it determines is appropriate, and can impose conditions on vesting as it sees fit in addition to the Performance Conditions, if any. RSUs vest on the date that is the later of (a) on the date set by the Resulting Issuer Board at the time of the grant, or if no date is set then on December 1 of the third calendar year following the date of grant (the "**Trigger Date**"), and (b) the date upon which the relevant Performance Condition or other vesting condition has been satisfied, subject to the limitations of the RSU Plan.

RSUs only vest on the Trigger Date to the extent that the Performance Conditions have been satisfied on or before the Trigger Date, and no RSU will remain outstanding for any period which exceeds the expiry date (which shall be December 31 of the third calendar year after the date of grant, or such earlier date as may be established by the Resulting Issuer Board (the "**Expiry Date**").

The Resulting Issuer Board may also accelerate the Trigger Date of any RSU at its election.

Limitations under the RSU Plan

Unless disinterested Resulting Issuer Shareholder approval is obtained:

- a) the maximum number of Resulting Issuer Shares which may be reserved for issuance to Insiders, as a group, under the RSU Plan together with any other Share Compensation Arrangement, cannot exceed 10% of the issued Resulting Issuer Shares;
- b) the maximum number of RSUs that may be granted to Insiders, as a group, under the RSU Plan together with any other Share Compensation Arrangement, within a 12-month period, cannot exceed 10% of the issued Resulting Issuer Shares calculated on the date of the grant of the RSUs; and
- c) the maximum number of RSUs that can be granted to any one Eligible Person under the RSU Plan, together with any other Share Compensation Arrangement, within a 12-month period, cannot exceed 5% of the issued Resulting Issuer Shares calculated on the date of the grant of the RSUs.

Amendment or Termination of RSU Plan

Subject to the requirements of applicable laws, the Resulting Issuer Board may amend or terminate the RSU Plan at any time, but the consent of the RSU Plan Recipient is required for any such amendment that adversely affects the rights of the RSU Plan Recipient, unless the amendment or termination is required by law. A termination of the RSU Plan will not accelerate the vesting of RSUs or the time which a RSU Plan Recipient would otherwise be entitled to receive payment in respect of the RSUs.

Approval Requirements

The approval of the Resulting Issuer Share Unit Plan must be confirmed by a majority of the votes cast by disinterested Resulting Issuer Shareholders voting in person or by proxy at the next meeting of Resulting Issuer Shareholders. As such, the votes of any persons eligible to receive grants of RSUs, and their affiliates and associates, will not be counted in this resolution and will be excluded from the vote.

9. DESCRIPTION OF THE SECURITIES

Description of the Securities

Resulting Issuer Shares

The authorized share capital of the Resulting Issuer will consist of an unlimited number of Resulting Issuer Shares without par value.

Holders of Resulting Issuer Shares will be entitled to receive notice of, and to attend and vote at, all meetings of the Resulting Issuer Shareholders, and each Resulting Issuer Share will confer the right to one vote, provided that the shareholder is a holder on the applicable record date declared by the Resulting Issuer Board.

Holders of Resulting Issuer Shares will be entitled to receive dividends if, as and when declared by the Resulting Issuer Board.

In the event of a liquidation, dissolution or winding up of the Resulting Issuer or other distribution of assets of the Resulting Issuer among the holders of Resulting Issuer Shares, holders of Resulting Issuer Shares will rank equally as to priority of distribution.

Resulting Issuer Warrants

Resulting Issuer Warrants from Konnect with respect to the Subscription Receipt Financing

Each warrant will be exercisable into one share upon payment of \$1.00 per warrant for a period of 12 months from the Amalgamation; however, in the event that the closing price of the outstanding Resulting Issuer Shares on the CSE is greater than \$1.50 for a period of 20 consecutive trading days at any time after the Transaction Closing, the Resulting Issuer may, at its option, accelerate the expiry date of the Resulting Issuer Warrants by giving notice to the holders thereof and in such case the Resulting Issuer Warrants will expire at 5:00 p.m. (Toronto time) on the 30th day after the date on which such notice is given by the Resulting Issuer.

Resulting Issuer Convertible Debentures

After completion of a Going Public Event, the Konnect Convertible Debentures, if any, shall be assumed by the Resulting Issuer (referred to herein as Resulting Issuer Convertible Debentures) and would be convertible into Resulting Issuer Shares on the basis of the CD Conversion Price: at the election of the holder, upon the maturity of the Resulting Issuer Convertible Debentures or in the event the closing price of the relevant shares on the CSE, or other stock exchange on which the relevant shares are listed, is greater than two (2) times the CD Conversion Price for a period of 20 consecutive trading days at any time after a Going Public Event. In addition, the holder would receive such number of Resulting Issuer CD Warrants equal to the number of Resulting Issuer Shares issued on conversion of the Resulting Issuer Convertible Debentures, if any.

The Resulting Issuer CD Warrants, if any, shall be subject to accelerated exercise provisions in the event the closing price of the relevant shares on the CSE, or other stock exchange on which the relevant shares are listed, is greater than two (2) times the CD Conversion Price for a period of 20 consecutive trading days at any time after a Going Public Event.

Resulting Issuer Broker Warrants

Each Resulting Issuer Broker Warrant will be exercisable into one Resulting Issuer Share and one Resulting Issuer Warrant upon payment of \$1.00 per broker warrant for a period of 12 months from the Amalgamation; however, in the event that the closing price of the outstanding Resulting Issuer Shares on the CSE is greater than \$1.50 for a period of 20 consecutive trading days at any time after the Transaction Closing, the Resulting Issuer may, at its option, accelerate the expiry date of the broker warrants by giving notice to the holders thereof and in such case the broker warrants will expire at 5:00 p.m. (Toronto time) on the 30th day after the date on which such notice is given by the Resulting Issuer.

The terms of the Resulting Issuer Warrants issuable upon the exercise of the Resulting Issuer Broker Warrants are noted above under "*Resulting Issuer Warrants from Konnect with respect to the Subscription Receipt Financing*".

Resulting Issuer Options

See "*Options to Purchase Securities – Issuer Option Plan*".

Resulting Issuer Legacy Options

See "*Options to Purchase Securities – Resulting Issuer Legacy Options*".

Resulting Issuer Share Units

See "*Options to Purchase Securities – Resulting Issuer Share Unit Plan*".

Other Material Attributes

None of the matters set out in sections 10.2 to 10.6 of CSE Form 2A are applicable to the securities of the Issuer, Konnect and the Resulting Issuer.

Prior Sales

Issuer

The following table summarizes the issuances of securities of the Issuer within 12 months prior to the date of this Listing Statement:

Date of Issue	Description	Number of Securities	Price per Security	Total Issue Price
February 15, 2017	Private Placement	198,000 units ⁽¹⁾⁽²⁾	\$0.25	\$49,500
May 2, 2017	Private Placement	5,000,000 units ⁽²⁾⁽³⁾	\$0.05	\$250,000

Notes:

(1) Issued pursuant to a private placement of units. Each unit consisted of one Issuer Share and one Issuer Warrant. Each Issuer Warrant is exercisable for one additional Issuer Share at a price of \$0.50 until February 15, 2018.

(2) These units were issued prior to the 5:1 share consolidation of the Issuer that occurred on May 29, 2017.

(3) Issued pursuant to a private placement of units. Each unit consisted of one Issuer Share and one Issuer Warrant. Each Issuer Warrant was exercisable for one additional Issuer Share at a price of \$0.10 until May 2, 2018. The Issuer also paid a cash finder's fee of \$14,035 and issued 401,000 finder's warrants which were exercisable to acquire an Issuer Share at a price of \$0.10 until May 2, 2018. The Issuer Warrants and the finder's warrants have expired.

Konnect

The following table summarizes the issuances of Konnect Shares within 12 months prior to the date of this Listing Statement:

Date of Issue	Description	Number of Shares	Price per Share	Total Issue Price
March 19, 2017	Pursuant to PaySocial Inc. acquisition	5,000,000 pre-Split Konnect Shares or 20,000,000 Konnect Post-Split Shares	n/a	n/a
April 2017 – January 2018	Pursuant to non-brokered private placement	3,116,700 pre-Split Konnect Shares or 12,466,800 Konnect Post-Split Shares	\$0.50 per pre-Split Konnect Share	\$1,558,350
April 2, 2018	Shares to Richard Groome	1,100,000 pre-Split Konnect Shares	\$0.02 per pre-Split Konnect Share	\$22,000
April 2, 2018	Shares to William Coyle	2,200,000 pre-Split Konnect Shares	n/a	n/a

Stock Exchange Price

The Issuer Shares are listed and posted for trading on the NEX under the symbol "RJ.H". The following table sets forth the high and low sale prices and trading volumes of the Issuer Shares on the NEX for each of the months indicated.

Period	High	Low	Volume
May 1-29, 2018 ⁽¹⁾	N/A	N/A	N/A
April 2018 ⁽¹⁾	N/A	N/A	N/A
March 2018 ⁽¹⁾	N/A	N/A	N/A
February 2018 ⁽¹⁾	N/A	N/A	N/A
January 2018 ⁽¹⁾	N/A	N/A	N/A
December 2017 ⁽¹⁾	N/A	N/A	N/A
November 2017 ⁽²⁾	\$0.400	\$0.230	95,436

October 2017 ⁽³⁾	N/A	N/A	N/A
July-September 2017 ⁽³⁾	N/A	N/A	N/A
April-June 2017 ⁽³⁾⁽⁴⁾	\$0.500	\$0.065	234,354
January-March 2017	\$0.095	\$0.065	466,864
October-December 2016	\$0.070	\$0.110	442,819
July-September 2016	\$0.135	\$0.105	313,643
April-June 2016	\$0.140	\$0.050	2,399,751
January-March 2016	\$0.050	\$0.035	327,275

Notes:

(1) Trading of the Issuer Shares was halted on December 4, 2017 pending the announcement of the Transactions and will remain halted pending completion of the Transaction.

(2) Effective November 6, 2017 the Issuer Shares resumed trading on the NEX board of the TSXV under the symbol "RJ.H".

(3) Trading of the Issuer Shares was halted on June 19, 2017 pending the announcement of a potential change of business and/or reverse take-over transaction and remained halted until November 6, 2017 when the Issuer announced that it was not proceeding with this proposed transaction.

(4) The Issuer Shares were consolidated on a basis of 5:1 on May 29, 2017.

10. ESCROWED SECURITIES

Pursuant to the policies of the CSE, the Resulting Issuer will enter into an escrow agreement on the Transaction Closing among NIS, the Resulting Issuer, and certain Resulting Issuer Shareholders (the "**Escrow Agreement**"). None of the Principals (as defined by the policies of the CSE) will subscribe under the Subscription Receipt Financing or Bridge Financing.

The following table shows the securities of the Resulting Issuer that will be subject to the Escrow Agreement:

Name	Number of Escrowed Resulting Issuer Shares ⁽¹⁾	Percentage of Issued and Outstanding Resulting Issuer Shares (assuming the minimum Subscription Receipt Financing of \$3.5 million and no Bridge Financing)	Percentage of Issued and Outstanding Resulting Issuer Shares (assuming \$4.5 Subscription Receipt Financing, the exercise of the Agent's Option and \$3 million Bridge Financing)
9192-1858 Quebec Inc. ⁽²⁾	8,800,000	9.2%	8.9%
William L. Coyle	5,000,000	5.2%	5.1%
Richard Groome	8,400,000	8.8%	8.5%
Alfredo Leon	3,600,000	3.8%	3.6%
TOTAL	25,800,000	27.0%	26.1%

Notes:

(1) The balance of the Resulting Issuer Shares held by principals are not subject to the Escrow Agreement pursuant to National Policy 46-201, section 3.6, pursuant to which principals holding securities carrying less than 1% of the voting rights attached to an issuer's outstanding securities are not subject to escrow requirements.

(2) The principal shareholder of 9192 Quebec is William L. Coyle.

The Resulting Issuer Shares to be held in escrow pursuant to the terms of the Escrow Agreement shall be released in accordance with the release schedule set forth therein. Pursuant to the Escrow Agreement, 10% of the escrowed Resulting Issuer Shares will be released by the Escrow Agent on the date of the listing of the Resulting Issuer on the CSE followed by six subsequent releases of 15% every six months thereafter, subject to the rules of the CSE.

Certain Resulting Issuer Legacy Options will also be subject to escrow and the above noted release schedule:

Name	Number of Escrowed Resulting Issuer Legacy Options ⁽¹⁾	Percentage of Issued and Outstanding Resulting Issuer Shares (assuming the minimum Subscription Receipt Financing of \$3.5 million and no Bridge Financing) ⁽²⁾	Percentage of Issued and Outstanding Resulting Issuer Shares (assuming \$4.5 Subscription Receipt Financing, the exercise of the Agent's Option and \$3 million Bridge Financing) ⁽²⁾
Richard Groome	300,000	0.2%	0.2%
William L. Coyle	300,000	0.2%	0.2%
TOTAL	600,000	0.4%	0.4%

Note:

(1) The balance of the Resulting Issuer Legacy Options held by principals are not subject to the Escrow Agreement pursuant to National Policy 46-201, section 3.6.

(2) On a fully-diluted basis.

11. PRINCIPAL SHAREHOLDERS

Following completion of the Transaction, except as noted below, no person will beneficially own, directly or indirectly, or exercise control or direction over 10% or more of the Resulting Issuer Shares.

Name	Number of Resulting Issuer Securities	Percentage of class (undiluted / diluted) ⁽¹⁾
William Coyle	13,800,000 Resulting Issuer Shares ⁽²⁾ 300,000 Resulting Issuer Legacy Options	14.4% / 10.4%

Notes:

(1) Assuming the minimum Subscription Receipt Financing of \$3.5 million and no Bridge Financing.

(2) 9192 Quebec, a company beneficially owned or controlled by William Coyle, will hold 5,000,000 Resulting Issuer Shares.

12. DIRECTORS AND OFFICERS OF THE RESULTING ISSUER

12.1 *Directors and Executive Officers of the Resulting Issuer*

Following completion of the Transaction, the Resulting Issuer's board of directors and executive officers will consist of the individuals set out in the table below:

Name, place of residence and position with the Resulting Issuer	Principal occupation during past five years	Director or Officer of the Resulting Issuer Since:	Number of Resulting Issuer Shares:	Percentage of Resulting Issuer Shares:⁽¹⁾
William L. Coyle Pierrefonds, Quebec President, CEO and Director	Founder of PaySocial Inc., President, CEO of Konnect and Founder of SelfBank Mobile	Completion of the Transaction	13,800,000 ⁽²⁾	14.4%
Richard T. Groome Saint Sauveur, Quebec Executive Chairman and Director	Principal of Notre-Dame Capital Inc., CEO and director of public companies	Completion of the Transaction	8,400,000	8.8%
Alfredo Leon Montreal, Quebec Chief Technology Officer	Technology consultant providing services in various industries	Completion of the Transaction	3,600,000	3.8%
Jesse DeCosta Mississauga, Ontario Chief Marketing Officer	Principal of DeCosta Marketing	Completion of the Transaction	720,000	0.8%
Jacques Arsenault Lasalle, Quebec Chief Financial Officer	CFO of public companies	Completion of the Transaction	Nil	Nil
André Halley Montreal, Quebec Director	Chairman, director or advisor for a number of private and public companies	Completion of the Transaction	Nil	Nil
Allen Morishita North Vancouver, British Columbia Director	Independent businessman, officer of Kyly Investment Ltd. and Morquest Trading Corporation	March 13, 2012	648,750	0.7%

Note:

(1) Non-diluted, assuming the minimum Subscription Receipt Financing in the amount of \$3.5 million and no Bridge Financing.

(2) 9192 Quebec, a company beneficially owned or controlled by William Coyle, will hold 5,000,000 Resulting Issuer Shares.

12.2 *Period of Service of Directors*

Each of the directors and officers, save for Allen Morishita, will be appointed upon the closing of the Transaction. The term of each director will expire on the date of the next annual general meeting, unless his or her office is earlier vacated or he or she is removed in accordance with the Resulting Issuer's articles and the BCBCA.

12.3 Directors and Executive Officers Common Share Ownership

The proposed directors and executive officers of the Resulting Issuer as a group, directly or indirectly, will beneficially own or exercise control or direction over 27,168,750 Resulting Issuer Shares, representing approximately 28.4% of the issued and outstanding Resulting Issuer Shares (assuming the minimum offering of \$3.5 million under the Subscription Receipt Financing).

12.4 Committees

The Resulting Issuer's audit committee will consist of Richard Groome (Chair), Allen Morishita and André Halley, each of whom will be a director of the Resulting Issuer and are financially literate in accordance with National Instrument 52-110 *Audit Committees* ("**NI 52-110**"). André Halley and Allen Morishita are independent, as defined under NI 52-110, and Richard Groome is not independent as he is the Executive Chairman of the Resulting Issuer.

The Resulting Issuer Board may from time to time establish additional committees.

12.5 Principal Occupation of Directors and Executive Officers

Information on directors and executive officers' principal occupation is set out in the table above.

12.6 Corporate Cease Trade Orders or Bankruptcies

Other than as disclosed herein, no proposed director or executive officer of the Resulting Issuer or a shareholder that will hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, is, or within 10 years before the date of the Listing Statement has been, a director or officer of any other issuer that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the other Issuer access to any exemptions under securities legislation, for a period of more than 30 consecutive days, except:
 - (i) Richard Groome was a director and officer of Bitumen Capital Inc. ("**Bitumen**") when a cease trade order was made on May 8, 2017 by the AMF as a result of the failure of Bitumen to file and deliver to shareholders its annual financial statements for the year ended December 31, 2016. This cease trade order were subsequently revoked on September 21, 2017 by the AMF following the filing of the financial statements as required.

- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, except:
 - (ii) Richard Groome, was until September 6, 2012 a director of Preo Software Inc., which on December 6, 2012 was subject to a cease trade order due to failure to file interim financial statements.

- (c) 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, except:

(iii) William Coyle is a director, officer and indirect shareholder of Ticketpal Inc., a company incorporated pursuant to the laws of Canada. Due to massive hurricanes in the Caribbean in 2017, the company's operations were severely impacted and the proceeds from its insurance policies from the damage cause by hurricanes that were classified as "acts of god" are expected to be insufficient to repay its creditors. As a result, the company is in the process of entering into a compromise with its creditors to settle its indebtedness. As at the date of this Listing Statement, no such settlement has occurred; or

(d) within a year of that person ceasing to act in that capacity, 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, except:

(iv) Richard Groome, was until September 6, 2012 a director of Preo Software Inc., which on March 26, 2013 was issued a receivership order against them by AVAC Ltd. with the Court of Queen's Bench of Alberta.

12.7 Penalties or Sanctions

Other than as disclosed below, no proposed director or executive officer of the Resulting Issuer, or a shareholder that will hold a sufficient number of the Resulting Issuer's securities to affect materially the control of the Resulting Issuer, has been subject to:

(a) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

12.8 Settlement Agreements

Pursuant to a settlement agreement, Groome Capital.com Inc., a company whereby Richard Groome was President and CEO, admitted that it failed to maintain at all times its risk adjusted capital at a level greater than zero. The discipline penalty assessed against Groome Capital.com Inc. was a fine in the amount of \$30,000. In addition, Groome Capital.com Inc. was required to pay \$2500 towards the Investment Dealer Association's costs of this proceeding.

12.9 Personal Bankruptcies

Except as disclosed herein, no proposed director or executive officer of the Resulting Issuer or a shareholder that will hold a sufficient number of 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 the Listing 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 or officer.

12.10 Conflicts of Interest

The proposed 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 interests, which they may have in any project or opportunity of the Resulting Issuer. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his or her interest and abstain from voting on such matter.

To the best of the Konnect's and the Issuer's knowledge, there are no known existing or potential conflicts of interest among the Resulting Issuer, proposed directors, executive officers or other members of management of the Resulting Issuer as a result of their outside business interests except that certain proposed directors and officers may serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Resulting Issuer and their duties as a director or officer of such other companies. See "*Risk Factors*".

12.11 Management Details

The following sets out details of the proposed directors and management of the Resulting Issuer:

William L. Coyle (35), President, CEO & Director

Mr. Coyle is the founder of Konnect with over 15 years of entrepreneurial experience in the areas of banking, direct sales, marketing, mobile money transfer and mobile application development. Previously, Mr. Coyle created Selfbank Mobile, a short message service (SMS) money transfer service in Canada with a money service business (MSB) license.

Mr. Coyle is an employee of Konnect and expects to devote 100% of his time to the affairs of the Resulting Issuer. Mr. Coyle's employment agreement contains confidentiality provisions but does not contain any non-competition provisions.

Jacques Arsenault (61), Chief Financial Officer

Jacques Arsenault is an experienced executive and consultant for more than 20 years specialized in the development, restructuring, acquisition, merger and sale of companies and assets in both the public and private arenas. He has also founded and runs his own successful business, Arsenault Business Staging Group, a consultancy which focuses on two main areas, strengthening a company so that when it is sold the owners will receive the highest possible value and restructuring companies so that they become a model of efficiency with an improved bottom line and strategic position, returning increased value to their shareholders. Over the course of his career he has worked as financial controller for notable corporations including Videotron, AES Data, Culinar and Uni-Select, as well as being the Vice-President Finance and Administration at Quebec success story Piscines Trevi.

Mr. Arsenault will be a consultant of the Resulting Issuer and expects to devote 25% of his time to the affairs of the Resulting Issuer. Mr. Arsenault's consulting agreement will contain confidentiality provisions but will not contain any non-competition provisions.

Richard T. Groome (59), Executive Chairman & Director

Mr. Groome graduated from McGill University in 1981 with a Bachelor of Arts degree in Economics. Mr. Groome is currently President & Managing Partner at Notre-Dame Capital Inc. and a Director of Hitlab Inc. Mr. Groome has been involved in the Capital Markets across Canada for over 30 years and in

addition to funding several hundred companies, Mr. Groome was formerly a director of the CDNX Exchange, the predecessor exchange to the TSXV.

Mr. Groome is an employee of Konnect and expects to devote 50% of his time to the affairs of the Resulting Issuer. Mr. Groome's employment agreement contains confidentiality provisions but does not contain any non-competition provisions.

Alfredo Leon (35), Chief Technology Officer

Over 15 years of experience in the areas of technology development, website development, mobile money transfer, mobile app development, gaming, ecommerce, casino and content management system (CMS). Alfredo has worked with and developed brands such as; SB Mobile (mobile payments), Gameloft (gaming), Image Fusion (CMS), Shopping Trendz (eCommerce), Action Online Casino (casino / payments) etc. Programming languages include: C++, VB.net / C-Sharp, ASP.NET, JAVA / JSP / Servlets, HTML/ XHTML / XML, JavaScript (AJAX), ReactJS, Android/iOS, PHP, SQL/MYSQL, Oracle, ASP 3.0 and CSS.

Mr. Leon will be a consultant of the Resulting Issuer and expects to devote 100% of his time to the affairs of the Resulting Issuer. Mr. Leon's consulting agreement will contain confidentiality provisions but will not contain any non-competition provisions.

Jesse DeCosta (46), Chief Marketing Officer

Mr. Decosta is an entrepreneur who has grown several profitable digital businesses over the last 20 years. Mr. DeCosta's company, DECOSTA Marketing Inc., is a global marketing and brand management company with offices in Toronto and Los Angeles. The company manages influencers and entertainment brands in Hollywood, including actors, musicians and corporations through their social media outlets. His career highlight was receiving a Platinum RIAA Award directly from Michael Jackson's family in 2011. The Globe and Mail newspaper voted DECOSTA as its most favorite Canadian company of 2012.

Mr. DeCosta will be a consultant of the Resulting Issuer and expects to devote 20% of his time to the affairs of the Resulting Issuer. Mr. DeCosta's consulting agreement will contain confidentiality provisions but will not contain any non-competition provisions.

Andre Halley (71), Director

Mr. Halley has a career spanning 45 years in the telecommunications industry and is currently involved in various advisory and management functions, including acting as Chairman, director or advisor to various private and public companies, including CASSIOT, MOBI724 Global Solutions (CSE:MOS), INNO-CENTRE and Prevtex Microbia Inc. In addition, Mr. Halley is a partner at TG Consulting and DJM ASIA. Mr. Halley has previously held senior executive, board or executive positions in a variety of telecom companies, including Ooredoo Algeria, Skywave, European Data Communication, International Advisory Services Ltd., Tiw Asia, Orbcomm, Teleglobe Canada, Bell Mobility and Bell Canada.

Allen Morishita (70), Director

Mr. Morishita has more than 30 years' experience in the securities industry as a Vice-President and investment advisor with Canaccord Genuity Corp. (September 1980 to May 2011). Mr. Morishita retired from Canaccord in May 2011, and is currently the President of Kyla Investment Ltd. and Secretary/Treasurer of Morquest Trading Corporation, both privately held investment companies.

13. CAPITALIZATION

The following charts provide information with respect to the Resulting Issuer Shares assuming the minimum offering amount raised under the Subscription Receipt Financing and no Bridge Financing:

	Number of Securities (non-diluted)	Number of Securities (fully diluted)	Percentage of Issued (non-diluted)	Percentage of Issued (fully diluted)
Total Outstanding (A)	95,528,226	135,331,048	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	39,853,750	41,133,750	42%	30%
Total Public Float (A-B)	55,674,476	94,197,298	58%	70%
<u>Freely-Tradeable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C) ⁽¹⁾	71,467,550	72,067,550	75%	53%
Total Tradeable Float (A-C)	24,060,676	63,263,498	25%	47%

Note:

(1) Certain Resulting Issuer Legacy Options are not subject to the Escrow Agreement pursuant to National Policy 46-201, section 3.6.

(2) In addition to shares subject to the Escrow Agreement, lock-up agreements will be entered into with management in connection with the Subscription Receipt Financing and with other shareholders of Konnect.

Public Securityholders

The following table sets out the number of public securityholders (registered) of the Issuer prior to completion of the Transaction, excluding CDS & Co.:

Size of Holding	Number of Holders	Total Number of Securities
1 – 99 securities	237	969
100 -499 securities	19	3,827

500 – 999 securities	6	3,787
1,000 – 1,999 securities	8	11,312
2,000 – 2,999 securities	1	2,500
3,000 – 3,999 securities	2	7,026
4,000 – 4,999 securities	0	0
5,000 or more securities	14	718,658
TOTAL	287	748,079
TOTAL BOARD LOTS	31	743,283

The following table sets out the number of public securityholders (beneficial)⁽¹⁾⁽²⁾ of the Issuer prior to completion of the Transaction:

Size of Holding	Number of Holders	Total Number of Securities
1 – 99 securities	136	3,603
100 -499 securities	110	25,768
500 – 999 securities	58	36,557
1,000 – 1,999 securities	41	62,033
2,000 – 2,999 securities	28	66,114
3,000 – 3,999 securities	10	33,627
4,000 – 4,999 securities	4	16,325
5,000 or more securities	89	3,876,303
TOTAL	476	4,120,330
TOTAL BOARD LOTS	172	4,054,402

Notes:

(1) The amounts included in this table are based on the Resulting Issuer's non-objecting beneficial owner's list. The Resulting Issuer will have other beneficial holders of its securities that it is not aware of.

(2) The above noted amounts include 648,750 Issuer Shares beneficially owned or controlled by Allen Morishita.

The following table sets out the number of public securityholders of Konnect prior to completion of the Transaction, reflecting the Split and without accounting for the Subscription Receipt Financing, Bridge Financing or the issuance of the Konnect Finder Shares:

Size of Holding	Number of Holders	Total Number of Securities
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1 – 99 securities	0	0
100 -499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	1	1,600
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	74	40,260,200
TOTAL	75	40,261,800

The following table sets out the number of non-public securityholders of the Resulting Issuer:

Size of Holding	Number of Holders	Total Number of Securities
1 – 99 securities	0	0
100 -499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	8	39,853,750 ⁽¹⁾
TOTAL	8	39,853,750

Note:

(1) Includes securities from the following holders: Seed Capital Inc. 6,800,000, HitLab Inc. – 5,885,000, William Coyle – 8,800,000, 9192 Quebec – 5,000,000, Richard Groome – 8,400,000, Alfredo Leon – 3,600,000, Jesse DeCosta – 720,000 and Allen Morishita – 648,750.

Convertible Securities

The following are details for any securities convertible or exchangeable into Resulting Issuer Shares on completion of the Transaction:

Description of Security (conversion/exercise terms,	Number of convertible/exercisable securities outstanding	Number of listed securities issuable upon conversion/exercise
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including exercise price)		
Resulting Issuer Warrants	If the minimum Subscription Receipt Financing is completed: 7,000,000 Resulting Issuer Warrants; if the maximum Subscription Receipt Financing is completed (assuming the Agent's Option is exercised): 10,350,000 Resulting Issuer Warrants	If the minimum Subscription Receipt Financing is completed: 7,000,000 Resulting Issuer Shares; if the maximum Subscription Receipt Financing is completed (assuming the Agent's Option is exercised): 10,350,000 Resulting Issuer Shares
Resulting Issuer Broker Warrants	If the minimum Subscription Receipt Financing is completed and there are no president's list subscribers: 560,000 Resulting Issuer Broker Warrants; if the maximum Subscription Receipt Financing is completed, assuming the Agent's Option is exercised and there are no president's list subscribers: 828,000 Resulting Issuer Broker Warrants	If the minimum Subscription Receipt Financing is completed and there are no president's list subscribers: 1,120,000 Resulting Issuer Shares (including 560,000 Resulting Issuer Shares issuable upon the exercise of the Resulting Issuer Warrants) If the maximum Subscription Receipt Financing is completed and there are no president's list subscribers: 1,656,000 Resulting Issuer Shares (including 828,000 Resulting Issuer Shares issuable upon the exercise of the Resulting Issuer Warrants)
Resulting Issuer Convertible Debentures, if any	If the minimum Bridge Financing is completed: 500,000 Resulting Issuer Shares and 500,000 Resulting Issuer CD Warrants; if the maximum Bridge Financing is completed: 6,000,000 Resulting Issuer Shares and 6,000,000 Resulting Issuer CD Warrants	If the minimum Bridge Financing is completed: 1,000,000 Resulting Issuer Shares (including 500,000 Resulting Issuer Shares issuable upon the exercise of the Resulting Issuer CD Warrants) If the maximum Bridge Financing is completed: 12,000,000 Resulting Issuer Shares (including 6,000,000 Resulting Issuer Shares issuable upon the exercise of the Resulting Issuer CD Warrants)
Resulting Issuer Legacy Options	2,130,000 Resulting Issuer Legacy Options	2,130,000 Resulting Issuer Shares

Other than the Resulting Issuer Shares to be available for issuance under the Resulting Issuer Option Plan and the 20,000,000 Resulting Issuer Shares to be available for issuance under the Resulting Issuer Share Unit Plan, there are no listed securities that will be reserved for issuance that are not included in the table above.

14. EXECUTIVE COMPENSATION

Issuer Executive Compensation

Details related to the executive compensation paid by the Issuer, prepared in accordance with Form 51-102F6 of National Instrument 51-102 – *Continuous Disclosure Obligations*, can be found on SEDAR (www.sedar.com) in the Issuer's management information circular dated December 9, 2016.

Konnect Executive Compensation

The following table, prepared in accordance with Form 51-102F6, sets forth all annual and long term compensation for services in all capacities to Konnect for the three most recently completed financial years of Konnect in respect of each of the individuals comprised of each CEO and CFO who acted in such capacity for all or any portion of the most recently completed financial year, and each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, (other than the CEO and the CFO), as at June 30, 2017 whose total compensation was, individually, more than \$150,000 for the financial year and any individual who would have satisfied these criteria but for the fact that individual was neither an executive officer of Konnect, nor acting in a similar capacity, for the most recently completed financial year ending June 30, 2017 (collectively the "**Konnect NEOs**").

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 (\$)			
William C. Coyle ⁽¹⁾ President, CEO and Director	2017	30,000	N/A	137,755	N/A	N/A	N/A	N/A ⁽⁵⁾	167,755
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2015	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Richard T. Groome ⁽²⁾ Executive Chairman and Director	2017	50,000	N/A	137,755	N/A	N/A	N/A	N/A ⁽⁶⁾	187,755
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2015	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Alfredo Leon ⁽³⁾ Chief Technical Officer	2017	54,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2015	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Robert F. Bolduc ⁽⁴⁾ Former President and Director	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2015	13,846	N/A	N/A	N/A	N/A	N/A	N/A	13,846

Notes:

- (1) Mr. Coyle joined the company in March 15, 2017.
- (2) Mr. Groome joined Konnect in March 15, 2017.
- (3) Mr. Leon joined Konnect in March 15, 2017.
- (4) Mr. Bolduc acted as President in 2015 and was a director of Konnect during the year ended June 30, 2017. Mr. Bolduc ceased to be a director as of October 31, 2017.
- (5) Mr. Coyle, as part of his consulting agreement dated April 1, 2017, was granted a profit share right in Konnect which was subsequently terminated. Mr. Coyle was issued 2,200,000 shares on April 2, 2018. See "*Prior Sales*".
- (6) Mr. Groome, as part of his consulting agreement dated April 1, 2017, was granted a profit share right in Konnect which was subsequently terminated. Mr. Groome was issued 1,100,000 shares on April 2, 2018. See "*Prior Sales*".

Compensation Discussion and Analysis

Konnect does not have in place any formal objectives, criteria or analysis for determining or assessing the compensation of its executive officers and directors, nor does it have a compensation committee.

Konnect is aware of the challenges that it faces in its present stage of development and the financial limitations of being a start-up technology company. Corporate performance and level of activity has been a consideration in determining compensation. As Konnect's business and operations grow in size and complexity, it may set specific performance goals or benchmarks as such relate to executive compensation.

The compensation of Konnect's officers and directors is based on an incentive philosophy with the intent that all efforts will be directed toward a common objective of creating shareholder value. The compensation strategy is to attract talent and experience with focused leadership in the operations, financing, and management of Konnect with the objective of maximizing the value of Konnect. The officers and board of directors each have defined skills and experience that are essential to a start-up company in the technology sector.

Elements of Executive Compensation

Konnect's executive compensation policy consists of an annual base salary and long-term incentives in the form of Konnect Options. In addition, subsequent to the most recently completed financial year, Mr. Groome and Mr. Coyle were granted 1,100,000 and 2,200,000 pre-Split Konnect Shares, respectively.

The base salaries paid to officers of Konnect have been modest and are not intended to provide fixed levels of pay that reflect each officer's primary duties and responsibilities and the level of skill and experience required to successfully perform their role. As Konnect is an early stage development company with limited financial resources, Konnect's officers and directors have actively chosen to deploy Konnect's financial resources to pay individuals involved in developing of Konnect's technology. Konnect intends, as its business expands, to pay base salaries to officers that are competitive with those for similar positions in the technology sector, to attract and retain executive talent in the market in which Konnect competes for talent.

An incentive component of Konnect's compensation program is the potential longer-term reward provided through the grant of Konnect Options. The granting of Konnect Options are intended to attract, retain and motivate officers and directors in key positions, and to align the interests of those individuals with those of the Konnect Shareholders. The granting of Konnect Options provides such individuals with an opportunity to acquire a proprietary interest in Konnect's value growth through the exercise of stock options. Konnect Options are granted at the discretion of the board of directors, which considers factors such as how other, similar companies grant options and the potential value that each optionee is contributing to Konnect. The number of options granted to an individual is based on such considerations. Konnect Options are granted at an exercise price determined by the board of directors, for a term of exercise not exceeding ten years.

The stage of Konnect's development and the small size of its specialized management team allow frequent communication and constant management decisions in the interest of developing shareholder value as a primary goal. As Konnect progresses toward a revenue producing entity, and performance goals are more apt to be delegated, particular performance goals will become more complex and measurable, and included in the compensation structure accordingly.

Compensation Policies and Risk Management

The board of directors considers the implications of the risks associated with Konnect's compensation policies and practices when determining rewards for its officers. The board of directors intends to review at least once annually the risks, if any, associated with Konnect's compensation policies and practices at such time.

Executive compensation is comprised of short-term compensation in the form of a base salary and long-term ownership through the granting of Konnect Options. This structure ensures that a significant portion of executive compensation (stock options) is both long-term and "at risk" and, accordingly, is directly linked to the achievement of business results and the creation of long term shareholder value. As the benefits of such compensation, if any, are not realized by officers until a significant period of time has passed, the ability of officers to take inappropriate or excessive risks that are beneficial to their short-term compensation at the expense of Konnect and the Konnect Shareholders is extremely limited. Furthermore, the short-term component of executive compensation (base salary) represents a relatively small part of the total compensation. As a result, it is unlikely an officer would take inappropriate or excessive risks at the expense of Konnect or the Konnect Shareholders that would be beneficial to their short-term compensation when their long-term compensation might be put at risk from their actions.

Due to the small size of Konnect and the current level of Konnect's activity, the board of directors is able to closely monitor and consider any risks which may be associated with the Konnect's compensation policies and practices. Risks, if any, may be identified and mitigated through board of directors meetings during which financial and other information of Konnect are reviewed. No risks have been identified arising from Konnect's compensation policies and practices that are reasonably likely to have a material adverse effect on Konnect.

Hedging of Economic Risks in Konnect's Securities

Konnect has not adopted a policy prohibiting directors or officers from purchasing financial instruments that are designed to hedge or offset a decrease in the value of Konnect's securities granted as compensation or held, directly or indirectly, by directors or officers. However, Konnect is not aware of any directors or officers having entered into this type of transaction.

Option-based Awards

The granting of Konnect Options is limited to an aggregate total of 15% of the outstanding Konnect Shares.

The granting of Konnect Options has been and will be used to provide share purchase options which are granted in consideration of the level of responsibility of the executive as well as his or her impact or contribution to the longer-term operating performance of Konnect. In determining the number of options to be granted to the executive officers, the board of directors takes into account the number of options, if any, previously granted to each executive officer, and the exercise price of any outstanding options, to closely align the interests of the executive officers with the interests of the Konnect Shareholders. The

board of directors as a whole has the responsibility to administer the compensation policies related to the executive management of Konnect, including option-based awards.

NEOs - Outstanding Option-Based and Share-based Awards

As at June 30, 2017, Konnect had the following option-based and share-based awards outstanding for NEOs:

Name	Option-based awards				Share-based awards		
	Number of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units 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 (\$)
William C Coyle President & CEO	300,000	0.50	2027-05-28	137,755	N/A	N/A	N/A
Richard T. Groome Executive Chairman	300,000	0.50	2027-05-28	137,755	N/A	N/A	N/A

NEOs - Incentive Plan Awards – Value Vested or Earned During the Year

For the year ended June 30, 2017, the following amounts were vested or earned by the NEOs:

Name	Option-based awards – value vested during the year (\$)	Share-based awards – value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
William C. Coyle President & CEO	7,015	N/A	N/A
Richard T. Groome Executive Chairman	7,015	N/A	N/A

Compensation Governance

Options are granted at the discretion of the board of directors, which considers factors such as how other start-up technology companies grant options and the potential value that each optionee is contributing to Konnect. The number of options granted to an individual is based on such considerations.

Pension Plan Benefits

Konnect does not have a pension plan that provides for payments or benefits to the NEOs at, following, or in connection with retirement.

Termination and Change of Control Benefits

See "Resulting Issuer Executive Compensation".

Director Compensation

For the year ended June 30, 2017, the following amounts were vested or earned by directors of Konnect that were not also Konnect NEOs:

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Andre Halley	N/A	N/A	229,591	N/A	N/A	N/A	229,591

As at June 30, 2017, Konnect had the following option-based and share-based awards outstanding for the following directors that were not also Konnect NEOs:

Name	Option-based awards				Share-based awards		
	Number of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units 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 (\$)
Andre Halley	500,000	0.50	2027-05-28	229,591	N/A	N/A	N/A

For the year ended June 30, 2017, the following amounts were vested or earned by the following directors that were not also Konnect NEOs:

Name	Option-based awards – value vested during the year (\$)	Share-based awards – value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Andre Halley	11,692	N/A	N/A

Resulting Issuer Executive Compensation

The objectives, criteria and analysis of the compensation of the executive officers of the Resulting Issuer following the completion of the Transaction will be determined by the Board and are expected to be substantially similar to how Konnect currently compensates its executive officers. In addition, the Resulting Issuer will compensate its executive officers and directors via the Resulting Issuer Share Unit Plan and the Resulting Issuer Option Plan and the assumption of the Resulting Issuer Legacy Options.

Konnect has entered into employment agreements with Mr. Coyle and Mr. Groome which provide for an increase to their employment contracts upon completion of the Transaction to \$25,000 per month. The agreements will provide that in the event the Resulting Issuer terminates the agreements outside of an Event of Default (as defined in the agreements), 24 months written notice (or payment of the equivalent amounts in lieu thereof) is required and the relevant individual shall have 12 months to exercise their Resulting Issuer Options and Resulting Issuer Legacy Options and/or to provide for the vesting of any Resulting Issuer Share Units. There are no conditions or obligations for comply with in order to receive

the above noted amounts or securities. Further, the agreements will provide that in the event in a Change of Control (as defined in the agreements), each of Mr. Groome and Mr. Coyle is entitled to receive a lump-sum payment of \$600,000.

15. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No proposed director, officer or promoter of the Resulting Issuer is or has been indebted to the Issuer or Konnect in the most recently completed financial year, nor will they be indebted to the Resulting Issuer upon completion of the Transaction.

16. RISK FACTORS

Investing in shares of the Resulting Issuer involves a high degree of risk. You should carefully consider the following risk factors, as well as the other information herein, including the financial statements and related notes included in this Listing Statement. Adverse developments such as those described in the following risk factors could materially and adversely harm our business, financial condition, results of operations or prospects, resulting in loss of all or part of your investment. You should consult your own independent advisors as to the tax, business and legal considerations regarding an investment in our securities.

Risks Related to PaySocial

Interest Rate Risks

A substantial portion of the Resulting Issuer's revenues are expected to be derived from interest received on money held on the PaySocial Platform. Fluctuations in the prevailing interest rates, particularly reduced interest rates, may have a material adverse effect on the Resulting Issuer's financial condition and results of operations.

User Acquisition and Attrition

The Resulting Issuer's business will be dependent upon the acquisition of users on the PaySocial Platform. Failure to attract users or significant user attrition could have a material adverse effect on the Resulting Issuer's financial condition and results of operations.

Merchant Acquisition and Attrition

The Resulting Issuer's business will rely in part on merchants making available the PaySocial Platform to its customers. Attrition in its merchant base in the ordinary course of business may result from several factors, including business closures, merchant insolvency and losses to competitors. Failure to attract merchants, significant merchant attrition or the loss of a large merchant could have a material adverse effect on the Resulting Issuer's financial condition and results of operations. If the Resulting Issuer is unable to attract new merchant customers, there could be a material adverse effect on the Resulting Issuer's financial condition.

Loss of Referral Sources

The Resulting Issuer's business will rely upon referrals from third parties, including social media influencers. The loss of referral sources might result in a loss of revenue which could have a material adverse effect on the Resulting Issuer's financial condition.

Reliance on Advertisers

The Resulting Issuer expects to rely on advertisers for the PaySocial Platform for a portion of its revenue. The inability of the Resulting Issuer to secure advertising partners may have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and prospects.

Banking Matters

Should the Resulting Issuer seek to become a "money service business" that is registered as such with FINTRAC and licensed as such by the AMF, if applicable, the Resulting Issuer will need to enter into an arrangement with a financial institution with respect to funds held on the PaySocial Platform. Financial institutions may be hesitant to provide banking services to "money service business" that are registered with FINTRAC or licensed by the AMF. If the Resulting Issuer is unable to obtain banking services from a financial institution, that may have a material adverse effect on the Resulting Issuer.

Increases in Interchange Rates

Payment card providers, such as American Express, Discover Financial Services, JCB International, MasterCard and Visa Inc., periodically increase their respective interchange rates. Interchange rates are also known as the discount rates that are charged for transactions processed through such payment card providers. Should such increases occur, this could have a material adverse effect on the Resulting Issuer's financial condition and results of operations.

Risks Relating to the Resulting Issuer's Technology

Product Development and Rapid Technological Change

The Resulting Issuer's success could be seriously affected by a competitor's ability to develop and market technologies that compete with the Resulting Issuer. To remain competitive, the Resulting Issuer must continue to enhance and improve the responsiveness, functionality and features of its technologies. The internet and the ecommerce industries are characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render the Resulting Issuer's existing operations and proprietary technology and systems obsolete. The Resulting Issuer's success will depend, in part, on its ability to develop leading technologies useful in its business, enhance its existing services, develop new services and technology that address the increasingly sophisticated and varied needs of its existing and prospective users and respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. The development of internet and other proprietary technology entails significant technical, financial and business risks. There can be no assurance that the Resulting Issuer will successfully implement new technologies or adapt its applications, website, proprietary technology and transaction-processing systems to customer requirements or emerging industry standards. If the Resulting Issuer is unable to adapt in a timely manner in response to changing market conditions or customer requirements for technical, legal financial or other reasons, the Resulting Issuer's growth and operations could be materially adversely affected.

Dependence on Technical Infrastructure

The Resulting Issuer's ability to attract, retain, and serve users is dependent upon the reliable performance of technical infrastructure. The Resulting Issuer's systems and those of a Licensee, if applicable and (b) any third parties that provide services to the Resulting Issuer, including EFT Canada ("**Service Provider**") may not be adequately designed with the necessary reliability and redundancy to avoid

performance delays or outages that could be harmful to the business. If the Resulting Issuer's user-facing applications are unavailable when users attempt to access them, or if they do not deliver performance in line with user expectation, users may close their accounts. As the user base grows, the Resulting Issuer will need an increasing amount of technical infrastructure, including network capacity, and computing power, to continue to satisfy the needs of users. It is possible that the Resulting Issuer may fail to effectively scale and grow its technical infrastructure to accommodate these increased demands. In addition, the business is subject to interruptions, delays, or failures resulting from earthquakes, other natural disasters, terrorism, or other catastrophic events. Any disruption or failure in the services the Resulting Issuer receives from Service Providers could harm the Resulting Issuer's ability to handle existing or increased traffic and could significantly harm its business. Any financial or other difficulties these providers face may adversely affect the Resulting Issuer's business, and the Resulting Issuer exercises little control over these providers, which increases vulnerability to problems with the services they provide.

Intellectual Property

Proprietary rights are important to the Resulting Issuer's success and its competitive position. Although the Resulting Issuer seeks to protect its intellectual property rights, its actions may be inadequate to protect any trademarks and other intellectual property or to prevent others from claiming violations of their trademarks and other intellectual property rights. In addition, effective copyright and trademark protection may be unenforceable or limited in certain countries, and the global nature of the internet makes it impossible to control the ultimate designation of the Resulting Issuer's work. Any of these claims, with or without merit, could subject the Resulting Issuer to costly litigation and the diversion of the time and attention of its technical management personnel. If the protection of proprietary rights is inadequate to prevent unauthorized use or appropriation by third parties, the value of the Resulting Issuer's brand and other intangible assets may be diminished and competitors may be able to more effectively mimic the Resulting Issuer's service and methods of operations. Any of these events could have an adverse effect on the Resulting Issuer's business and financial results.

Network Security Risks

The Resulting Issuer and its Service Providers will obtain, transmit, and store confidential user information in connection with its services including but not limited to financial account information. These activities are subject to the laws and regulations of Canada and other jurisdictions. The requirements imposed by these laws and regulations, which often differ materially among the many jurisdictions where the Resulting Issuer intends to offer service, are designed to protect the privacy of personal information and to prevent that information from being inappropriately disclosed. The Resulting Issuer may also be required to comply with industry security standards including the Payment Card Industry Data Security Standard (PCI-DSS) of The PCI Security Standards Council that mandates, amongst other things, specific security standards for entities that store credit or debit card information. The Resulting Issuer and its Service Providers will rely on a variety of technologies to provide security its systems. Despite the implementation of network security measures, the Resulting Issuer's infrastructure and that of its Service Providers are potentially vulnerable to computer break-ins and similar disruptive problems. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments, including improper acts by third parties, may result in a compromise or breach of the security measures that the Resulting Issuer or its Service Providers use to protect their systems. The Resulting Issuer or its Service Providers could also suffer from an internal security breach. Computer viruses, break-ins or other security problems could lead to misappropriation of proprietary information and interruptions, delays or cessation in service to the Resulting Issuer's users. If a third party or employee were to misappropriate, misplace or lose corporate information, including financial and account information, customers' personal information, or source code, the Resulting Issuer's business may be

harm. The Resulting Issuer may be required to expend significant capital and other resources to protect against these security breaches or losses or to alleviate problems caused by these breaches or losses. If third parties gain improper access to the Resulting Issuer's systems or databases or those of its Service Providers, they may be able to steal, publish, delete or modify confidential customer information. A security breach could expose the Resulting Issuer to monetary liability, lead to inquiries and fines or penalties from regulatory, governmental authorities or industry standards associations, such as The PCI Standards Council, lead to reputational harm and make users less confident in the Resulting Issuer's services, which could harm the Resulting Issuer's business, financial condition and results of operations.

Risk of System Failure or Inadequacy

The Resulting Issuer's operations are dependent on its ability to maintain its equipment in effective working order and to protect its systems against damage from fire, natural disaster, power loss, telecommunications failure or similar events. In addition, the growth of the Resulting Issuer's customer base may strain or exceed the capacity of its computer and telecommunications systems and lead to degradations in performance or systems failure. The Resulting Issuer or its Service Providers may in the future experience failure of its information systems which may result in decreased levels of service delivery or interruptions in service to its users. While the Resulting Issuer will continually review and seek to upgrade its technical infrastructure and provide for certain system redundancies and backup power to limit the likelihood of systems overload or failure, any damage, failure or delay that causes interruptions in the Resulting Issuer's operations could have a material and adverse effect on the Resulting Issuer's business. Some of the Resulting Issuer's applications are hosted by Service Providers. Any failure on the part of those external service providers to maintain their equipment in good working order and to prevent system disruptions could cause a loss of customer confidence in the Resulting Issuer's services, resulting in a material and adverse effect on the Resulting Issuer's business.

Additional Risks Related to the Blockchain Industry

To date, the Resulting Issuer has limited activities in the Blockchain industry. Its current definitive activity in the space relates to its \$250,000 funding of Vn3t and the Mining Test Program. Konnect is also exploring several other opportunities in the Blockchain industry. See "*Narrative Description of the Business - General Business of Konnect and the Resulting Issuer*". The Resulting Issuer, as an emerging growth Canadian technology company focused on developing technology based products and services routinely used by the general public, has a particular interest in exploring opportunities in the Blockchain industry, which is subject to various risks.

In particular, the Blockchain industry has evolved rapidly and additional risks, as a result of significant technological or regulatory changes, may present themselves in the near future. Adverse developments such as those described in the following risk factors could materially and adversely harm the Resulting Issuer's business, financial condition, results of operations or prospects with respect to any current or future investments in the Blockchain industry, resulting in loss of all or part of your investment.

References to "**Coins**" below refer to Blockchain Tokens and Cryptocurrencies.

Regulatory Risks

The Resulting Issuer's involvement in the Blockchain industry may require regulatory approvals. At this time, no such approvals have been sought. If the Resulting Issuer's involvement in the Blockchain industry requires regulatory approvals and such approvals are not sought, this would have a material adverse effect on the Resulting Issuer.

Should the Resulting Issuer require regulatory approvals for its involvement in the Blockchain industry, failure or delays in obtaining necessary approvals could have a materially adverse effect on the Resulting Issuer's financial condition and results of operations. Furthermore, changes in government, regulations and policies and practices could have an adverse impact on the Resulting Issuer.

As the Blockchain industry has grown in both popularity and market size, governments around the world have responded to Coins differently: some governments have deemed 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 Resulting Issuer.

The effects of future regulatory developments on the Resulting Issuer or any Coins that the Resulting Issuer may hold are impossible to predict, but such developments could be substantial and adverse to the Resulting Issuer's business.

Governments could restrict or ban the acquisition, use, issuance or redemption of Coins. Ownership of, holding or trading in Coins could then be considered unlawful and subject to penalty.

Governments could also take regulatory action that may increase the cost and/or subject companies that own or involved in the issuance of Coins to additional regulation. In Canada, the Canadian Securities Administrators published CSA Staff Notice 46-307, Cryptocurrency Offerings, which outlines how Canadian securities law requirements may apply to initial coin offerings (ICOs), initial token offerings (ITOs), Cryptocurrency investment funds and the Cryptocurrency exchanges trading these products. In addition, on July 25, 2017 the United States Securities and Exchange Commission reported that it would, in some circumstances, consider the offer and sale of Blockchain Tokens pursuant to an initial coin offering subject to U.S. securities laws. In addition, on March 7, 2018, the United States Securities and Exchange Commission provided a statement on "Potentially Unlawful Online Platforms for Trading Digital Assets", which may have further impacts on the value of Coins. In the past, securities regulators in both Canada and the United States have cease traded certain Coins and/or companies involved in the Blockchain industry; any such action against the Resulting Issuer or any associated Coins would have a material adverse effect on the Resulting Issuer and its business, operations and results.

Governments may in the future take regulatory actions that restrict or ban the right to acquire, own, hold, sell, use or trade Coins or to exchange Coins for fiat currency. By extension, similar actions by other governments could restrict the acquisition, ownership, holding, selling, use or trading in the Resulting Issuer Shares. Such a restriction could result in the Resulting Issuer liquidating its Coins, if any, at unfavourable prices and may adversely affect the Resulting Issuer Shareholders, or the Resulting Issuer may be unable to liquidate its inventory of Coins, if any.

Speculative Investment in Vn3t

Konnect has made a strategic investment in Vn3t whereby it will receive certain proceeds upon the completion of a Coin offering by Vn3t. See "3. Narrative Description of the Business - General Business of Konnect and the Resulting Issuer – Vn3t Investment". The failure of Vn3t to complete a Coin offering, or should Vn3t be unable to complete a sizeable Coin offering, the Resulting Issuer may not see any return on its \$250,000 investment.

Prices

Momentum pricing typically occurs when a price, as determined by the investing public, accounts for anticipated future appreciation in value – for example, a growth stock. Coin 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 Coins, inflating and making their market prices more volatile. As a result, Coin prices 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 Coins inventory, if any, and thereby affect the Resulting Issuer Shareholders.

Electricity Pricing

A key factor in the success of any Coin mining operation is the cost of electricity. If the Resulting Issuer is unable to source a low-cost electricity provider, this would have a material adverse effect on any cryptocurrency mining efforts. If the Resulting Issuer is able to secure a low-cost electricity provider, if the Resulting Issuer is unable to maintain that supplier, for factors such as increased demand on that supplier or policy changes of that supplier with respect to Coin mining, that would have a material adverse effect on any cryptocurrency mining efforts.

Cybersecurity Threats and Hacks

In the event that trading platforms or digital wallets with respect to any Coins associated with the Resulting Issuer are hacked, Coins are not covered by deposit insurance, unlike banks and credit unions that provide guarantees or safeguards. This could lead to a loss of any investment made by the holder of the Coins, which could adversely affect the Resulting Issuer and its involvement in the Blockchain Industry.

In addition to the cybersecurity risks facing the Resulting Issuer generally, advances in cryptography, or technical advances such as the development of quantum computers, could present risks to Blockchain technology, which could result in a material adverse effect on the Resulting Issuer.

Some or all of the Resulting Issuer's Coins, if any, could be lost or stolen. Access to the Resulting Issuer's Coins could also be restricted by cybercrime (such as a denial of service attack) against a service at which the Resulting Issuer maintains a hosted online wallet. Any of these events may adversely affect the Resulting Issuer's business.

The loss or destruction of a private key required to access the Resulting Issuer's Coins, if any, may be irreversible. Losing access to private keys or a data loss relating to the Resulting Issuer's digital wallets, if any, could adversely affect the Resulting Issuer's business.

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

Coin Exchanges

If a Coin exchange or other trading venue is involved in fraud or experiences a security failure or other operational issue, this could result in a reduction in Coin prices.

Coin prices depend, directly and indirectly, on the prices set on exchanges and other trading venues. Coin exchanges and other trading venues are new and, in most cases, largely unregulated when compared to established, regulated exchanges for securities, derivatives and other currencies. In many instances, customers of the closed Coin exchanges were not compensated for the partial or complete losses of their account balances. 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.

A lack of stability in the Coin exchanges may reduce the confidence in the Coin industry, which could adversely affect the Resulting Issuer and its involvement in the Blockchain industry.

Difficulty Obtaining Banking Services

Some companies that provide Coin-related services have been unable to find banks willing to provide them with bank accounts and banking services. Similarly, a number of Coin-related companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to Coin-related companies or companies that accept Coins for a number of reasons, including perceived compliance risks or costs. The difficulty that many businesses that provide Coin-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 Coins could be damaged if banks were to close the accounts of key businesses providing Coin-related services. This could decrease the market prices of Coins and adversely affect the value of the Resulting Issuer's Coin inventory, if any.

Coin Sell-Offs

To the extent that other vehicles investing in Coins or tracking Coin 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 Coin prices and therefore affect the value of the inventory held by the Resulting Issuer, if any.

Geopolitical Events and Coins

Crises may motivate large-scale purchases of Cryptocurrencies, which could rapidly inflate the price of Cryptocurrencies. This may increase the likelihood of a subsequent price deflation as crisis-driven purchasing wanes, adversely affecting the value of the Resulting Issuer's Cryptocurrency inventory, if any.

As an alternative to fiat currencies backed by central governments, Cryptocurrencies are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how geopolitical events will impact Cryptocurrency supply and demand. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of Cryptocurrency 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 use of Cryptocurrencies in place of fiat currencies is part of a new and rapidly evolving industry that employs digital assets based on computer-generated mathematical and/or cryptographic protocol.

The Blockchain industry in general, and Cryptocurrencies in particular, is subject to a high degree of uncertainty. If the development or acceptance of protocols slows, the Resulting Issuer's business may be adversely affected. The factors potentially affecting the Blockchain industry's future development include, but are not limited to:

- Continued worldwide growth in the adoption and use of Cryptocurrencies;
- Regulation of Coins, or regulation of access to and operation of the network or similar Blockchain systems;
- Changes in consumer demographics and public tastes and preferences;
- 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 Cryptocurrencies.

Limited History of Blockchain Industry

The further development and acceptance of the Blockchain industry is subject to a variety of factors that are difficult to evaluate, including those noted above under the risk factor "*Geopolitical Events and Coins*". A decline in the popularity or acceptance of the Blockchain industry may have a material adverse effect on the Resulting Issuer.

Limited Use of Cryptocurrencies

Currently, there is relatively small use of Cryptocurrencies in the retail and commercial marketplace in comparison to relatively large use by speculators, which contributes to price volatility that could adversely affect the Resulting Issuer's business.

As relatively new products and technologies, Cryptocurrencies have not been widely adopted as a means of payment for goods and services by major retail and commercial outlets. Speculators and investors seeking to profit from short or long-term holding of Cryptocurrencies currently generate a significant portion of Cryptocurrency demand. 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. If Cryptocurrencies do not expand into retail and commercial markets, or experience a contraction in use in those markets, Cryptocurrency prices may become volatile or decrease, either of which could adversely impact the Resulting Issuer's business.

Open-Source Structure of Blockchain Network Protocols

Blockchain networks typically operate based on an open-source protocol maintained by contributors. As open source projects, they are not represented by an official organization or authority. As Blockchain network protocols are generally not sold and their use does not generate revenues for contributors, contributors are generally not compensated for maintaining and updating Blockchain network protocols. The lack of guaranteed financial incentive for contributors to maintain or develop Blockchain networks and the lack of guaranteed resources to adequately address emerging issues with Blockchain networks

may reduce incentives to address the issues adequately or in a timely manner. This could adversely affect the Resulting Issuer's business.

Insufficient Miner Incentives

Should there be insufficient Cryptocurrency miners or should Cryptocurrency miners cease operations with respect to any Cryptocurrency associated with the Resulting Issuer, if any, this would reduce the collective processing power on the respective Blockchain network, which would adversely affect the confirmation process for transactions by decreasing the speed at which transaction blocks are added to the Blockchain until the next scheduled adjustment in difficulty for transaction block solutions. Any reduction in confidence in the confirmation process or processing power of a Blockchain network for a Coin associated with the Resulting Issuer may adversely affect the Resulting Issuer and its involvement in the Blockchain industry. Furthermore, insufficient miner incentives would have negative impacts on the Mining Test Program, the Mining Program, if implemented, and may have an adverse effect on the Resulting Issuer's business.

Incorrect or Fraudulent Transactions

Blockchain transactions are irrevocable, and stolen or mistakenly transferred Coins may be irretrievable. As a result, any incorrectly executed or fraudulent Coin transactions could adversely affect the Resulting Issuer's investments, if any.

Blockchain transactions are not reversible without the consent and active participation of the recipient of the transaction. Alternatively, Blockchain transactions are in theory 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 will not be reversible by the Resulting Issuer acting alone, and the Resulting Issuer may not be capable of obtaining compensation for any such transfer or theft. It is possible that, through computer or human error, or through theft or criminal action, the Resulting Issuer's Coins, if any, could be transferred in incorrect amounts, to unauthorized third parties or to uncontrolled accounts.

Insurance Risks

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

Legal and Regulatory Risks

Reliance on Licensing & Registrations

The operations of the Resulting Issuer may require it to (a) obtain a license from the AMF to act as a "money service business" and to successfully register as a "money service business" with FINTRAC or (b) enter into a licensing or other arrangement with a financial institution or "money service business" to facilitate the Resulting Issuer's business (referred to herein as a Licensee).

The failure of the Resulting Issuer to (a) obtain the license from the AMF and to successfully register with FINTRAC or (b) enter into a licensing or other arrangement with a Licensee to facilitate the Resulting Issuer's business would have a material adverse impact upon the Resulting Issuer.

In addition, the Resulting Issuer or its Licensee, if applicable, will apply for, as the need arises, all necessary licences, registrations and permits to carry on the activities it expects to conduct in the future. However, the ability of the Resulting Issuer or its Licensee, if applicable, to obtain, sustain or renew any such licences, registrations and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions. Any loss of interest in any such required licence, registration or permit, or the failure of any governmental authority to issue or renew such licences, registrations or permits upon acceptable terms, would have a material adverse impact upon the Resulting Issuer.

Reliance on Licensee

Should the Resulting Issuer enter into a licensing or other arrangement with a Licensee to facilitate the Resulting Issuer's business, the Resulting Issuer would be reliant on the Licensee for various matters in connection with the business. Should the arrangement with the Licensee, if applicable, break down, or if the Licensee fails to perform its obligations under the terms of its arrangement with the Resulting Issuer, this may have a material adverse impact on the Resulting Issuer.

Regulation and Compliance

The Resulting Issuer's services and that of its Licensee, if applicable, will be subject to a wide range of federal and provincial regulations. These may include Canadian financial services regulations, , such as, for example, the PCMLTFA, money services business licensing laws, consumer disclosure and consumer protection laws, currency control regulations, money transfer and payment instrument licensing regulations, electronic contracts and other communications, and laws covering consumer privacy, data protection, information security, and protection of user data. As the Resulting Issuer develops and introduce new products and services, it or its Licensee, if applicable, may become subject to additional laws and regulations. The laws, rules, and regulations that the Resulting Issuer, its Licensee, if applicable, and its customers must comply with could render the Resulting Issuer's business or operations limited, more costly and burdensome or less efficient, and could cause the Resulting Issuer to modify its current or future products or services. Any of these events, if realized, could have a material adverse effect on the Resulting Issuer's business.

The Resulting Issuer's products and services must be designed to work within the regulatory constraints under which the Resulting Issuer and its customers operate. This may be a continuous challenge in the design of the Resulting Issuer's products and services. The inability of the Resulting Issuer's products and services to work properly within the regulatory framework may have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations.

The Resulting Issuer has reviewed and continues to review its business model to ensure it is in compliance with the applicable provincial and federal laws, the application of certain legislation to its business model remains uncertain. There is a risk that regulatory bodies or consumers could assert that certain federal or provincial laws are applicable where the Resulting Issuer has determined that they are not, and that the Resulting Issuer or its Licensee, if applicable, is not in compliance with such applicable requirements.

Failure to comply with any of applicable legal and regulatory requirements could result in the limitation, suspension or termination of the Resulting Issuer's services, the seizure and/or forfeiture of the Resulting Issuer's assets and/or the imposition of civil and criminal penalties, including fines. In addition to those direct costs, a failure to comply with applicable laws and regulations also could seriously damage the Resulting Issuer's reputation and brands, and result in diminished revenue and profit and increased operating costs.

Legal and Regulatory Change and Uncertainty

The laws and regulations applicable to the Resulting Issuer, its Licensee, if applicable, and its customers are constantly evolving, making compliance challenging. Many of these laws are still evolving and being tested in the courts, and could be interpreted in ways that could harm the Resulting Issuer's business. Governments at the national, provincial and local levels may seek to impose licensing requirements or interpret or enforce existing requirements in new ways. The introduction of laws or regulations, changes to existing laws or regulations, litigation, court rulings, changes in industry practices or standards, changes in systems rules or requirements or other similar events could expose the Resulting Issuer to increased regulatory compliance costs, liability, reputational damage, limit the products or services that the Resulting Issuer is able to offer, reduce the market value of the Resulting Issuer's services, render them less profitable or obsolete. The realization of any of the foregoing legal and regulatory risks may have a material adverse effect on the Resulting Issuer's business, prospects, results of operations, and financial condition. The Resulting Issuer will be subject to increasingly strict legal and regulatory requirements intended to help detect and prevent money laundering, terrorist financing, fraud and other illicit activity. The interpretation of those requirements by judges, regulatory bodies and enforcement agencies is changing, often quickly and with little notice. Economic and trade sanctions programs that are administered by the Department of Foreign Affairs, Trade, and Development prohibit or restrict transactions to or from or dealings with specified countries, their governments, and in certain circumstances, with individuals and entities that are specially-designated nationals of those countries, narcotics traffickers and terrorists or terrorist organizations. As regulatory scrutiny and enforcement action in these areas increase, the Resulting Issuer expects its costs to comply with these requirements will increase, perhaps substantially.

Risks Related to the Resulting Issuer's Operations

Use and Storage of Personal Information and Compliance with Privacy Laws

The Resulting Issuer and its Service Providers may receive, store and process personal information and other customer data, including bank account numbers, credit and debit card information, identification numbers, addresses, telephone numbers, and images of government identification, and information relating to financial transactions. There are numerous other federal, provincial and local laws regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other customer data, the scope of which are changing, subject to differing interpretations, and may be inconsistent between countries or conflict with other applicable rules. It is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or the Resulting Issuer's business practices. Additionally, with advances in computer capabilities and data protection requirements to address ongoing threats, the Resulting Issuer may be required to expend significant capital and other resources to protect against potential security breaches or to alleviate problems caused by security breaches. Any failure or perceived failure by the Resulting Issuer or its Service Providers to comply with its privacy policies, privacy-related obligations to customers or other third parties, or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other customer data, may (i) result in governmental enforcement actions or fines (ii) expose the Resulting Issuer to additional liability and to potentially costly litigation; (iii) increase expenses relating to the resolution of these breaches and increased security costs; (iv) deter customers from using the Resulting Issuer's services; and/or (v) decrease market acceptance of electronic commerce transactions. Any breach of credit or debit card information that the Resulting Issuer or its Service Providers stores or transmits could result in the Resulting Issuer incurring liability to the issuing banks for their cost of issuing new cards and related expenses. In addition, a significant breach could result in the Resulting Issuer being prohibited from processing transactions for any of the relevant network organizations, such as Visa or MasterCard,

which would harm the Resulting Issuer's business. If any Service Providers violate applicable laws or the Resulting Issuer's policies, such violations may put the Resulting Issuer's customers' information at risk and could harm the Resulting Issuer's business. Any breach, negative publicity arising out of a data breach, or failure to comply with applicable privacy requirements could cause reputational damage and cause customers to lose trust in the Resulting Issuer, which could adversely affect the Resulting Issuer's business, results of operations, financial position and potential for growth.

Ability to Manage Growth

The Resulting Issuer may experience rapid growth in the scope of its operations. Growth may result in increased responsibilities for the Resulting Issuer's existing personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Resulting Issuer will need to continue to implement and improve its operational, financial and management information systems, as well as hire, manage and retain its employees and maintain its corporate culture including technical and customer service standards. While Konnect has been able to manage such growth effectively to date, there can be no assurance that the Resulting Issuer will continue to manage such growth effectively or that its management, personnel or systems will be adequate to support the Resulting Issuer's expansion. Any failure to implement cohesive and efficient operating, financial, and management information systems, to add resources on a cost-effective basis or to otherwise properly manage the Resulting Issuer's expansion could have a material adverse effect on its business and results of operations.

Competition

The Resulting Issuer will face competition from several sources, varying in size and in the scope and breadth of products and services they provide. The Resulting Issuer expects the markets in which it competes will continue to attract new competitors and new technologies, and providers of similar products and services. Some competitors have advantages over the Resulting Issuer due to their longer operating and product development histories, larger established client base, greater financial, technical, marketing resources, or worldwide presence. Increased competition from larger, better-financed, or more established competitors could materially and adversely affect the business, financial condition and results of operations. While the Resulting Issuer intends to continue to differentiate itself from its competition based on its revenue model, speed, convenience, security, functionality, and customer service, there can be no assurance that the Resulting Issuer will be able to compete successfully against current or future competitors or that competitive pressures faced by the Resulting Issuer in the markets in which it operates will not have a material adverse effect on its businesses. Some of the Resulting Issuer's current and potential competitors in the payments segment have significantly greater resources and better competitive positions in certain markets than the Resulting Issuer. These factors may allow competitors to respond more effectively than the Resulting Issuer to new or emerging technologies and changes in market requirements. Competitors may develop products, features, or services that are similar to those of the Resulting Issuer or that achieve greater market acceptance, may undertake more far-reaching and successful product development efforts or marketing campaigns, or may adopt more aggressive pricing policies. In addition, certain competitors could use strong or dominant positions in one or more markets to gain competitive advantage against the Resulting Issuer in areas where it operates. As a result, competitors may acquire and engage users at the expense of the growth or engagement of the Resulting Issuer's user base, which may adversely affect its business and financial results.

Risk Management and Internal Controls

The Resulting Issuer plans to adopt policies and procedures designed to identify and mitigate financial and operating risks to which it is exposed. However, there can be no assurance that these policies and

procedures, no matter how well designed, will be sufficient to identify all the risks the Resulting Issuer is exposed, to mitigate the risks that have been identified, or identify additional risks that may apply to the Resulting Issuer in the future. Any failure to effectively identify, manage, monitor and mitigate financial and operating risks could result in substantial losses, disruption of operations, legal or regulatory penalties, and a loss of customer and investor confidence in the Resulting Issuer.

Reliance on Third Party Software

The Resulting Issuer currently does not rely on any particular third-party software products. Should the Resulting Issuer in the future rely upon third-party software that may not continue to be available to the Resulting Issuer, and the related software may not continue to be appropriately supported, maintained, or enhanced by the licensors, the loss by the Resulting Issuer of the license to use, or the inability by licensors to support, maintain, and enhance any of such software, could result in increased costs or in delays or reductions in product development until equivalent software is developed or licensed and integrated with internally developed software. Such increased costs or delays or reductions in product shipments could materially adversely affect its business. The loss of the Resulting Issuer's rights to use software licensed to it by third parties could increase its operating expenses by forcing the Resulting Issuer to seek alternative technology and materially adversely affect its ability to compete. In addition, the Resulting Issuer's web-based software applications depend on the stability, functionality and scalability of the underlying infrastructure software including application servers, databases, java platform software and operating systems produced by third parties. If weaknesses in such infrastructure software exist, the Resulting Issuer may not be able to correct or compensate for such weaknesses. If the Resulting Issuer is unable to address weaknesses resulting from problems in the infrastructure software such that its products do not meet customer needs or expectations, its reputation, and consequently, its business may be significantly harmed.

Fraud or Identity Theft

The Resulting Issuer's business will rely extensively on the processing revenue derived from bank card and EFT transactions. Fraud or identity theft with respect to Internet-based bank card and EFT transactions could cause the Resulting Issuer to incur significant losses. The Resulting Issuer intends to implement systems designed to manage such risk; however, the Resulting Issuer cannot guarantee that its systems along with those of its Service Providers will prevent fraudulent transactions from being submitted and processed. The Resulting Issuer may not have adequate insurance coverage to protect it from all potential losses. If any merchant or customer were to submit or process unauthorized or fraudulent bank card or EFT transactions, the Resulting Issuer could incur significant losses which could have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations.

Marketing and Brand Development

The Resulting Issuer believes that establishing and strengthening its brand is critical to achieving widespread acceptance of its products and services. A significant portion of the Resulting Issuer's financial resources will be directed to the development of its business and marketing activities. The goal of this marketing is to increase the strength, recognition and trust in PaySocial brand, attract new signups to PaySocial, and ultimately generate revenues through increased transaction volume on its platforms. There can be no assurance that the Resulting Issuer's marketing and brand promotion activities will lead to increased customer acquisition or yield increased revenues, or that any such revenues would offset the Resulting Issuer's marketing expenditures. If the Resulting Issuer fails to establish and maintain an attractive and recognizable brand, or recover marketing costs through increased revenues, the Resulting Issuer's results of operations and financial condition would be materially adversely affected.

Use of the Resulting Issuer's Services for Improper or Illegal Purposes

The Resulting Issuer's services will be susceptible to potentially illegal or improper uses as criminals are using increasingly sophisticated methods to engage in illegal activities involving internet services and payment providers. Because the Resulting Issuer's customers will transfer money using bank accounts or credit and debit cards via the internet, and some transfers are not face-to-face transactions, these transactions involve a greater risk of fraud. Other illegal or improper uses of the Resulting Issuer's services may include money laundering, terrorist financing, drug trafficking, human trafficking, illegal online gaming, romance and other online scams, illegal sexually-oriented services, prohibited sales of pharmaceuticals, fraudulent sale of goods or services, piracy of software, movies, music and other copyrighted or trademarked goods, unauthorized uses of payment cards or bank accounts and similar misconduct. Users of the Resulting Issuer's services may also encourage, promote, facilitate or instruct others to engage in illegal activities. If the measures the Resulting Issuer takes are too restrictive and inadvertently screen proper transactions, this could diminish the Resulting Issuer's customer experience which could harm the Resulting Issuer's business. Despite the Resulting Issuer's best efforts, there can be no assurance that measures taken by the Resulting Issuer will stop all illegal or improper uses of the Resulting Issuer's services. The Resulting Issuer's business could be harmed if customers use the Resulting Issuer's system for illegal or improper purposes.

Customer Complaints and Negative Publicity

Customer complaints or negative publicity about the Resulting Issuer's services could diminish consumer confidence in the Resulting Issuer, which could lead to reduced usage of the Resulting Issuer's services. Breaches of customers' privacy and security measures could have the same effect. The Resulting Issuer may take measures to combat risks of fraud and breaches of privacy and security such as cancelling customer transactions or closing customer accounts that may damage relations with the Resulting Issuer's customers. These measures heighten the need for prompt and accurate customer service to resolve irregularities and disputes. Effective customer service will require significant personnel expense, and this expense, if not managed properly, could impact the Resulting Issuer's profitability. Any inability to manage or train customer service representatives properly could compromise the Resulting Issuer's ability to handle customer complaints effectively. If the Resulting Issuer does not handle customer complaints effectively, its reputation may be harmed and the Resulting Issuer may lose its customers' confidence.

Reliance on Key Personnel

The performance of the Resulting Issuer will depend heavily on its ability to retain the services of management and to recruit, motivate and retain further suitably skilled personnel. The loss of the services of key individuals may have an adverse effect on the business, operations, customer relationships and results.

Conflicts of Interest

Certain of the proposed directors and officers of the Resulting Issuer are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Resulting Issuer and as officers and directors of such other companies.

Insurance and Uninsured Risks

The Resulting Issuer currently maintains director and officer insurance and no other form of insurance. Any insurance that the Resulting Issuer may seek to obtain with respect to its business may not cover all the potential risks associated with its operations. The Resulting Issuer may also be unable to maintain

insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Losses from these events may cause the Resulting Issuer to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Taxes

The Resulting Issuer's business is subject to various tax laws and regulations. Significant judgment is required for the tax filings of the business, which are subject to audit by taxation authorities. While the Resulting Issuer expects that its tax filings will be made in material compliance with applicable tax laws and regulations, there is a risk that a tax authority could have a different interpretation and potentially impose additional taxes, penalties or fines which may negatively impact the Resulting Issuer. If the amount of tax payable by the Resulting Issuer were to be reassessed or increased, there may be a negative effect on the Resulting Issuer's business, financial condition and results of operations.

Financial Risks

Limited Operating History

Konnect has a limited operating history in both the payment and Blockchain industries, and, accordingly, potential investors will have a limited basis on which to evaluate its ability to achieve its business objectives. The future success of the Resulting Issuer is dependent on management's ability to implement its strategy. Whilst management is optimistic about the Resulting Issuer's prospects, there is no certainty that anticipated outcomes and sustainable revenue streams will be achieved. The Resulting Issuer faces risks frequently encountered by early-stage companies. In particular, its future growth and prospects will depend on its ability to expand its operation and gain additional revenue streams whilst at the same time maintaining effective cost controls. Any failure to expand is likely to have a material adverse effect on the Resulting Issuer's business, financial condition and results.

History of Operating Losses

Konnect has incurred losses in recent periods. The Resulting Issuer may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Resulting Issuer expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Resulting Issuer's revenues do not increase to offset these expected increases in costs and operating expenses, the Resulting Issuer will not be profitable.

Future Capital Needs and Uncertainty of Additional Financing

The Resulting Issuer anticipates that its cash balance will be sufficient to meet its presently anticipated working capital and capital expenditure requirements over the next 12 months and beyond. However, the Resulting Issuer may need to raise additional funds to support rapid expansion, develop new or enhanced services and products, respond to competitive pressures, acquire complementary businesses or technologies or take advantage of unanticipated opportunities. The Resulting Issuer may be required to raise additional funds through public or private financing, strategic relationships or other arrangements. There can be no assurance that such additional funding, if needed, will be available on terms attractive to the Resulting Issuer, or at all. Furthermore, any additional equity financing may be dilutive to the Resulting Issuer Shareholders and debt financing, if available, may involve restrictive covenants. If additional funds are raised through the issuance of equity securities, the percentage ownership of the Resulting Issuer Shareholders will be reduced, shareholders may experience additional dilution in net book value per share, or such equity securities may have rights, preferences or privileges senior to those

of the holders of the Resulting Issuer Shares. If adequate funds are not available on acceptable terms the Resulting Issuer may be unable to develop or enhance its business, make acquisitions, take advantage of future opportunities, or respond to competitive pressures, any of which could have a material adverse effect on the Resulting Issuer's business, financial condition and operating results.

Foreign Currency and Exchange Rate Risk

The Resulting Issuer's operations will be subject to inherent market and industry risks resulting from unpredictable fluctuations in foreign currency exchange rates, failed or fraudulent financial transactions and similar credit risks. These occurrences could have a material adverse impact on the Resulting Issuer's results of operations.

Compliance Fines Risk

Owing to the evolving nature of both the laws applicable to the Resulting Issuer and also its services, one or another of the services may be deemed to be out of compliance with federal or provincial law which could result in financial penalties by a federal or provincial regulator.

Market Price of Resulting Issuer Shares

The market price of the Resulting Issuer Shares may be subject to wide price fluctuations. The market price of the Resulting Issuer Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Resulting Issuer and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Resulting Issuer and its subsidiaries, general economic conditions, legislative changes and other events and factors outside of the Resulting Issuer's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Resulting Issuer Shares.

Dividend Policy

No dividends on the Issuer Shares have been paid by the Issuer to date and no dividends on the Konnect Shares have been paid by Konnect to date. Payment of any future dividends will be at the discretion of the board of directors of the Resulting Issuer after considering many factors, including the Resulting Issuer's operating results, financial condition and current and anticipated cash needs.

17. PROMOTERS

Not applicable.

18. LEGAL PROCEEDINGS

Neither the Issuer, Konnect nor any of their property is, was previously a party to, or was the subject of, any legal proceeding nor is the Resulting Issuer currently party to any material legal proceeding or contemplating any legal proceedings which are material to its business. Additionally, to the knowledge of the management of the Issuer, Konnect and the Resulting Issuer, there are no such proceedings contemplated.

From time to time, however, the Resulting Issuer may be subject to various claims and legal actions arising in the ordinary course of business. Management of the Resulting Issuer is not currently aware of any legal proceedings contemplated against the Resulting Issuer.

19. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than in respect of the Transaction or as otherwise disclosed herein, to the knowledge of management, no proposed director or executive officer of the Resulting Issuer or any person or company that is the direct or indirect beneficial owners of, or who exercises control or direction over, more than 10 percent of any class of the Resulting Issuer's outstanding voting securities, or an associate or affiliate of any persons or companies referred to in this paragraph, has any material interest, direct or indirect, in any transaction within the three years before the date of this Listing Statement, or in any proposed transaction, that has materially affected or will materially affect the Resulting Issuer or a subsidiary of the Resulting Issuer.

20. AUDITORS, TRANSFER AGENTS AND REGISTRARS

20.1 Auditors

The auditors of the Issuer are Kanester Johal LLP, through its offices at Suite 208, 3993 Henning Drive, Burnaby, BC V5C 6P7.

The auditors of Konnect are Guimond Lavallée Inc., through its offices at 7055 Taschereau Blvd., Suite 500, Brossard, QC J4Z 1A7.

It is anticipated that the auditor of the Resulting Issuer will be Guimond Lavallée Inc.

20.2 Registrar and Transfer Agent

The current transfer agent and registrar of the Issuer is National Issuer Services Ltd. ("NIS"), through its offices in Vancouver, British Columbia. The transfer agent and registrar of the Resulting Issuer will be NIS, through its offices in Vancouver, British Columbia.

21. MATERIAL CONTRACTS

Issuer Material Contracts

Except for contracts entered into by the Issuer in the ordinary course of business, the only material contracts entered into by the Issuer in the previous two years are the following:

- (a) assignment agreement with Tower One on February 2, 2017;
- (b) binding Letter of Intent with NextLeaf Solutions Ltd. on June 19, 2017 which was terminated on September 14, 2017; and
- (c) Acquisition Agreement.

Konnect Material Contracts

Except for contracts entered into by Konnect in the ordinary course of business, the only material contracts entered into by Konnect in the previous two years are the following:

- (a) Acquisition Agreement.

22. INTEREST OF EXPERTS

Neither auditor has, and neither is entitled to receive, any registered or beneficial interest, direct or indirect, in the property of the Issuer and neither is expected to own any securities of the Resulting Issuer or any associate, affiliate or Related Person (as defined by the policies of the CSE) of the Resulting Issuer.

23. OTHER MATERIAL FACTS

There are no other material facts regarding the Issuer, Konnect, the Resulting Issuer or the Transaction other than as disclosed herein.

24. FINANCIAL STATEMENTS

See Schedule "A" and Schedule "B".

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, Rojo Resources Ltd. hereby applies for the listing of the above mentioned securities on the CSE. The foregoing contains full, true and plain disclosure of all material information relating to Rojo Resources Ltd. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia this 29th day of May, 2018.

(signed) "Allen Morishita"

Allen Morishita
Chairman, Chief Executive Officer and
Director

(signed) "Patricia Wilson"

Patricia Wilson
Chief Financial Officer, Corporate Secretary
and Director

ON BEHALF OF THE BOARD OF DIRECTORS

(signed) "John Adams"

John Adams
Director

(signed) "Mark Tommasi"

Mark Tommasi
Director

CERTIFICATE OF THE TARGET

The foregoing contains full, true and plain disclosure of all material information relating to Konnect Mobile Communications Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Montreal, Quebec this 29th day of May, 2018.

(signed) "William L. Coyle"

William L. Coyle
President, Chief Executive Officer and
Director

(signed) "Jacques Arsenault"

Jacques Arsenault
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(signed) "Richard T. Groome"

Richard T. Groome
Executive Chairman and Director

(signed) "André Halley"

André Halley
Director

SCHEDULE "A" – ISSUER FINANCIAL STATEMENTS

Please see attached.

**ROJO
RESOURCES LTD.**

*(AN EXPLORATION STAGE COMPANY)
(Expressed in Canadian Dollars)*

FINANCIAL STATEMENTS
FOR THE 6 MONTH PERIOD ENDED
JANUARY 31, 2018 AND 2017

(unaudited)

Prepared by Management without Company's Auditors' Review

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Rojo Resources Corp. (formerly Lucky Strike Resources Ltd.) is prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the July 31, 2017 audited financial statements. Only changes in accounting policies have been disclosed in these unaudited interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim financial statements and (ii) the unaudited interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

ROJO RESOURCES LTD.

(An exploration stage company)

STATEMENTS OF FINANCIAL POSITION

	Notes	January 31, 2018	July 31, 2017
ASSETS			
Current assets			
Cash		\$ 4,021	\$ 68,668
GST receivable		2,000	10,406
Prepaid expenses		20,490	26,667
Deposits	11	-	-
Marketable securities		120,000	80,750
		146,511	186,491
Non-current assets			
Marketable securities		-	14,250
Property and equipment	4	563	654
		563	14,943
TOTAL ASSETS		\$ 147,074	\$ 201,395
LIABILITIES			
Current liabilities			
Accounts payables and accrued liabilities	9	\$ 10,692	\$ 39,697
Due to related parties		100,623	61,900
TOTAL LIABILITIES		111,315	101,597
SHAREHOLDERS' EQUITY			
Share capital	6	11,307,855	11,304,828
Share-based payment reserve	6	2,849,686	2,852,713
Deficit		(14,121,782)	(14,057,743)
TOTAL EQUITY		35,759	99,798
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 147,074	\$ 201,395

Nature and continuance of operations (Note 1)

APPROVED ON BEHALF OF THE BOARD:

Director: "Allen Morishita" Director: "Patricia Wilson"
CEO & Director CFO & Director

ROJO RESOURCES LTD.

(An exploration stage company)

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS AND DEFICIT

Six months ended January 31, 2018 and 2017

	Three Months Period Ended January 31 2018	Three Months Period Ended January 31, 2017	Six Months Period Ended January 31, 2018	Six Months Period Ended January 31, 2017
Expenses				
Advertising	\$ 315	\$ 300	\$ 12,297	\$ 600
Amortization	45	44	90	88
Consulting (Note 8)	3,000	7,500	9,000	7,500
Interest and bank charges	137	102	295	628
Management fees (Note 8)	18,000	18,000	36,000	36,000
Office and miscellaneous	1,683	2,500	3,040	3,234
Professional fees	15,649	27,186	23,149	67,927
Shareholder info, transfer agent	4,698	4,952	5,168	5,520
	43,527	60,583	89,039	121,496
Loss before other items	(43,527)	(60,583)	(89,039)	(121,496)
Unrealized gain (loss) on marketable securities	(40,000)	-	25,000	-
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ (83,527)	\$ (60,583)	\$ (64,039)	\$ (121,496)
INCOME (LOSS) PER SHARE - BASIC AND FULLY DILUTED	\$ (0.01)	\$ (0.01)	\$ (0.10)	\$ (0.10)

See accompanying notes to the financial statements

ROJO RESOURCES LTD.

(An exploration stage company)

STATEMENTS OF CHANGES IN EQUITY

	Share capital		Reserves			Total
	Number of shares	Amount	Subscriptions received (receivable)	Share based payment reserve	Deficit	
Balance at August 1, 2017	4,890,086	\$11,304,828	\$ -	\$ 2,852,713	\$ (14,057,743)	\$ 99,798
Add: Net and comprehensive loss	-	-	-	-	(64,039)	(64,039)
Balance at January 31, 2018	4,890,086	\$11,304,828	\$ -	\$ 2,852,713	\$ (14,121,782)	\$ 35,759

	Share capital		Reserves			Total
	Number of shares	Amount	Subscriptions received (receivable)	Share based payment reserve	Deficit	
Balance at August 1, 2016	19,353,060	\$11,058,863	\$ -	\$ 2,852,713	\$ (13,798,098)	\$ 113,478
Add: Net and comprehensive loss	-	-	-	-	(121,496)	(121,496)
Add: Warrants exercised	100,000	10,000	-	-	-	10,000
Balance at January 31, 2017	19,453,060	\$11,068,863	\$ -	\$ 2,852,713	\$ (13,919,594)	\$ 1,982

See accompanying notes to the financial statements

ROJO RESOURCES LTD.

(An exploration stage company)

STATEMENTS OF CASH FLOWS

Six months ended January 31, 2018 and 2017

	Three Months Period Ended January 31 2018	Three Months Period Ended January 31, 2017	Six Months Period Ended January 31, 2018	Six Months Period Ended January 31, 2017
Operating activities				
Net Income (loss) for the period	\$ (83,527)	\$ (60,583)	\$ (64,039)	\$ (121,496)
Adjustments for:				
Amortization	45	44	90	88
Impairment of exploration and evaluation assets	-	-	-	-
Changes in non-cash working capital items:				
Accounts receivable	8,493	649	8,406	(1,074)
Trade payables and accrued liabilities	9,474	32,823	9,719	25,832
Prepaid expense	(11,490)	13,122	6,177	50,000
Net cash flows used in operating activities	(95,953)	(13,945)	(39,647)	(46,650)
Investing Activities:				
Short term investment redemption	40,000	-	(25,000)	-
Net cash flows used in investing activity	40,000	-	(25,000)	-
Financing Activities:				
Proceeds on issuance of common shares	-	-	-	10,000
Net cash flows from financing activities	-	-	-	10,000
Increase (decrease) in cash and cash equivalents	(55,953)	(13,945)	(64,647)	(39,433)
Cash and cash equivalents, Beginning of period	59,974	49,684	68,668	111,822
Cash and cash equivalents, End of period	\$ 4,021	\$ 35,739	\$ 4,021	\$ 35,739

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

1. **Nature and continuance of operations**

Rojo Resources Ltd. (the "Company") performs mineral exploration activities in Canada and United States. The Company has not generated any revenues from its current operations and is considered to be in the exploration stage. The Company's common shares are traded on the TSX Venture Exchange under the trading symbol RJ and as of October 17, 2011, on the OTC International market under the symbol LKYSD. The Company's head office and principal address is Suite 123-2906 West Broadway, Vancouver, BC, Canada, V6K 2G8.

These unaudited financial statements have been prepared on a going concern basis which assumes the Company will continue operations and will be able to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public financing, or generate profitable earnings in the future. Should the Company be unsuccessful in raising additional finance for ongoing operations, there would be substantial doubt about the ability of the Company to continue as a going concern. As at January 31, 2018 the Company has a working capital of \$35,196 (January 31, 2017: working capital of deficit (\$104,318)) and has accumulated a deficit of \$14,121,782 (January 31, 2017: \$13,919,594) and continues to incur losses from operations.

The current market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new and alternative sources of financing but anticipates the current market conditions may impact the ability to source such funds.

2. **Basis of preparation**

Statement of compliance

The unaudited interim financial statements have been prepared in accordance with International Accounting Standard ("IFRS") issued by the International Accounting Standards Board ("IASB") and International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB"). Therefore, these financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting"

The financial statements were authorized for issue on February 22, 2018 by the directors of the Company.

Basis of presentations

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting.

The financial statements are presented in Canadian Dollars, which is also the Company's functional currency, unless otherwise indicated.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

3. Summary of significant accounting policies

Significant accounting judgments, estimates and assumptions

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- (i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- (ii) Management is required to assess the functional currency of each entity of the Company. The Company determined the Canadian dollar to be its functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions.
- (iii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.
- (iv) Although, the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- (v) The determination of the Company's ability to continue as a going concern.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Accounting Estimates and Assumptions

- (i) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
- (ii) Management estimates the fair values of share based payment arrangements using the Black - Scholes option pricing model. Details of these can be found in Note 7.

Other significant accounting estimates include valuation of accounts payable and accrued liabilities, useful life of property, plant and equipment and valuation of marketable securities.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments, which are readily convertible into cash with maturities of three months or less when acquired.

Currency Translation

The Company's presentation currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Marketable Securities

Marketable securities include investments which are transitional or current in nature, with an original maturity greater than three months and less than one year.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property and Equipment

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provision.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate item (major components) of property, plant and equipment.

Amortization is provided at various rates designed to amortize the assets over their estimated useful lives. The annual amortization rates are as follows:

Office furniture	20%	declining basis
Computers	30%	declining basis

Additions during the year are amortized at one half the annual rate.

Exploration and Evaluation Assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Exploration and evaluation costs, including the costs of acquiring claims, are capitalized as exploration and evaluation assets on an area of interest basis pending determination of the technical feasibility and the commercial viability of the project. Capitalized costs include costs directly related to exploration and evaluation activities in the area of interest. General and administrative costs are only allocated to the asset to the extent that those costs can be directly related to operational activities in the relevant area of interest. When a claim is relinquished or a project is abandoned, the related costs are recognized in profit or loss immediately.

Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

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NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Ownership in mineral properties involves certain risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristics of many mining interests. The Company has investigated the ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognized in profit or loss.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

ROJO RESOURCES LTD.

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NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Provisions and Asset Retirement Obligations

The Company recognizes the fair value of a legal or constructive liability for an asset retirement obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of comprehensive income/loss. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. The Company does not have significant asset retirement obligations.

Flow-through shares

The Company may, from time to time, issue flow-through common shares to finance its resource exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholders the income tax attributes of resource exploration costs financed by such shares. Flow-through common shares are recognized in equity based on the quoted price of the existing shares on the date of the issue. The difference between the amounts recognized in common shares and the amount the investor pays for the shares is recognized as flow-through share premium liability which is reversed into earnings as eligible expenditures are incurred. The deferred tax impact is recorded prospectively upon renunciation of the related tax benefits, provided it is expected the Company will incur the required eligible expenditures.

When flow-through expenditures are renounced, a portion of the future income tax assets that were not previously recognized, due to the recording of a valuation allowance, are recognized as a recovery of deferred income taxes in the statements of net and comprehensive income (loss).

Financial instruments - recognition and measurement

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized through profit or loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through other comprehensive income (loss).

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company has classified its cash at fair value through profit and loss. The Company's harmonized sales tax/ goods and services tax receivable and short term investment are classified as loans and receivables.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method.

The Company's accounts payable and accrued liabilities and due to related party are classified as other financial liabilities.

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NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Share-based payment transactions

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of loss and comprehensive loss and deficit over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied.

The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of loss and comprehensive loss and deficit over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of loss and comprehensive loss and deficit, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

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NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries, and associates to the extent that *they will probably not* reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as share-based payment reserve.

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NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Earnings (loss) per share

The Company presents basic and diluted earnings/loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. All of the outstanding and exercisable stock options and warrants were excluded for the calculation of diluted loss per share given their anti-dilutive impact on loss per share calculation.

Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transaction are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are expensed.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

New Standards and amendments issued but not yet adopted

In 2017, there have been no new amended accounting pronouncements that have had a material impact on the Corporation's consolidated financial statements. The following amendments to standards were adopted during the current year.

Disclosure Initiative (Amendments to IAS 1) - On December 18, 2014, the IASB issued *Disclosure Initiative (Amendments to IAS 1)* as part of its major initiative to improve presentation and disclosure in financial reports. The amendments to IAS 1 relate to (i) materiality; (ii) order of the notes; (iii) subtotals; (iv) accounting policies; and (v) disaggregation, and are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

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NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

IAS 16 - Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16). The amendments are effective for annual periods beginning on or after January 1, 2016 and clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.

IAS 38 - Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 38). The amendments are effective for annual periods beginning on or after January 1, 2016 and introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

IFRS 10 - Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures.

The amendments to *IFRS 10 "Consolidated Financial Statements"* (IFRS 10) and *IAS 28 "Investments in associates and joint ventures"* (IAS 28) deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

IFRS 11 - Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments are effective for annual periods beginning on or after January 1, 2016 and has been amended to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in *IFRS 3 Business Combinations*) to apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11 and disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured).

The following new and amended standards are effective for annual periods beginning on or after January 1, 2017 or later, with earlier adoption permitted.

IFRS 9 - Financial Instruments was issued by the IASB on July 24, 2014 and will replace *IAS 39, "Financial instruments: recognition and measurement"* (IAS 39). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected

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NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 - Revenue from Contracts with Customers. This standard is effective for annual periods beginning on or after January 1, 2018 and provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

IFRS 16 - Leases. IFRS 16, "Leases" (IFRS 16) was issued by the IASB on January 13, 2016, and will replace IAS 17, "Leases". IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied.

The Corporation has not early adopted these amendments and standards and is currently assessing the impact they will have on the consolidated financial statements.

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Six months ended January 31, 2018 and 2017

4. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment	Office equipment	Total equipment
	\$	\$	\$
Cost			
Balance as at July 31, 2015	13,715	682	14,397
Additions during the year	829	-	829
Impairment	(13,715)	-	(13,715)
Balance as at July 31, 2016	828	682	1,510
Additions during the year	-	-	-
Balance as at July 31, 2017	828	682	1,510
Additions during the year	-	-	-
Balance as at January 31, 2018	828	682	1,510
Accumulated depreciation			
Balance as at July 31, 2015	10,467	431	10,898
Depreciation for the year	125	50	175
Impairment	(10,467)	-	(10,467)
Balance as at July 31, 2016	125	481	606
Depreciation for the period	211	40	253
Balance as at July 31, 2017	335	521	856
Depreciation for the period	74	16	45
Balance as at January 31, 2018	409	537	901
Net book value			
At July 31, 2015	3,248	251	3,499
At July 31, 2016	703	201	904
At July 31, 2017	493	161	654
At January 31, 2018	418	145	563

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NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

5. EXPLORATION AND EVALUATION ASSETS

During the current year, the Company did not hold any exploration and evaluation assets at anytime throughout the year.

The following is a description of the Company's exploration and evaluation assets and the related spending commitments as at January 31, 2018:

	Western Athabasca Syndicate Property 6 (a)	Total for Year ended January 31, 2018
Property acquisition costs		
Balance, beginning of year	\$ 436,987	\$ 436,987
Additions:		
Impairment	(436,987)	(436,987)
Balance, end of period	-	-
Exploration and evaluation costs		
Balance, beginning of year	1,359,627	1,359,627
Costs incurred during year:		
Impairment	(1,359,627)	(1,359,627)
Balance, end of period	-	-
Balance, July 31, 2016	\$ -	\$ -

(a) Western Athabasca Syndicate Property ("Syndicate") – Saskatchewan

In a working agreement dated July 2013, the Company, Skyharbour Resources Ltd. ("Skyharbour"), Athabasca Nuclear Corp. ("Athabasca") and Noka Resources Inc. ("Noka"), agreed to associate for the purpose of conducting a co-ordinated exploration program to be carried out on the mineral properties owned by Skyharbour and Athabasca located in the Athabasca area of the Province of Saskatchewan. The Western Athabasca Syndicate property consists of the following individual option agreements:

(i) Skyharbour Property, Athabasca area – Saskatchewan

On April 26, 2013, the Company entered into an option agreement with Skyharbour Resources Ltd. ("SKY") a TSX Venture listed company (TSX-V: SYH) whereby the Company will acquire a 25% interest in the Skyharbour Property consisting of 45 mineral claims covering 161,755 hectares located in the Athabasca area in the province of Saskatchewan.

Total consideration consists of 250,000 shares of the Company (issued), and \$100,000 cash payment upon execution of the agreement (paid). The Company must incur \$500,000 in expenditures on or before May 1, 2014 and an additional \$500,000 on or before May 1, 2015. SKY will act as the operator for all expenditures incurred on the Property.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

The property is subject to a 2% net smelter returns royalty agreement between SKY and a third party individual, if the Company acquires a 25% interest in the property it would be liable to pay its proportionate share of the royalty to the 3rd party individual.

In the event that the Company does not complete all of the funding requirements for exploration expenditures on the Property to earn its 25% interest in the Property, then the Company may pay SKY an amount equal to such shortfall in expenditures within 30 days after the option deadline. In the event the required payments are not made, then the Option Agreement will terminate.

On July 9, 2013, the Company entered into a working agreement with Skyharbour Resources Ltd, Athabasca Nuclear Corp, and Noka Resources Inc. for the purpose of conducting a co-ordinated exploration program to be carried out on mineral properties owned by Skyharbour and Athabasca located in the Athabasca area in the Province of Saskatchewan. Each Company has the option to acquire a 25% interest in the Skyharbour Property.

In April 2013, the Company paid \$100,000 and issued 250,000 shares with an estimated fair value of \$140,000 in accordance with the agreement.

In April 2015, the Company paid \$104,862 towards a cash call made by the Syndicate.

(ii) Athabasca Property, Athabasca area – Saskatchewan

On June 28, 2013, the Company entered into an option agreement with Athabasca Nuclear Corp. ("ANC") a TSX Venture listed company (TSX-V: ASC) whereby the Company will acquire a 25% interest in the Athabasca Property consisting of 36 mineral claims covering 125,375 hectares located in the Athabasca area in the province of Saskatchewan.

Total consideration consists of 121,234 shares of the Company, and \$100,000 cash payment upon execution of the agreement (paid). The Company must incur \$1,000,000 in expenditures on or before June 1, 2015. ANC will act as the operator for all expenditures incurred on the Property.

The property is subject to a 2% net smelter returns royalty agreement between SKY and a third party individual, if the Company acquires a 25% interest in the property it would be liable to pay its proportionate share of the royalty to the 3rd party individual.

On July 9, 2013, the Company entered into a working agreement with Skyharbour Resources Ltd, Athabasca Nuclear Corp, and Noka Resources Inc. for the purpose of conducting a co-ordinated exploration program to be carried out on the mineral properties owned by Skyharbour and Athabasca located in the Athabasca area in the Province of Saskatchewan. Each Company has the option to acquire a 25% interest in the Skyharbour Property.

In June 2013, the Company paid \$100,000 in accordance with the agreement and issued 969,869 shares during August 2013.

On August 14, 2015, the management decided not to continue investing in the properties and wrote-off its interest in both accordingly.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

Title to exploration and evaluation assets

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all its properties are in good standing.

6. SHARE CAPITAL

- a) Authorized: Unlimited number of common shares without par value
- b) Share issuance details are as follows:

During the year ended July 31, 2017

- i. May 29, 2017 the Company consolidated its shares on basis of 1 new share for 5 old shares for a total of 4,890,612 with a fractional adjustment of 526 resulting in outstanding shares of 4,890,086.
- ii. On August 22, 2016, warrant holders exercised the right to purchase 20,000 shares of the Company at an exercise price of \$0.50 per share pursuant to a cash exercise whereby the Company recorded proceeds of \$10,000.
- iii. On May 02 2017, a total of 1,000,000 units were sold through a non-brokered private placement at a price of \$0.25 for gross proceeds of \$250,000. Each unit consisted of one common share and one full warrant. Each whole warrant will be exercisable to acquire one common share at an exercise price of \$0.50 at any time for a period of one year from the date of issuance. The warrants are exercisable immediately. The Company paid \$14,035 cash as finder's fees as well as issued 401,000 non-transferable finder's warrants to certain agents with respect to this private placement. The finder's warrants are will be exercisable to acquire one common share at an exercise price of \$0.50 at any time for a period of one year from the date of issuance. The warrants are exercisable immediately.

During the year ended July 31, 2016

- i. On May 24, 2016, warrant holders exercised the right to purchase 830,000 shares of the Company at an exercise price of \$0.10 per share pursuant to a cash exercise whereby the Company recorded proceeds of \$83,000.
- ii. On June 15, 2016, warrant holders exercised the right to purchase 250,000 shares of the Company at an exercise price of \$0.10 per share pursuant to a cash exercise whereby the Company recorded proceeds of \$25,000.
- iii. On June 15, 2016, warrant holders exercised the right to purchase 250,000 shares of the Company at an exercise price of \$0.10 per share pursuant to a cash exercise whereby the Company recorded proceeds of \$25,000.
- iv. On July 6, 2016, warrant holders exercised the right to purchase 400,000 shares of the Company at an exercise price of \$0.10 per share pursuant to a cash exercise whereby the Company recorded proceeds of \$40,000.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

6. SHARE CAPITAL (Cont'd)

v. On July 7, 2016, warrant holders exercised the right to purchase 100,000 shares of the Company at an exercise price of \$0.10 per share pursuant to a cash exercise whereby the Company recorded proceeds of \$10,000.

c) Stock options outstanding

Under the Company's stock option plan, incentive stock options to purchase shares from the Company are granted by the Company's board of directors to directors, officers, employees and consultants of the Company in accordance with the policies of the TSX Venture Exchange ("TMX"). The maximum number of common shares issuable for all purposes under the Plan cannot exceed 20% of the issued and outstanding common shares of the Company as at the date of shareholder approval. Options granted must be exercised no later than five years from the date of grant or any such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price on the TMX on the last trading day preceding the grant date or the minimum price as per the TMX. Any Options issued to an investor relation consultant optionee must vest in stages over at least a twelve month period with no more than 25% of such Options vesting in any three month period.

As of January 31, 2018, the following options were outstanding:

Expiry Date	Outstanding	Exercise Price \$
21-Mar-19	12,500	4.40
	12,500	4.40

During the year, the Company did not issue any stock options and no outstanding stock options expired or were forfeited.

As of July 31, 2017, the following options were outstanding:

Expiry Date	Outstanding	Exercise Price \$
21-Mar-19	12,500	4.40
	12,500	4.40

A summary of the changes in the Company's stock options is presented below:

	Number of Outstanding options	Weighted Average Exercised Price
Balance – July 31, 2015 – outstanding & exercisable	115,012	4.00
Granted	-	-
Expired	(102,137)	-
Balance – July 31, 2016 – outstanding & exercisable	12,875	4.40
Granted	-	-
Expired	(375)	-
Balance – July 31, 2017 – outstanding & exercisable	12,500	4.40
Granted	-	-
Expired	-	-
Balance - January 31, 2018 – outstanding & exercisable	12,500	4.40

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

6. SHARE CAPITAL (Cont'd)

d) Share purchase warrants:

During the year ended July 31, 2017

On May 3, 2017, the Company granted 401,000 brokers warrants in connection with a private placement. Each broker warrant is exercisable into one common share at \$0.50 for a period of one year. The fair value of \$Nil was charged to share issue costs.

During the year ended July 31, 2016

No warrants were issued during the year.

The fair value of the options granted was estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

	31-Jul-2017	31-Jul-2016
Risk free interest rate	0.634%	0.571%
Expected life of options/warrants in years	1 years	1 years
Expected volatility	58.23%	100%
Dividend per share	\$0.00	\$0.00

As of January 31, 2018, the following warrants were outstanding:

Expiry Date	Outstanding	Exercise Price
May-03-18	1,080,200	\$ 0.50

As of July 31, 2017, the following warrants were outstanding:

Expiry Date	Outstanding	Exercise Price
May-03-18	1,080,200	\$ 0.50

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

6. SHARE CAPITAL (Cont'd)

A summary of the changes in the Company's stock warrants is presented below:

	Number of Outstanding Warrants	Weighted Average Exercised Price
Balance – July 31, 2015	1,770,805	2.15
Granted	-	
Exercised	(316,000)	
Expired	(584,805)	2.15
Balance – July 31, 2016	870,000	0.53
Granted	1,080,200	0.50
Exercised	(20,000)	-
Expired	(850,000)	0.53
Balance – July 31, 2017	1,080,200	0.50
Granted	-	-
Exercised	-	-
Expired	-	-
Balance – January 31, 2018	1,080,200	0.50

* If the Company's shares trade at \$2.80 or greater for a period of fifteen consecutive trading days, the Company may, upon notice to the warrant holders, shorten the exercise period to 30 days from the date of notice.

7. RELATED PARTY TRANSACTIONS

The Company's related parties consist of individuals who are executive officers and/or directors of the Company, or directly related to a director of the Company, as follows:

Name	Nature of transaction
Mark Tommasi, Director	Management and consulting fees
Allen Morishita, Chairman, Director	Management and consulting fees
Patricia Wilson, CFO, Director	Management and consulting fees
John Adams, Director	Management and consulting fees

The Company incurred the following fees and expenses in connection with compensation of individuals who are key management and directors. Administration and exploration expenditures were paid to a private company controlled by a common director:

	Six Month ended January 31, 2018	Six Month ended January 31, 2017
Included in operations		
Consulting fees	\$ -	\$ 7,500
Management fees	18,000	18,000
	\$ 18,000	\$ 25,500

These transactions are in the normal course of operations.

During the current fiscal quarter, the Company owed \$100,623 (2017 - \$92,445) to related parties. These balances due to related parties are unsecured, non-interest bearing and due on demand.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

8. INCOME TAXES

The income taxes shown in the statements of loss and comprehensive loss and deficit differ from the amounts obtained by applying statutory rates to the loss before income taxes due to the following:

The net loss for accounting purposes differs from the taxable income as follows:

	Six Month ended January 31, 2018	Year ended July 31, 2017
Income before income taxes	\$ (64,039)	\$ (259,645)
Statutory tax rate	26.00%	26.00%
Expected income tax recovery	\$ (16,650)	\$ (67,497)
Non-deductible differences	6,523	11,829
Other temporary differences	-	-
Share issuance cost	(8,192)	(16,384)
Change in statutory tax rate	-	-
Deferred income tax not recorded	18,319	72,052
Income tax expense	\$ -	\$ -

The significant components of the Company's deferred income tax assets and liabilities as at January 31, 2018 and July 31, 2017 are as follows:

	January 31, 2018	July 31, 2017
Deferred tax asset		
Non-capital losses	\$ 1,504,048	\$ 1,520,698
Property and equipment with tax values in excess of book values	1,199	1,188
Resource property costs with tax values in excess of book values, excluding renounced amounts	829,137	829,137
Share issuance costs	(184,303)	(146,199)
Total deferred income tax asset	2,150,081	2,204,823
Deferred tax liability related to resource expenditures renounced	-	-
Net deferred income tax asset	2,150,081	2,204,823
Valuation allowance	(2,150,081)	(2,204,823)
Deferred income tax asset	\$ -	\$ -

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

8. INCOME TAXES (cont'd)

As at July 31, 2017, the Company has non-capital losses carry forward for income tax purposes of approximately \$5,848,840, which may be deducted against future years' taxable income at various rates per year and expire at various times, subject to final determination by taxation authorities and expiring as follows:

Expiry	Amount
2026	\$ 87,992
2027	118,565
2028	165,675
2029	144,380
2030	641,764
2031	1,544,363
2032	1,298,873
2033	282,283
2034	719,289
2035	322,145
2036	246,347
2037	277,164
	<u><u>\$ 5,848,840</u></u>

The Company also has approximately \$3,188,987 of cumulative Canadian development expenses, cumulative Canadian exploration expenses and cumulative foreign resource expenses available to offset future taxable income. The tax benefit of these expenses carries forward indefinitely.

The realization of income tax benefits related to these future potential tax deductions is uncertain and cannot be viewed as more likely than not. Accordingly, no deferred income tax asset has been recognized for accounting purposes.

9. FINANCIAL INSTRUMENTS

Fair Value Measurement

Financial instruments measured at fair value are classified using a hierarchy that reflects the significance of the inputs used in making the measurements. The Company classifies its financial instruments based on the fair value hierarchy which has the following levels:

Level 1: Fair value based on quoted market prices (unadjusted) observed on active markets for identical financial instruments.

Level 2: Fair value based on quoted prices for similar financial instruments or based on valuation techniques for which all significant inputs are based on observable market information.

Level 3: Fair value based on valuation techniques for which significant inputs are not based on observable market information.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

9. FINANCIAL INSTRUMENTS (cont'd)

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect the estimated fair values.

The fair value of the Company's cash is measured at level 1 of the fair value hierarchy. The carrying value of accounts receivables, deposits, accounts payable and accrued liabilities and flow-through share premium liability approximates their fair value because of their short term nature of if these instruments.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations to the Company. The Company is exposed to credit risk represented by carrying value of cash, short-term investments that are held at a large Canadian financial institution in interest bearing accounts and amounts receivable for harmonized sales tax. The financial institution is a major Canadian bank which the Company believes lessens the degree of credit risk. The primary receivables owed to the Company are owed from the Federal Government of Canada as a result of HST refunds. The Company believes it has no significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company exposure to liquidity is limited to accounts payable and accrued liabilities and amounts due to related party. The Company believes that its exposure to liquidity risk is insignificant as currently the Company has adequate funds available to discharge these liabilities. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity transactions.

Liquidity risk (cont'd)

The following are the contractual maturities of financial liabilities as at January 31, 2018:

	Total	Up to 3 Months	3 – 12 Months	Beyond 1 Year
Accounts payable and accrued liabilities	\$10,692	\$10,692		
Due to related parties	\$100,623	\$100,623		

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

	Total	Up to 3 Months	3 – 12 Months	Beyond 1 Year
Accounts payable and accrued liabilities	\$39,697	\$39,697		
Due to related parties	\$61,900	\$61,900		

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

9. FINANCIAL INSTRUMENTS (cont'd)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

Interest rate risk

The Company's interest rate risk is limited to the risk that the fair value of future cash flows from a financial instrument will fluctuate as a result of changes in market prices. The Company's financial assets and liabilities are not exposed to significant interest rate risk due to their short-term nature. The Company's investment policy focuses on the preservation of capital and limits investments of excess cash into high grade Canadian debt securities.

Currency risk

As at January 31, 2018, all of the Company's cash and cash equivalents were held in Canadian dollars, the Company's functional currency. The Company exposure to fluctuations in foreign currency exchange rates is limited to the deposits held by the Company in a financial institution. As at year-end, the balance outstanding in the deposit account is minimal thereby minimizing the foreign exchange risk for the Company. Currently, the Company is not exposed significant currency risk as the Company is not carrying any financial assets or liabilities denominated in foreign currency.

Price risk

The Company is exposed to price risk with respect to commodity prices. The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

10. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to fund the exploration and development of its unproven mineral interests and acquisition of other mineral resources, for the benefit of its shareholders.

In order to maintain its capital structure, the Company, is dependent on equity funding and when necessary, raises capital through issuance of equity instruments, primarily comprised of common shares and incentive stock options and warrants. The Company manages its capital structure and makes adjustments to it in the light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

Six months ended January 31, 2018 and 2017

10. MANAGEMENT OF CAPITAL (cont'd)

The Company's capital consists of cash and shareholders' equity. The Company is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. The Company's overall strategy with respect to management of capital remains unchanged from the year ended July 31, 2017.

11. SEGMENTED INFORMATION

The Company is primarily involved in the exploration and development of mineral properties and other investments in Canada and currently is no longer exploring opportunities in any sector outside Canada. During the year, the Company paid a refundable deposit of \$39,433 (\$30,000 USD) (2016 - \$66,051 (\$50,000USD)) to a company operating in the technology sector in Argentina, South America pursuant to an agreement which it's no longer pursuing. The Company assigned its interest to an unrelated party in Canada for a consideration of 500,000 marketable securities of the unrelated party that are held in escrow. All assets and liabilities are currently located in Canada. In prior year, all of Company's assets and liabilities were located in Canada only.

	January 31, 2018	
	Canada	Total
Current Assets	\$ 146,511	\$ 146,511
Property and Equipment	563	563
	<u>\$ 147,074</u>	<u>\$ 147,074</u>

	July 31, 2017	
	Canada	Total
Current Assets	\$ 254,074	\$ 254,074
Property and Equipment	728	728
	<u>\$ 254,802</u>	<u>\$ 254,802</u>

12. SUBSEQUENT EVENTS

December 11, 2017 ROJO RESOURCES LTD. (TSXV:RJ.H) (the "Corporation" or "Rojo") announce that it has entered into a letter of intent dated November 30, 2017 (the "LOI") with Konnect Mobile Communications Inc. ("Konnect" or "KMC"). Pursuant to the LOI, it is proposed that Rojo, Konnect and (if applicable), the securityholders of Konnect, will enter into a definitive agreement (the "Definitive Agreement") in respect of a business combination of Rojo and Konnect (the "Transaction"), which is anticipated to constitute a Reverse Takeover (as that term is defined in the policies of the TSX Venture Exchange (the "TSXV") of Rojo. In connection with the completion of the Transaction, the Corporation intends to delist its securities from the TSXV and list same on the Canadian Securities Exchange (the "CSE") as a technology issuer. The final structure of the Definitive Agreement is subject to applicable corporate, securities and tax considerations. The Transaction is an arm's length transaction.

**ROJO
RESOURCES LTD.**

*(AN EXPLORATION STAGE COMPANY)
(Expressed in Canadian Dollars)*

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JULY 31, 2017 AND 2016

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of
Rojo Resources Ltd.**

We have audited the accompanying financial statements of Rojo Resources Ltd., which comprise the statements of financial position as at July 31, 2017 and July 31, 2016, and the statements of loss and comprehensive loss and deficit, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of Rojo Resources Ltd. as at July 31, 2017 and July 31, 2016, and its financial performance and its 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 1 in the financial statements which indicates the existence of material uncertainties that may cast significant doubt about the company's ability to continue as a going concern.

Burnaby, British Columbia
November 22, 2017



KANESTER JOHAL LLP
Chartered Professional Accountants

ROJO RESOURCES LTD.

(An exploration stage company)

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS AND DEFICIT

For The Years Ended July 31, 2017 and 2016

	Notes	Years ended	
		July 31, 2017	July 31, 2016
Expenses			
Advertising		\$ 24,547	\$ 1,314
Amortization		253	175
Consulting fees		7,500	4,013
Interest and bank charges		966	499
Management fees	7	72,000	72,000
Office and miscellaneous		6,993	7,524
Professional fees		114,279	52,712
Shareholder information, transfer agent and filing fee		22,517	18,363
Travel and promotion		106	21,653
		249,161	178,253
Loss before other items		(249,161)	(178,253)
Impairment of exploration and evaluation asset	5	-	(1,796,614)
Write-down of property and equipment	4	-	(3,248)
Interest income		-	-
Write-down of marketable securities		(80,000)	-
Gain on contract assignment	12	69,516	-
Net loss and comprehensive loss for the year		(259,645)	(1,978,115)
Deficit, beginning of the year		(13,798,098)	(11,819,983)
Deficit, end of the year		\$ (14,057,743)	\$ (13,798,098)
Weighted average number of common shares outstanding	6	4,171,900	17,993,170
Loss per share – basic and diluted		\$ (0.06)	\$ (0.11)

See accompanying notes to the financial statements

ROJO RESOURCES LTD.

(An exploration stage company)

STATEMENTS OF CHANGES IN EQUITY

	Share capital		Reserves			Total
	Number of shares	Amount	Subscriptions received (receivable)	Share based payment reserve	Deficit	
Balance at August 1, 2016	19,353,060	\$11,058,863	\$ -	\$ 2,852,713	\$ (13,798,098)	\$ 113,478
Add: Net and comprehensive loss	-	-	-	-	(259,645)	(259,603)
Add: Warrants exercised	100,000	13,027	-	(3,027)	-	10,000
Add: Non-brokered private placement at \$0.25	5,000,000	250,000	-	-	-	250,000
Less: Share consolidation (Note 6(b)(i))	(19,562,448)	-	-	-	-	-
Less: Fraction adjustments (Note 6(b)(ii))	(526)	-	-	-	-	-
Less: Share issue cost	-	(14,035)	-	-	-	(14,035)
Balance at July 31, 2017	4,890,086	\$11,307,855	\$ -	\$ 2,849,686	\$ (14,057,743)	\$ 99,798

	Share capital		Reserves			Total
	Number of shares	Amount	Subscriptions received (receivable)	Share based payment reserve	Deficit	
Balance at August 1, 2015	17,773,060	\$10,900,863	\$ -	\$ 2,852,713	\$ (11,819,983)	\$ 1,933,593
Add: Net and comprehensive loss	-	-	-	-	(1,978,115)	(1,978,115)
Warrants exercised	1,580,000	158,000	-	-	-	158,000
Balance at July 31, 2016	19,353,060	\$11,058,863	\$ -	\$ 2,852,713	\$ (13,798,098)	\$ 113,478

See accompanying notes to the financial statements

ROJO RESOURCES LTD.

(An exploration stage company)

STATEMENTS OF CASH FLOWS

For The Years Ended July 31, 2017 and 2016

	Years ended	
	July 31, 2017	July 31, 2016
Operating activities		
Net loss and comprehensive loss for the year	\$ (259,645)	\$ (1,978,115)
Items not affecting cash:		
Amortization	253	175
Impairment of exploration and evaluation asset	-	1,796,614
Write-down of property and equipment	-	3,248
Write-down of marketable securities	80,000	-
Gain on contract assignment	(69,516)	-
	(249,908)	(178,078)
Changes in non-cash working capital items:		
Accounts receivable	(7,227)	9,111
Prepaid expense and advances	23,333	(48,370)
Accounts payables and accrued liabilities	5,944	12,855
Due to related parties	(22,828)	84,727
Net cash flows used in operating activities	(249,686)	(119,755)
Investing activities		
Purchase of property and equipment	-	(828)
Deposit	(39,433)	(66,051)
Net cash flows used in investing activity	(39,433)	(66,879)
Financing activities		
Proceeds on issuance of common shares	260,000	158,000
Share issue costs	(14,035)	-
Net cash flows from financing activities	245,965	158,000
Decrease in cash and cash equivalents	(43,154)	(28,634)
Cash and cash equivalents, beginning of year	111,822	140,456
Cash and cash equivalents, end of year	\$ 68,668	\$ 111,822

See accompanying notes to the financial statements

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

1. Nature and continuance of operations

Rojo Resources Ltd. (the "Company") performs mineral exploration activities in Canada and United States. The Company has not generated any revenues from its current operations and is considered to be in the exploration stage. The Company's common shares are traded on the TSX Venture Exchange under the trading symbol RJ and as of October 17, 2011, on the OTC International market under the symbol LKYS.D. The Company's head office and principal address is 1746 Macdonald Street, Vancouver, BC, Canada, V6K 3X8.

These financial statements have been prepared on a going concern basis which assumes the Company will continue operations and will be able to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public financing, or generate profitable earnings in the future. Should the Company be unsuccessful in raising additional finance for ongoing operations, there would be substantial doubt about the ability of the Company to continue as a going concern. As at July 31, 2017 the Company has a working capital of \$84,894 (July 31, 2016: working capital of \$112,574) and has accumulated a deficit of \$14,057,743 (July 31, 2016: \$13,798,098) and continues to incur losses from operations.

The current market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new and alternative sources of financing but anticipates the current market conditions may impact the ability to source such funds.

2. Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with International Accounting Standard ("IFRS") issued by the International Accounting Standards Board ("IASB") and International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue on November 22, 2017 by the directors of the Company.

Basis of presentations

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting.

The financial statements are presented in Canadian Dollars, which is also the Company's functional currency, unless otherwise indicated.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

3. Summary of significant accounting policies

Significant accounting judgments, estimates and assumptions

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- (i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- (ii) Management is required to assess the functional currency of each entity of the Company. The Company determined the Canadian dollar to be its functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions.
- (iii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.
- (iv) Although, the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- (v) The determination of the Company's ability to continue as a going concern.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Accounting Estimates and Assumptions

- (i) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
- (ii) Management estimates the fair values of share based payment arrangements using the Black - Scholes option pricing model. Details of these can be found in Note 7.

Other significant accounting estimates include valuation of accounts payable and accrued liabilities, useful life of property, plant and equipment and valuation of marketable securities.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments, which are readily convertible into cash with maturities of three months or less when acquired.

Currency Translation

The Company's presentation currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Marketable Securities

Marketable securities include investments which are transitional or current in nature, with an original maturity greater than three months and less than one year.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property and Equipment

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provision.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate item (major components) of property, plant and equipment.

Amortization is provided at various rates designed to amortize the assets over their estimated useful lives. The annual amortization rates are as follows:

Office furniture	20%	declining basis
Computers	30%	declining basis

Additions during the year are amortized at one half the annual rate.

Exploration and Evaluation Assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Exploration and evaluation costs, including the costs of acquiring claims, are capitalized as exploration and evaluation assets on an area of interest basis pending determination of the technical feasibility and the commercial viability of the project. Capitalized costs include costs directly related to exploration and evaluation activities in the area of interest. General and administrative costs are only allocated to the asset to the extent that those costs can be directly related to operational activities in the relevant area of interest. When a claim is relinquished or a project is abandoned, the related costs are recognized in profit or loss immediately.

Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

ROJO RESOURCES LTD.

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NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Ownership in mineral properties involves certain risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristics of many mining interests. The Company has investigated the ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognized in profit or loss.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

ROJO RESOURCES LTD.

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NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Provisions and Asset Retirement Obligations

The Company recognizes the fair value of a legal or constructive liability for an asset retirement obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of comprehensive income/loss. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. The Company does not have significant asset retirement obligations.

Flow-through shares

The Company may, from time to time, issue flow-through common shares to finance its resource exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholders the income tax attributes of resource exploration costs financed by such shares. Flow-through common shares are recognized in equity based on the quoted price of the existing shares on the date of the issue. The difference between the amounts recognized in common shares and the amount the investor pays for the shares is recognized as flow-through share premium liability which is reversed into earnings as eligible expenditures are incurred. The deferred tax impact is recorded prospectively upon renunciation of the related tax benefits, provided it is expected the Company will incur the required eligible expenditures.

When flow-through expenditures are renounced, a portion of the future income tax assets that were not previously recognized, due to the recording of a valuation allowance, are recognized as a recovery of deferred income taxes in the statements of net and comprehensive income (loss).

Financial instruments - recognition and measurement

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss. The Company has classified cash and marketable securities as financial instruments held at fair value with changes in fair value recognized through profit and loss.

ROJO RESOURCES LTD.

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NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company classifies the GST receivable as loans and receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized through profit or loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through other comprehensive income (loss).

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company has classified its cash at fair value through profit and loss. The Company's harmonized sales tax/ goods and services tax receivable and short term investment are classified as loans and receivables.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method.

The Company's accounts payable and accrued liabilities and due to related party are classified as other financial liabilities.

ROJO RESOURCES LTD.

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For the years ended July 31, 2017 and 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Share-based payment transactions

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of loss and comprehensive loss and deficit over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied.

The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of loss and comprehensive loss and deficit over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of loss and comprehensive loss and deficit, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

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NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries, and associates to the extent that *they will probably not* reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as share-based payment reserve.

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NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Earnings (loss) per share

The Company presents basic and diluted earnings/loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. All of the outstanding and exercisable stock options and warrants were excluded for the calculation of diluted loss per share given their anti-dilutive impact on loss per share calculation.

Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transaction are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are expensed.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

New Standards and amendments issued but not yet adopted

In 2017, there have been no new amended accounting pronouncements that have had a material impact on the Corporation's consolidated financial statements. The following amendments to standards were adopted during the current year.

Disclosure Initiative (Amendments to IAS 1) - On December 18, 2014, the IASB issued *Disclosure Initiative (Amendments to IAS 1)* as part of its major initiative to improve presentation and disclosure in financial reports. The amendments to IAS 1 relate to (i) materiality; (ii) order of the notes; (iii) subtotals; (iv) accounting policies; and (v) disaggregation, and are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

ROJO RESOURCES LTD.

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NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

IAS 16 - Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16). The amendments are effective for annual periods beginning on or after January 1, 2016 and clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.

IAS 38 - Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 38). The amendments are effective for annual periods beginning on or after January 1, 2016 and introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

IFRS 10 - Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures.

The amendments to *IFRS 10 "Consolidated Financial Statements"* (IFRS 10) and *IAS 28 "Investments in associates and joint ventures"* (IAS 28) deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

IFRS 11 - Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments are effective for annual periods beginning on or after January 1, 2016 and has been amended to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in *IFRS 3 Business Combinations*) to apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11 and disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured).

The following new and amended standards are effective for annual periods beginning on or after January 1, 2017 or later, with earlier adoption permitted.

IFRS 9 - Financial Instruments was issued by the IASB on July 24, 2014 and will replace *IAS 39, "Financial instruments: recognition and measurement"* (IAS 39). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected

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NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 - Revenue from Contracts with Customers. This standard is effective for annual periods beginning on or after January 1, 2018 and provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

IFRS 16 - Leases. IFRS 16, "Leases" (IFRS 16) was issued by the IASB on January 13, 2016, and will replace IAS 17, "Leases". IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied.

The Corporation has not early adopted these amendments and standards and is currently assessing the impact they will have on the consolidated financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment	Office equipment	Total equipment
	\$	\$	\$
Cost			
Balance as at July 31, 2015	13,715	682	14,397
Additions during the year	829	-	829
Impairment	(13,715)	-	(13,715)
Balance as at July 31, 2016	828	682	1,510
Additions during the year	-	-	-
Balance as at July 31, 2017	828	682	1,510
Accumulated depreciation			
Balance as at July 31, 2015	10,467	431	10,898
Depreciation for the year	125	50	175
Impairment	(10,467)	-	(10,467)
Balance as at July 31, 2016	125	481	606
Depreciation for the period	211	40	253
Balance as at July 31, 2017	335	521	856
Net book value			
At July 31, 2015	3,248	251	3,499
At July 31, 2016	703	201	904
At July 31, 2017	493	161	654

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

5. EXPLORATION AND EVALUATION ASSETS

During the current year, the Company did not hold any exploration and evaluation assets at anytime throughout the year.

The following is a description of the Company's exploration and evaluation assets and the related spending commitments as at July 31, 2016:

	Western Athabasca Syndicate Property 6 (a)	Total for Year ended July 31, 2016
Property acquisition costs		
Balance, beginning of year	\$ 436,987	\$ 436,987
Additions:		
Impairment	(436,987)	(436,987)
Balance, end of period	-	-
Exploration and evaluation costs		
Balance, beginning of year	1,359,627	1,359,627
Costs incurred during year:		
Impairment	(1,359,627)	(1,359,627)
Balance, end of period	-	-
Balance, July 31, 2016	\$ -	\$ -

(a) Western Athabasca Syndicate Property ("Syndicate") – Saskatchewan

In a working agreement dated July 2013, the Company, Skyharbour Resources Ltd. ("Skyharbour"), Athabasca Nuclear Corp. ("Athabasca") and Noka Resources Inc. ("Noka"), agreed to associate for the purpose of conducting a co-ordinated exploration program to be carried out on the mineral properties owned by Skyharbour and Athabasca located in the Athabasca area of the Province of Saskatchewan. The Western Athabasca Syndicate property consists of the following individual option agreements:

(i) Skyharbour Property, Athabasca area – Saskatchewan

On April 26, 2013, the Company entered into an option agreement with Skyharbour Resources Ltd. ("SKY") a TSX Venture listed company (TSX-V: SYH) whereby the Company will acquire a 25% interest in the Skyharbour Property consisting of 45 mineral claims covering 161,755 hectares located in the Athabasca area in the province of Saskatchewan.

Total consideration consists of 250,000 shares of the Company (issued), and \$100,000 cash payment upon execution of the agreement (paid). The Company must incur \$500,000 in expenditures on or before May 1, 2014 and an additional \$500,000 on or before May 1, 2015. SKY will act as the operator for all expenditures incurred on the Property.

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NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

The property is subject to a 2% net smelter returns royalty agreement between SKY and a third party individual, if the Company acquires a 25% interest in the property it would be liable to pay its proportionate share of the royalty to the 3rd party individual.

In the event that the Company does not complete all of the funding requirements for exploration expenditures on the Property to earn its 25% interest in the Property, then the Company may pay SKY an amount equal to such shortfall in expenditures within 30 days after the option deadline. In the event the required payments are not made, then the Option Agreement will terminate.

On July 9, 2013, the Company entered into a working agreement with Skyharbour Resources Ltd, Athabasca Nuclear Corp, and Noka Resources Inc. for the purpose of conducting a co-ordinated exploration program to be carried out on mineral properties owned by Skyharbour and Athabasca located in the Athabasca area in the Province of Saskatchewan. Each Company has the option to acquire a 25% interest in the Skyharbour Property.

In April 2013, the Company paid \$100,000 and issued 250,000 shares with an estimated fair value of \$140,000 in accordance with the agreement.

In April 2015, the Company paid \$104,862 towards a cash call made by the Syndicate.

(ii) Athabasca Property, Athabasca area – Saskatchewan

On June 28, 2013, the Company entered into an option agreement with Athabasca Nuclear Corp. ("ANC") a TSX Venture listed company (TSX-V: ASC) whereby the Company will acquire a 25% interest in the Athabasca Property consisting of 36 mineral claims covering 125,375 hectares located in the Athabasca area in the province of Saskatchewan.

Total consideration consists of 121,234 shares of the Company, and \$100,000 cash payment upon execution of the agreement (paid). The Company must incur \$1,000,000 in expenditures on or before June 1, 2015. ANC will act as the operator for all expenditures incurred on the Property.

The property is subject to a 2% net smelter returns royalty agreement between SKY and a third party individual, if the Company acquires a 25% interest in the property it would be liable to pay its proportionate share of the royalty to the 3rd party individual.

On July 9, 2013, the Company entered into a working agreement with Skyharbour Resources Ltd, Athabasca Nuclear Corp, and Noka Resources Inc. for the purpose of conducting a co-ordinated exploration program to be carried out on the mineral properties owned by Skyharbour and Athabasca located in the Athabasca area in the Province of Saskatchewan. Each Company has the option to acquire a 25% interest in the Skyharbour Property.

In June 2013, the Company paid \$100,000 in accordance with the agreement and issued 969,869 shares during August 2013.

On August 14, 2015, the management decided not to continue investing in the properties and wrote-off its interest in both accordingly.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

Title to exploration and evaluation assets

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all its properties are in good standing.

6. SHARE CAPITAL

- a) Authorized: Unlimited number of common shares without par value
- b) Share issuance details are as follows:

During the year ended July 31, 2017

- i. May 29, 2017 the Company consolidated its shares on basis of 1 new share for 5 old shares for a total of 4,890,612 with a fractional adjustment of 526 resulting in outstanding shares of 4,890,086.
- ii. On August 22, 2016, warrant holders exercised the right to purchase 100,000 shares of the Company at an exercise price of \$0.10 per share pursuant to a cash exercise whereby the Company recorded proceeds of \$10,000.
- iii. On May 02 2017, a total of 5,000,000 units were sold through a non-brokered private placement at a price of \$0.05 for gross proceeds of \$250,000. Each unit consisted of one common share and one full warrant. Each whole warrant will be exercisable to acquire one common share at an exercise price of \$0.10 at any time for a period of one year from the date of issuance. The warrants are exercisable immediately; however, the holder of these common shares must not trade the shares before September 3, 2017 unless permitted under securities legislation. The Company paid \$14,035 cash as finder's fees as well issued 401,000 non-transferable finder's warrants to certain agents with respect to this private placement. The finder's warrants will be exercisable to acquire one common share at an exercise price of \$0.10 at any time for a period of one year from the date of issuance. The warrants are exercisable immediately.

During the year ended July 31, 2016

- i. On May 24, 2016, warrant holders exercised the right to purchase 830,000 shares of the Company at an exercise price of \$0.10 per share pursuant to a cash exercise whereby the Company recorded proceeds of \$83,000.
- ii. On June 15, 2016, warrant holders exercised the right to purchase 250,000 shares of the Company at an exercise price of \$0.10 per share pursuant to a cash exercise whereby the Company recorded proceeds of \$25,000.
- iii. On June 15, 2016, warrant holders exercised the right to purchase 250,000 shares of the Company at an exercise price of \$0.10 per share pursuant to a cash exercise whereby the Company recorded proceeds of \$25,000.
- iv. On July 6, 2016, warrant holders exercised the right to purchase 400,000 shares of the Company at an exercise price of \$0.10 per share pursuant to a cash exercise whereby the Company recorded proceeds of \$40,000.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

6. SHARE CAPITAL (Cont'd)

v. On July 7, 2016, warrant holders exercised the right to purchase 100,000 shares of the Company at an exercise price of \$0.10 per share pursuant to a cash exercise whereby the Company recorded proceeds of \$10,000.

c) Stock options outstanding

Under the Company's stock option plan, incentive stock options to purchase shares from the Company are granted by the Company's board of directors to directors, officers, employees and consultants of the Company in accordance with the policies of the TSX Venture Exchange ("TMX"). The maximum number of common shares issuable for all purposes under the Plan cannot exceed 20% of the issued and outstanding common shares of the Company as at the date of shareholder approval. Options granted must be exercised no later than five years from the date of grant or any such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price on the TMX on the last trading day preceding the grant date or the minimum price as per the TMX. Any Options issued to an investor relation consultant optionee must vest in stages over at least a twelve month period with no more than 25% of such Options vesting in any three month period.

As of July 31, 2017, the following options were outstanding:

Expiry Date	Outstanding	Exercise Price \$
21-Mar-19	12,500	4.40
	12,500	4.40

During the year, the Company did not issue any stock options and no outstanding stock options expired or were forfeited.

As of July 31, 2016, the following options were outstanding:

Expiry Date	Outstanding	Exercise Price \$
21-Aug-16	375	4.40
21-Mar-19	12,500	4.40
	12,875	4.40

A summary of the changes in the Company's stock options is presented below:

	Number of Outstanding options	Weighted Average Exercised Price
Balance – July 31, 2015 – outstanding & exercisable	115,012	4.00
Granted	-	-
Expired	(102,137)	-
Balance – July 31, 2016 – outstanding & exercisable	12,875	4.40
Granted	-	-
Expired	(375)	-
Balance – July 31, 2017 – outstanding & exercisable	12,500	4.40

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

6. SHARE CAPITAL (Cont'd)

d) Share purchase warrants:

During the year ended July 31, 2017

On May 3, 2017, the Company granted 5,000,000 warrants and 401,000 finder warrants (pre-consolidated warrants) in connection with a private placement (Note 6(b)(i)). Each broker warrant is exercisable into one common share at \$0.10 for a period of one year. Total number of post consolidation finder warrants is 1,000,000 and 80,200 exercisable at \$0.50 per warrant. The fair value of \$Nil was charged to share issue costs.

During the year ended July 31, 2016

No warrants were issued during the year.

The fair value of the options granted was estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

	31-Jul-2016	31-Jul-2016
Risk free interest rate	0.634%	0.571%
Expected life of options/warrants in years	1 years	1 years
Expected volatility	58.23%	100%
Dividend per share	\$0.00	\$0.00

As of July 31, 2017, the following warrants were outstanding:

Expiry Date	Outstanding	Exercise Price
May-03-18	1,080,200	0.50

As of July 31, 2016, the following warrants were outstanding:

Expiry Date	Outstanding	Exercise Price
Apr-06-17	684,000	0.50
Apr-06-17	96,000	0.50
May-26-17	90,000	0.75
	870,000	0.53

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

6. SHARE CAPITAL (Cont'd)

A summary of the changes in the Company's stock warrants is presented below:

	Number of Outstanding Warrants	Weighted Average Exercised Price
Balance – July 31, 2015	1,770,805	2.15
Granted	-	
Exercised	(316,000)	
Expired	(584,805)	2.15
Balance – July 31, 2016	870,000	0.53
Granted (Note 6(b)(iii))	1,080,200	0.50
Exercised	(20,000)	-
Expired	(850,000)	0.53
Balance – July 31, 2017	1,080,200	0.50

* If the Company's shares trade at \$2.80 or greater for a period of fifteen consecutive trading days, the Company may, upon notice to the warrant holders, shorten the exercise period to 30 days from the date of notice.

7. RELATED PARTY TRANSACTIONS

The Company's related parties consist of individuals who are executive officers and/or directors of the Company, or directly related to a director of the Company, as follows:

Name	Nature of transaction
Mark Tommasi, Director	Management and consulting fees
Allen Morishita, Chairman, Director	Management and consulting fees
Patricia Wilson, CFO, Director	Management and consulting fees
John Adams, Director	Management and consulting fees

The Company incurred the following fees and expenses in connection with compensation of individuals who are key management and directors. Administration and exploration expenditures were paid to a private company controlled by a common director:

	Year ended July 31, 2017	Year End July 31, 2016
Included in operations		
Consulting fees	\$ 7,500	\$ -
Management fees	72,000	72,000
	\$ 79,500	\$ 72,000

These transactions are in the normal course of operations.

During the current fiscal quarter, the Company owed \$61,900 (2016 - \$84,246) to related parties. These balances due to related parties are unsecured, non-interest bearing and due on demand.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

8. INCOME TAXES

The income taxes shown in the statements of loss and comprehensive loss and deficit differ from the amounts obtained by applying statutory rates to the loss before income taxes due to the following:

The net loss for accounting purposes differs from the taxable income as follows:

	Year ended July 31, 2017	Year ended July 31, 2016
Loss before income taxes	\$ (259,645)	\$ (1,978,115)
Statutory tax rate	26.00%	26.00%
Expected income tax recovery	\$ (67,497)	\$ (514,310)
Non-deductible differences	11,829	1,042
Other temporary differences	-	-
Share issuance cost	(16,384)	(17,971)
Change in statutory tax rate	-	-
Deferred income tax not recorded	72,052	531,193
Income tax expense	\$ -	\$ -

The significant components of the Company's deferred income tax assets and liabilities as at April 30, 2017 and July 31, 2016 are as follows:

	July 31, 2017	July 31, 2016
Deferred tax asset		
Non-capital losses	\$ 1,520,698	\$ 1,477,865
Property and equipment with tax values in excess of book values	1,188	3,271
Resource property costs with tax values in excess of book values, excluding renounced amounts	829,137	829,137
Share issuance costs	(146,199)	(129,816)
Total deferred income tax asset	2,204,823	2,180,457
Deferred tax liability related to resource expenditures renounced	-	-
Net deferred income tax asset	2,204,823	2,180,457
Valuation allowance	(2,204,823)	(2,180,457)
Deferred income tax asset	\$ -	\$ -

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

8. INCOME TAXES (cont'd)

As at July 31, 2017, the Company has non-capital losses carry forward for income tax purposes of approximately \$5,848,840, which may be deducted against future years' taxable income at various rates per year and expire at various times, subject to final determination by taxation authorities and expiring as follows:

Expiry	Amount
2026	\$ 87,992
2027	118,565
2028	165,675
2029	144,380
2030	641,764
2031	1,544,363
2032	1,298,873
2033	282,283
2034	719,289
2035	322,145
2036	246,347
2037	277,164
	<u>\$ 5,848,840</u>

The Company also has approximately \$3,188,987 of cumulative Canadian development expenses, cumulative Canadian exploration expenses and cumulative foreign resource expenses available to offset future taxable income. The tax benefit of these expenses carries forward indefinitely.

The realization of income tax benefits related to these future potential tax deductions is uncertain and cannot be viewed as more likely than not. Accordingly, no deferred income tax asset has been recognized for accounting purposes.

9. FINANCIAL INSTRUMENTS

Fair Value Measurement

Financial instruments measured at fair value are classified using a hierarchy that reflects the significance of the inputs used in making the measurements. The Company classifies its financial instruments based on the fair value hierarchy which has the following levels:

Level 1: Fair value based on quoted market prices (unadjusted) observed on active markets for identical financial instruments.

Level 2: Fair value based on quoted prices for similar financial instruments or based on valuation techniques for which all significant inputs are based on observable market information.

Level 3: Fair value based on valuation techniques for which significant inputs are not based on observable market information.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

9. FINANCIAL INSTRUMENTS (cont'd)

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect the estimated fair values.

The fair value of the Company's cash and marketable securities is measured at level 1 of the fair value hierarchy. The carrying value of accounts receivables, deposits, accounts payable and accrued liabilities and flow-through share premium liability approximates their fair value because of their short term nature of if these instruments.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations to the Company. The Company is exposed to credit risk represented by carrying value of cash, short-term investments that are held at a large Canadian financial institution in interest bearing accounts and amounts receivable for harmonized sales tax. The financial institution is a major Canadian bank which the Company believes lessens the degree of credit risk. The primary receivables owed to the Company are owed from the Federal Government of Canada as a result of HST refunds. The Company believes it has no significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company exposure to liquidity is limited to accounts payable and accrued liabilities and amounts due to related party. The Company believes that its exposure to liquidity risk is insignificant as currently the Company has adequate funds available to discharge these liabilities. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity transactions.

Liquidity risk (cont'd)

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

	Total	Up to 3 Months	3 – 12 Months	Beyond 1 Year
Accounts payable and accrued liabilities	\$39,697	\$39,697		
Due to related parties	\$61,900	\$61,900		

The following are the contractual maturities of financial liabilities as at July 31, 2016:

	Total	Up to 3 Months	3 – 12 Months	Beyond 1 Year
Accounts payable and accrued liabilities	\$33,751	\$33,751		
Due to related parties	\$84,727	\$84,727		

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

9. FINANCIAL INSTRUMENTS (cont'd)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

Interest rate risk

The Company's interest rate risk is limited to the risk that the fair value of future cash flows from a financial instrument will fluctuate as a result of changes in market prices. The Company's financial assets and liabilities are not exposed to significant interest rate risk due to their short-term nature. The Company's investment policy focuses on the preservation of capital and limits investments of excess cash into high grade Canadian debt securities.

Currency risk

As at July 31, 2017, all of the Company's cash and cash equivalents were held in Canadian dollars, the Company's functional currency. The Company exposure to fluctuations in foreign currency exchange rates is limited to the deposits held by the Company in a financial institution. As at year-end, the balance outstanding in the deposit account is minimal thereby minimizing the foreign exchange risk for the Company. Currently, the Company is not exposed significant currency risk as the Company is not carrying any financial assets or liabilities denominated in foreign currency.

Price risk

The Company is exposed to price risk with respect to commodity prices. The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

10. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to fund the exploration and development of its unproven mineral interests and acquisition of other mineral resources, for the benefit of its shareholders.

In order to maintain its capital structure, the Company, is dependent on equity funding and when necessary, raises capital through issuance of equity instruments, primarily comprised of common shares and incentive stock options and warrants. The Company manages its capital structure and makes adjustments to it in the light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended July 31, 2017 and 2016

10. MANAGEMENT OF CAPITAL (cont'd)

The Company's capital consists of cash and shareholders' equity. The Company is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. The Company's overall strategy with respect to management of capital remains unchanged from the year ended July 31, 2017.

11. SEGMENTED INFORMATION

The Company is primarily involved in the exploration and development of mineral properties and other investments in Canada and currently is no longer exploring opportunities in any sector outside Canada. During the year, the Company paid a refundable deposit of \$39,433 (\$30,000 USD) (2016 - \$66,051 (\$50,000USD)) to a company operating in the technology sector in Argentina, South America pursuant to an agreement which it's no longer pursuing. The Company assigned its interest to an unrelated party in Canada for a consideration of 500,000 marketable securities of the unrelated party that are held in escrow. All assets and liabilities are currently located in Canada. In prior year, all of Company's assets and liabilities were located in Canada only.

	July 31, 2017		
	Canada		Total
Current Assets	\$ 254,074		\$ 254,074
Property and Equipment	728		728
	<u>\$ 254,802</u>		<u>\$ 254,802</u>

	July 31, 2016		
	Canada	Argentina	Total
Current Assets	\$ 165,001	\$ 66,051	\$ 231,052
Property and Equipment	904	-	904
	<u>\$ 165,905</u>	<u>\$ 66,051</u>	<u>\$ 231,956</u>

12. Subsequent Events

During the year, the Company signed a letter of intent pursuant to which the Company and NextLeaf Solutions Inc. intended to enter into a proposed transaction to complete a business combination by way of a securities transactions or similar form of transactions. However, subsequent to the year, on September 1, 2017 the proposed transaction has been cancelled at the request of NextLeaf Solutions Inc. The directors of the Company approved the cancellation. The Company did not make any payments to NextLeaf Solutions Inc. and there are no outstanding liabilities to NextLeaf Solutions Inc. or receivable from NextLeaf Solution Inc.

SCHEDULE "B" – KONNECT FINANCIAL STATEMENTS

Please see attached.

Konnect Mobile Communications Inc.
Consolidated Financial Statements
As at June 30th, 2017 and 2016
(Expressed in Canadian Dollars)

Independent Auditor's Report

Consolidated Statements of Financial Position 4

Consolidated Statements of Loss and Comprehensive Loss 5

Consolidated Statements of Changes in Equity 6

Consolidated Statements of Cash Flows 7

Notes to Consolidated Financial Statements 8 - 28

MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Konnect Mobile Communications Inc.,

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Audit Committee is composed of Directors who are neither management nor employees of the Company. The Committee is responsible for overseeing management in the performance of its financial reporting responsibilities. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Corporation's external auditors.

Guimond Lavallée Inc., Chartered Professional Accountants Corporation, has been appointed to audit the consolidated financial statements and their report follows. The external auditors have full and free access to, and meet periodically and separately with, the Board, the Audit Committee and management to discuss their audit findings.

March 26, 2018

/s/ Richard Groome
Director

INDEPENDENT AUDITORS' REPORT

To the shareholders of KONNECT MOBILE COMMUNICATIONS INC.,

We have audited the accompanying consolidated financial statements of KONNECT MOBILE COMMUNICATIONS INC., which comprise the consolidated statement of financial position as at June 30, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and 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 audit. We conducted our audit 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 auditor's 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 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 KONNECT MOBILE COMMUNICATIONS INC. as at June 30, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The comparative figures in the consolidated financial statements of financial position, the consolidated statements of loss and comprehensive loss, changes in equity, cash flows and the related notes for the year ended June 30, 2016 were audited by another auditor who expressed a qualified opinion on these statements on April 4, 2017.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that KONNECT MOBILE COMMUNICATIONS INC. is still in development stage relating to its property and, as such, no revenue has been yet generated from its operating activities. Accordingly, the Company depends on its ability to fund its working capital, complete the development of its technology, and eventually to generate positive cash flows from operations. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about KONNECT MOBILE COMMUNICATIONS INC.'s ability to continue as a going concern.



Chartered Professional Accountants Corporation

Brossard (Quebec)

March 26, 2018

¹ CPA auditor, CA permit No. A128130

Konnect Mobile Communications Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
As at June 30th

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	2017	2016
Assets		
Current assets		
Cash	\$ 13,138	\$ 97
Sales taxes recoverable	44,740	1,647
Prepaid expenses	<u>36,315</u>	<u>-</u>
	<u>94,193</u>	<u>1,744</u>
Non-current assets		
Advance to a shareholder, without interest nor repayment terms	-	31,700
Computer equipment (Note 6)	321	459
Instapay technology, at amortized cost (Note 7)	2,819,228	-
MLM technology, at amortized cost (Note 8)	-	424,507
Trademark, at amortized cost (Note 9)	<u>-</u>	<u>2,975</u>
	<u>2,819,549</u>	<u>459,641</u>
Total assets	\$ 2,913,742	\$ 461,385
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 153,616	\$ 312,616
Due to Directors, without interest nor repayment terms	20,883	-
Balance of sale price (Note 10)	<u>114,975</u>	<u>-</u>
	<u>289,474</u>	<u>312,616</u>
Shareholders' equity		
Share capital (Note 11)	9,251,100	6,350,100
Contributed surplus (Note 11)	1,679,932	-
Deficit	<u>(8,306,764)</u>	<u>(6,201,331)</u>
	<u>2,624,268</u>	<u>148,769</u>
Total liabilities and shareholders' equity	\$ 2,913,742	\$ 461,385

Going Concern (note 1), Subsequent Events (note 19)

On behalf of the board :

Signed "Richard Groome" Director

Signed "William Coyle" Director

Konnect Mobile Communications Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
Years ended June 30th

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	2017	2016
Expenses		
Consultants	\$ 33,019	\$ 17,245
License	16,307	-
Management fees	100,000	-
Professional fees	32,600	-
Publicity	5,795	-
Office expenses	335	301
Travel expenses	23,892	-
Gain on accounts payable write-off	(225,424)	(19,895)
Share-based compensation (Note 11)	1,679,932	-
MLM Technology impairment (Note 8)	350,679	-
Trademark impairment	2,632	-
Amortization of MLM technology	73,828	73,828
Amortization of trademark	343	312
Amortization of computer equipment	138	197
	<u>2,094,076</u>	<u>71,988</u>
Operating loss		
	<u>2,094,076</u>	<u>71,988</u>
Financial expenses		
Bank charges	8,529	7,178
Foreign exchange loss	2,828	11,306
	<u>11,357</u>	<u>18,484</u>
	<u>11,357</u>	<u>18,484</u>
Net loss and comprehensive loss	<u>\$ (2,105,433)</u>	<u>\$ (90,472)</u>
	<u>\$ (2,105,433)</u>	<u>\$ (90,472)</u>
Loss per share – basic & diluted (note 12)	<u>\$ (0.210)</u>	<u>\$ (0.011)</u>
	<u>\$ (0.210)</u>	<u>\$ (0.011)</u>
Weighted average number of shares outstanding	10,021,644	8,480,000

Konnect Mobile Communications Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)
Years ended June 30th, 2017 and 2016

	Number of common shares outstanding <i>(Note 11)</i>	Share capital <i>(Note 11)</i>	Contributed surplus <i>(Note 11)</i>	Deficit	Total equity
Balance – July 1st, 2016	8,480,000	\$ 6,350,100	\$ -	\$ (6,201,331)	\$ 148,769
Issuance of common shares	5,822,000	2,911,000	-	-	2,911,000
Issuance Costs	-	(10,000)	-	-	(10,000)
Loss for the year	-	-	-	(2,105,433)	(2,105,433)
Share-based compensation	-	-	1,679,932	-	1,679,932
Balance – June 30th, 2017	14,302,000	\$ 9,251,100	\$ 1,679,932	\$ (8,306,764)	\$ 2,624,268
Balance – July 1st, 2015	8,480,000	\$ 6,350,100	\$ -	\$ (6,110,859)	\$ 239,241
Loss for the year	-	-	-	(90,472)	(90,472)
Balance – June 30th, 2016	8,480,000	\$ 6,350,100	\$ -	\$ (6,201,331)	\$ 148,769

Konnect Mobile Communications Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
Years ended June 30th

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	2017	2016
Operating activities		
Net loss	\$ (2,105,433)	\$ (90,472)
Items not affecting cash :		
MLM technology impairment	350,679	-
Trademark impairment	2,632	-
Amortization of MLM technology	73,828	73,828
Amortization of trademark	343	312
Amortization of computer equipment	138	197
Share-based compensation (Note 11)	1,679,932	-
Unrealized foreign exchange loss	406	-
Gain on accounts payable write-off	(225,424)	(19,895)
	<u>(222,899)</u>	<u>(36,030)</u>
Changes in non-cash working capital items (Note 17)	<u>101,991</u>	<u>(17,075)</u>
	<u>(120,908)</u>	<u>(53,105)</u>
Financing activities		
Issuance of common shares, net of issuance cost (1)	401,000	-
Due to Directors	20,883	-
	<u>421,883</u>	<u>-</u>
Investing activities		
Repayment of the advance to a shareholder	31,700	53,603
Additions to Instapay technology (1)	(319,228)	-
Additions to trademark	-	(608)
	<u>(287,528)</u>	<u>52,995</u>
Net increase (decrease) in cash	13,447	(110)
Cash at beginning of year	97	207
Effect of foreign exchange rate fluctuations on cash	<u>(406)</u>	<u>-</u>
Cash at end of year	\$ 13,138	\$ 97

(1) Supplemental cash flows information (Note 17)

1. Incorporation, nature of operations and going concern

Konnect Mobile Communications inc. («The Company»), incorporated under the *Canada Business Corporations Act* on June 1st, 2011, is a company that manages application on phones and on the Web using a multilevel marketing model. The Company's head office is located at 230 Notre-Dame Street West, Montreal, Quebec, H2Y 1T3. Shares of the Company are not currently traded on any stock exchange market. The Company's year-end is June 30th, 2017.

The consolidated financial statements were approved for issue by the Board of Directors on March 26, 2018.

The Company depends on funding from private financing to continue its activities.

For the year ended June 30th, 2017, the Company recorded a loss of \$2,105,433 (a loss of \$90,472 in 2016). In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its existing commitments and pay general and administrative costs.

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations. These consolidated financial statements do not reflect the adjustment to the carrying values of assets and liabilities, the reported revenues and expenses and the consolidated statement of financial position classifications that would be necessary were the going concern assumption not be appropriate. These adjustments could be material.

2. Basis of preparation and summary of significant accounting policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and those of Hitlab USA Inc. and Paysocial Inc., its wholly-owned subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flows information.

Functional and presentation currency

Items included in the consolidated financial statements are measured using currency of the primary economic environment in which the Company operates (the "functional currency"). The functional currency of the Company is the CAD dollar. The presentation currency is the Canadian dollar.

2. Basis of preparation and summary of significant accounting policies (cont'd)

Computer equipment

The computer equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of the computer equipment consists of the purchase price of the asset. Subsequent costs are included in the book value of the asset or recorded separately, when required, when it is probable that future economic benefits associated with the asset will flow to the Company and when the cost can be measured reliably. The carrying value of an asset replaced has to be derecognized on replacement.

Repairs and maintenance costs are charged to the consolidated statements of loss and comprehensive loss during the period in which they are incurred. The computer equipment is amortized on the diminishing balance method at 30%.

Gains and losses on disposals of the computer equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains or losses in the consolidated statements of loss and comprehensive loss.

Intangible assets

The Instapay Technology, the trademark and MLM Technology are intangible assets with finite useful life and are amortized on a straight-line basis over ten years.

Amortization of intangible assets is included within operating costs. The amortization methods and estimated useful lives of intangible assets are reviewed annually or earlier if events and circumstances change.

Impairment of non-financial assets

The Instapay technology and the trademark are tested for impairment annually or when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). The recoverable amount is the higher of:

- An asset's fair value less costs to sell; and
- Value in use (being the present value of the expected future cash flows of the relevant asset or CGU).

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

2. Basis of preparation and summary of significant accounting policies (cont'd)

Financial instruments measurement

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

- Financial liabilities carried at amortized cost
Financial liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, they are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

- Impairment of financial assets
All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or group of financial assets is impaired.

The Company has classified its financial instruments as follows:

Categories	Financial instruments
Loans and receivables	Cash Advance to a shareholder, without interest nor repayment terms
Financial liabilities at amortized cost	Accounts payable and accrued liabilities Due to directors, without interest nor repayment terms Balance of sale price

2. Basis of preparation and summary of significant accounting policies (cont'd)

Financial instruments measurement (cont'd)

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data.

Share capital

Common and preferred shares are classified as equity. The share capital represents the amount received upon issuance of shares. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from the proceeds in equity in the period where the transaction occurs.

Share issuance against asset or services

Common share issue in exchange of asset or service is evaluated at the fair value of the common share.

Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. The Company charges share issue costs to share capital when the related shares are issued. Deferred share issue costs related to financing transactions that are not completed are charged to expenses.

Share-based compensation

A share-based compensation plan has been granted by the Company to its directors, officers and employees. Share-based compensation expense is measured based on the fair value at the grant date and recognized over the period that the employees unconditionally become entitled to the awards with a corresponding increase in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. For non-employees, the fair value of the options is remeasured and recognized over the service period.

Upon the exercise of the options, any consideration received from plan participants is credited to share capital; the amount originally credited to contributed surplus is also reclassified to share capital.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

2. Basis of preparation and summary of significant accounting policies (cont'd)

Foreign currency translation

In preparing the consolidated financial statements, foreign currency transactions are translated into the Company's functional currency at the rates of exchanges prevailing at the dates of transactions. Monetary items are translated at the rate of exchange in effect at the consolidated statements of financial position date; non-monetary items are translated at the historical exchange rate. Gains or losses resulting from these translations are reflected in the consolidated statements of loss and comprehensive loss.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the consolidated statement of operations except to the extent that it relates to items recognized directly in equity or in other comprehensive loss. In this case, the tax is also recognized in other comprehensive loss or directly in equity, respectively.

Current income taxes are the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date in the jurisdictions where the Company operates and generates taxable income. Management periodically evaluates positions in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate, based on the amounts expected to be paid to tax authorities.

Deferred income taxes

Deferred income taxes are recognized, using the asset and liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply to taxable income when the related deferred income tax asset is realized or the deferred income tax liability is settled. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred income taxes assets and liabilities are presented as non-current and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle balances on a net basis.

3. Business acquisition

Effective May 5th, 2017, the Company completed the acquisition of 100% of the shares of Paysocial Inc. (Paysocial) through a share exchange agreement for a total consideration of \$2,700,000, paid through a share capital issuance of 5,000,000 common shares of the Company valued at \$0.50 per share and cash payments of \$200,000. As at June 30th, 2017, a balance of which \$114,975 remains unpaid.

3. Business acquisition (cont'd)

The fair value of net assets acquired is broken down as follow:

Intangible assets	\$ 2,700,000
Liabilities	<u>-</u>
Net assets acquired	\$ 2,700,000

The acquisition was in line with the Company's growth strategy and to be a leading company in financial technology and applications.

The impact of the acquisition on revenue and net loss is nil for the year ended June 30th, 2017 as there were no operations in Paysocial, prior to this transaction. There would have been no difference on revenue and net loss had the acquisition of Paysocial taken place on July 1st, 2016.

The fair value of the acquisition has been established based with the fair value of the shares issued in the exchange plus the cash payment, as this value was deemed more reliable than valuation of Paysocial.

The Company recorded \$2,100 as professional fees in conjunction with the acquisition.

4. New accounting standards not yet adopted

New accounting standards effective January 1st, 2017 and beyond

- IFRS 2 Share-based payment – In June 2016, the IASB issued an amendment to IFRS 2 to clarify the measurement for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. The mandatory effective date of the amendment to IFRS 2 is for annual periods beginning on or after January 1st, 2018. The Company is evaluating the impact of this standard on its consolidated financial statements.
- IFRS 9 *Financial Instruments* – In July 2014, the IASB amended IFRS 9, *Financial Instruments*, to consolidate all three phases of its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The phases are the following: classification and evaluation, impairment and hedge accounting. This standard supersedes all previous versions of IFRS and will come into effect on January 1st 2018. Early application is permitted. The Company is evaluating the impact of this standard on its consolidated financial statements.
- IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures* The amendments to IFRS 10 “Consolidated Financial Statements” (IFRS 10) and IAS 28 “Investments in associates and joint ventures” (IAS 28) deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. The amendments are effective for annual periods beginning on or after January 1st, 2017. The Company is evaluating the impact of this standard on its consolidated financial statements.

4. New accounting standards not yet adopted (cont'd)

New accounting standards effective January 1st, 2017 and beyond (cont'd)

- IFRS 15 *Revenue from contracts with customers* – In May 2014, the IASB issued IFRS 15, *Revenue from contracts with customers*, which specifies the method and timing of recognition of revenue, and requires more detailed and relevant information disclosure. IFRS 15 supersedes IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and other interpretations related to revenue. In September 2015, the IASB issued an amendment to IFRS 15 to suspend for one year the effective date, i.e. as of January 1st 2018. The standard must be applied retrospectively. Early application is still permitted. The Company is evaluating the impact of this standard on its consolidated financial statements.
- IFRS 16 *Leases* – In January 2016, the IASB published IFRS 16, *Leases*. The new standard establishes the principles to present the information with regards to the amount, timing and uncertainty of future net cash inflows from a lease. Under the new standard, the lessee will recognize all assets and liabilities coming from a lease. The effective date to this new standard will be for periods beginning on or after January 1st, 2019 with early adoption permitted if IFRS 15, *Revenue from contracts with customers* is applied. The Company is evaluating the impact of this standard on its consolidated financial statements.
- IAS 7 *Statement of cash flows* – In January 2016, the IASB published an amendment to IAS-7 “*Statement of Cash Flows*”. The amendment “*Disclosure Initiative*” clarifies that changes in liabilities arising from financing activities, including cash and non-cash changes, shall be disclosed in the *Statement of Cash Flows*. The provisions of this amendment will apply to financial statements beginning on or after January 1st, 2017. Early adoption is permitted. The Company is evaluating the impact of this standard on its consolidated financial statements.
- IAS 12 *Incomes taxes* the IASB issued amendments to IAS 12 *Income Taxes*. The amendments, *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)*, clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after January 1st, 2017. Earlier application is permitted. The Company is evaluating the impact of this standard on its consolidated financial statements.

5. Judgments, estimates and assumptions

Many of the amounts included in the consolidated financial statements require Management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on Management’s experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the consolidated financial statement

1. *The estimated useful lives and residual values of computer equipment, Instapay technology, MLM technology and trademark and the measurement of depreciation expense*
Management estimates the useful lives of computer equipment and definite life intangible assets based on the year during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of computer equipment and definite life intangible assets for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use.

5. Judgments, estimates and assumptions (cont'd)

2. *Recognition of deferred income tax assets and measurement of income tax expense*

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, Management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

3. *Going concern*

The Company's ability to achieve its strategy by financing its future needs in working capital requires exercising judgments. More information regarding going concern is presented in Note 1.

6. Computer equipment

Cost

Balance – July 1 st , 2016	\$ 1,577
Additions	<u>-</u>
Balance – June 30 th , 2017	<u>1,577</u>

Accumulated amortization

Balance – July 1 st , 2016	1,118
Amortization	<u>138</u>
Balance – June 30 th , 2017	<u>1,256</u>

Net book value as at June 30th, 2017	\$ 321
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Cost

Balance – July 1 st , 2015	\$ 1,577
Additions	<u>-</u>
Balance – June 30 th , 2016	<u>1,577</u>

Accumulated amortization

Balance – July 1 st , 2015	921
Amortization	<u>197</u>
Balance – June 30 th , 2016	<u>1,118</u>

Net book value as at June 30th, 2016	\$ 459
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7. Instapay technology

Cost

Balance – July 1 st , 2016	\$ -
Additions	<u>2,819,228</u>
Balance – June 30 th , 2017	<u>2,819,228</u>

Accumulated amortization

Balance – July 1 st , 2016	-
Amortization	<u>-</u>
Balance – June 30 th , 2017	<u>-</u>

Net book value as at June 30th, 2017	\$ <u>2,819,228</u>
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Amortization of Instapay Technology has yet to start because the technology is still being developed and not ready for use as at June 30th, 2017.

8. MLM technology

Cost

Balance – July 1 st , 2016	\$ 738,276
Additions	<u>-</u>
Balance – June 30 th , 2017	<u>738,276</u>

Accumulated amortization

Balance – July 1 st , 2016	313,769
Amortization	73,828
Impairment	<u>350,679</u>
Balance – June 30 th , 2017	<u>738,276</u>

Net book value as at June 30th, 2017	\$ <u>-</u>
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8. MLM technology (cont'd)

Cost

Balance – July 1 st , 2015	\$ 738,276
Additions	<u>-</u>
Balance – June 30 th , 2016	<u>738,276</u>

Accumulated amortization

Balance – July 1 st , 2015	239,941
Amortization	<u>73,828</u>
Balance – June 30 th , 2016	<u>313,769</u>

Net book value as at June 30th, 2016	\$ 424,507
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Impairment loss

In accordance with the company's accounting policy, intangible assets are tested for impairment when events or changes in circumstances suggests that their carrying amount may not be recoverable. During the last quarter of fiscal 2017, the Company acquired the Instapay technology and decided to focus on its development, therefore decided to record an impairment loss of the MLM technology, for which commercialization had not generated any revenues since acquisition. The Company is no longer pursuing this business therefore the asset isn't expected to generate any revenues.

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9. Trademark

Cost	
Balance – July 1 st , 2016	\$ 3,428
Additions	-
	<u>3,428</u>
Balance – June 30 th , 2017	<u>3,428</u>
Accumulated amortization	
Balance – July 1 st , 2016	453
Amortization	343
Impairment	2,632
	<u>3,428</u>
Balance – June 30 th , 2017	<u>3,428</u>
Net book value as at June 30th, 2017	\$ -
<hr/>	
Cost	
Balance – July 1 st , 2015	\$ 2,820
Additions	608
	<u>3,428</u>
Balance – June 30 th , 2016	<u>3,428</u>
Accumulated amortization	
Balance – July 1 st , 2015	141
Amortization	312
	<u>453</u>
Balance – June 30 th , 2016	<u>453</u>
Net book value as at June 30th, 2016	\$ 2,975
<hr/>	

10. Balance of sale price

On March 15th, 2017 the company acquired the Instapay Technology from Paysocial in exchange for the issuance of 5,000,000 common shares and a one-time payment of \$200,000 payable upfront \$100,000 followed by monthly payments of \$8,333. The balance due does not bear interest and full payment of the debt will be completed in April 2018 (Note 3).

11. Share capital

The Company is authorized to issue an unlimited number of common shares at no par value. The Corporation is authorized to issue 1,100,000 participating preferred shares without nominal or par value with the following restrictions and privileges:

- a) The holders of the participating preferred shares are entitled to receive quarterly, before a dividend is declared or paid on any other class of shares of the Company or funds are allotted thereto from the profits or surplus available for dividend distribution, a quarterly dividend equal to 0.00001% of the pre-tax profit of the Company as calculated in the Company's quarterly financial statements;
- b) These shares are convertible, at any time, in part or in totality, into units of Hitlab Inc. (the Shareholder). Each unit is comprised of one common share and one share purchase warrant.

All shares issued are fully paid.

Shares issued

- 1) On March 19th, 2017, the Company acquired the Instapay technology for a fair value of \$2,500,000 by issued 5,000,000 common share.
- 2) On April 17th, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$50,000 by issuing 100,000 common shares of the Company's capital at a price of \$0.50 per common share.
- 3) On May 3rd, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$200,000 by issuing 400,000 common shares of the Company's capital at a price of \$0.50 per common share.
- 4) On May 3rd, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$50,000 by issuing 100,000 common shares of the Company's capital at a price of \$0.50 per common share.
- 5) On May 10th, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$100,000 by issuing 200,000 common shares of the Company's capital at a price of \$0.50 per common share.
- 6) On May 11th, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$11,000 by issuing 22,000 common shares of the Company's capital at a price of \$0.50 per common share

Issuance costs of \$10,000 were incurred for private placement close in the year ended June 30th, 2017.

Bonus convertible into common shares

On April 1st, 2017, the Company had agreements to allocate 15% of the pre tax profits of the Company as a bonus in cash to directors of the Company and such bonus shall be convertible at the sole option of the directors into 15% of the common shares of the Company valid for 5 years from the date of the signature and in any event no less than 3,300,000 shares of the Company.

The conversion did not occur as of June 30, 2017.

11. Share capital (cont'd)

Stock options

On May 29th, 2017, the Board of Directors of the Company adopted an incentive stock option plan (the "Plan"), for the benefit of employees, officers and directors. The Plan allows the Company to issue stock options up to a maximum of 15% of the issued and outstanding shares of the Company at the date of grant. The exercise price payable for each option is determined by the Board of Directors at the date of grant, and shall be the fair market value of the shares as determined by the Board in its discretion. The vesting period and expiry date are determined by the Board of Directors for each vesting.

At the same time, the Board of Directors issued 1,280,000 stock options to officers and directors of the Company. These stock options have a strike price of \$0.50, a three years vesting period and expire in 10 years. The fair value of the options was estimated at \$0.4592 per option at the grant date for a total of \$587,753 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 1.75%, expected volatility of 108% and expected option life of ten years. The Company currently estimates the volatility of the market price of its common shares based on comparable information derived from transactions carried out by public companies in a situation similar to its own.

Changes in the number of options outstanding are as follows:	Number of option	Weighted average exercise price
Balance, as at June 30 th , 2016	-	-
Issued	1,280,000	\$0.50
Balance, as at June 30th, 2017	1,280,000	\$0.50

The following table summarizes the information on outstanding options at June 30th, 2017:

Exercise price	Number of option	Weighted average number of remaining contractual life
\$0.50	1,280,000	9.92

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12. Loss per share

Basic EPS

Basic EPS is computed by dividing net loss for a year by the weighted average number of common shares outstanding during that year.

Diluted EPS

Diluted EPS is computed by dividing net loss for a year by the diluted number of common shares. Diluted common shares includes the effects of instruments, such as share options, which could cause the number of common shares outstanding to increase.

The Company reported net losses for the years ended June 30th, 2017 and 2016. The Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the statements of loss and comprehensive loss.

13. Income taxes

As at June 30th, deferred income tax is as follows:

	<u>2017</u>	<u>2016</u>
Non-capital losses, deferred income tax asset	\$ 1,835,196	\$ 1,816,153
Excess of depreciation for income tax purposes over depreciation for accounting purposes, deferred tax liability	<u>(366,224)</u>	<u>(102,040)</u>
	<u>1,468,972</u>	<u>1,714,113</u>
Deferred income tax asset not recognized	<u>(1,468,972)</u>	<u>(1,714,113)</u>
	<u>\$ Nil</u>	<u>\$ Nil</u>

The Company has losses carried forward for tax purposes amounting to \$6,781,342 at the Federal level and \$6,778,560 Provincial level. These losses carried forward expire as follows:

	<u>Federal</u>	<u>Provincial</u>
2031	\$ 232,357	\$ 232,020
2032	2,554,794	2,554,794
2033	2,942,378	2,940,906
2034	716,625	715,652
2035	285,430	285,430
2036	19,914	19,914
2037	<u>70,793</u>	<u>70,793</u>
	<u>\$ 6,822,291</u>	<u>\$ 6,819,509</u>

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13. Income taxes (cont'd)

No deferred income tax asset relating to the losses mentioned has been recorded.

	<u>2017</u>	<u>2016</u>
Loss before income taxes	\$ (2,105,433)	\$ (90,472)
Combined Canadian statutory income tax rate	<u>26.90%</u>	<u>26.90%</u>
Income tax recovery at the combined statutory tax rate	(566,361)	(24,337)
Unrecognized temporary differences	547,318	18,980
Tax benefits not recognized	<u>19,043</u>	<u>5,357</u>
	<u>\$ Nil</u>	<u>\$ Nil</u>

14. Financial instruments and risk management

Financial risk factors

The Company is exposed to various financial risks resulting from both its operations and its investing activities. The Company's management manages financial risks. The Company does not enter into financial instruments agreements, including derivative financial instruments for speculative purposes. The Company's main financial risks exposure and its financial policies are as follows:

- Credit risk
Credit risk refers to the financial loss that the Company could incur should counterparty to a financial instrument default on its obligations. The main credit risk to which the Company is exposed to is related to its advance to a shareholder, which is limited to the amount shown on the consolidated statements of financial position.
- Liquidity risk
The Company manages its liquidity risk by using budgets that enable it to determine the amounts required to fund its operations. The Company also ensures that it has sufficient working capital available to meet its day-to-day commitments. As at June 30th, 2017, the Company has only \$94,193 current assets to settle the current liabilities of \$289,474 that is comprised of accounts payable, accrued liabilities, balance of sale price and due to directors. Subsequently, the Company must secure sufficient funding to meet its existing commitments, pay general and administrative costs and ongoing working capital requirements (Note 1).

The following are the contractual maturities of the financial liabilities amounts:

	Less than 1 year \$	1 to 5 years \$	> 5 years \$
Accounts payable and accrued liabilities	153,616	-	-
Due to directors without interest	20,883	-	-
Balance of sale price	114,975	-	-

14. Financial instruments and risk management (cont'd)

– Market risk

Foreign exchange risk: Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A portion of the Company's financial assets is denominated in United States dollars. Consequently, certain financial assets are exposed to exchange fluctuations. Most of the Company's operations are conducted in Canadian dollars. The Company does not hold derivative financial instruments to manage the fluctuation of exchange rate risk. The financial assets denominated in United States dollars, translated into Canadian dollars at the closing rate, which expose the Company to exchange risk are:

	June 30th, 2017	June 30 th , 2016
	\$	\$
Cash in United States dollars	306	26

– Other price risk

The Company incurred some expenses in US dollars. The exchange risk arising from fluctuations in the US dollar against the Canadian dollar is mitigated by the fact that Company's revenues are partly earned in US dollars. All other things being equal, a 10% increase (decrease) in the value of the US dollar against Canadian dollar at June 30th, 2017, would not have a significant effect on the Company's net loss.

Konnect Mobile Communications Inc.
Notes to the Consolidated Financial Statements
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14. Financial instruments and risk management (cont'd)

Fair value

Fair value of financial instruments is presented as follows:

	June 30 th , 2017		June 30 th , 2016	
	Carrying value	Fair value	Carrying value	Fair value
<u>Financial assets</u>				
Loans and receivables				
Cash	\$ 13,138	\$ 13,138	\$ 97	\$ 97
Sales taxes recoverable	44,740	44,740	1,647	1,647
Advance to a shareholder	-	-(¹)	31,700	-(¹)
	<u>\$ 57,878</u>	<u>\$ 57,878</u>	<u>\$ 33,444</u>	<u>\$ 1,744</u>
<u>Financial liabilities</u>				
Financial liabilities, at amortized cost				
Accounts payable and accrued liabilities	\$ 153,616	\$ 153,616	\$ 312,616	\$ 312,616
Due to Directors	20,883	20,883	-	-
Balance of sale price	<u>114,975</u>	<u>114,975</u>	<u>-</u>	<u>-</u>
	<u>\$ 289,474</u>	<u>\$ 289,474</u>	<u>\$ 312,616</u>	<u>\$ 312,616</u>

Except, for the advance to a shareholder, the above Company's financial instruments, classified as loans and receivables and financial liabilities, have a fair value which approximates their carrying value due to their short-term maturity.

(¹) The advance to a shareholder is also classified as loans and receivables but its fair value cannot be determined since it has no repayment terms.

15. Capital disclosures

The Company's main capital management objective is to obtain the long-term financing required to ensure that the Company will be able to pursue its operations until it reaches its profitability point. Given the nature of its activities, which require a large initial investment, the Company aims for a capital structure that primarily consists of capital stock. As at June 30th, 2017, the Company was not subject to any external obligations regarding its capital.

Konnect Mobile Communications Inc.
Notes to the Consolidated Financial Statements
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(Expressed in Canadian Dollars)

16. Related party transactions

The Company's related parties include an entity with significant influence, companies controlled by a shareholder as well as key personnel and directors.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

All balances of advances receivables and advances payable are measured at fair value and occurred in the normal course of business.

	2017	2016
	\$	\$
<u>Management fees</u>		
Company controlled by a shareholder	10,000	-
Key management personnel and Director	90,000	-
<u>Consultants fees</u>		
Company controlled by a Director	137,129	-
Company under significant influence	5,000	-
<u>Share-based compensation</u>		
Key management personnel and Director	1,679,932	-

	Year	Amounts owed by related parties \$	Amounts owed to related parties \$	Amounts prepaid to related parties \$
Shareholder	2017	-	-	36,315
	2016	31,700	-	-
Key management personnel and Director	2017	-	20,883	-
	2016	-	-	-

Konnect Mobile Communications Inc.
Notes to the Consolidated Financial Statements
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(Expressed in Canadian Dollars)

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17. Cash flows information	<u>2017</u>	<u>2016</u>
<i>Changes in non-cash working capital items</i>		
Sales taxes recoverable	\$ (43,093)	\$ (1,647)
Prepaid expenses	(36,315)	-
Accounts payable and accrued liabilities	66,424	(15,428)
Balance of sale price	<u>114,975</u>	<u>-</u>
	<u>\$ 101,991</u>	<u>\$ (17,075)</u>
<i>Non-cash transaction</i>		
Acquisition of Instapay Technologie in exchange of common shares	\$ 2,500,000	\$ -

18. Comparative figures

Certain figures for 2016 have been reclassified to make their presentation identical to that adopted in 2017.

19. Subsequent events

Letters of Intent

On September 6th, 2017, the Company signed a letter of intent (LOI) with VN3T.org ICO (VN3T). Pursuant the LOI, it is proposed that the Company will contribute the amount of \$250,000 to the VN3T campaign in exchange of which VN3T will reimburse the Company with the first \$250,000 raised by their Initial Coin Offering (ICO) campaign. Subsequently, VN3T will give 10% of the ICO net cash proceed to the Company in the form of coins.

On November 30th, 2017, the Company signed a Letter of intent (LOI) with ROJO RESOURCES LTD (Rojo). Pursuant to the LOI, it is proposed that Rojo, Konnect and (if applicable), the securityholders of connect, will enter into a definitive agreement in respect of a business combination of Rojo, which is anticipated to constitute a Reverse Takeover of Rojo. The final structure of the Definitive Agreement is subject to applicable corporate, securities and tax considerations. The Transaction is an arm's length transaction.

Shares issued

During August, 2017, the Company completed three non-brokered private placement, raising gross proceeds of \$13,500 by issuing 27,000 common shares of the Company's capital at a price of \$0.50 per common share.

During October, 2017, the Company completed several non-brokered private placement, raising gross proceeds of \$100,000 by issuing 200,000 common shares of the Company's capital at a price of \$0.50 per common share.

During November, 2017, the Company completed several non-brokered private placement, raising gross proceeds of \$570,000 by issuing 1,140,000 common shares of the Company's capital at a price of \$0.50 per common share.

Konnect Mobile Communications Inc.
Notes to the Consolidated Financial Statements
For the years ended June 30, 2017 and 2016
(Expressed in Canadian Dollars)

19. Subsequent events (cont'd)

During December, 2017, the Company completed several non-brokered private placement, raising gross proceeds of \$433,850 by issuing 867,700 common shares of the Company's capital at a price of \$0.50 per common share.

During January, 2018, the Company completed several non-brokered private placement, raising gross proceeds of \$30,000 by issuing 60,000 common shares of the Company's capital at a price of \$0.50 per common share.

Commitments

During September, 2017, the Company signed an agreement with a company to contribute in its Initial Coin Offering for an amount of \$250,000. As of March 7, 2018, the totality of the commitment has been met by the Company.

Stock options

During the second quarter of financial year 2018 ending December 31, 2017, the Company issued 850,000 stock options to employees and directors of the Company. These stock options issued are detailed below:

Granting Date	Number of options	Weighted average exercise price \$	Expiration date
October 31 st , 2017	600,000	0.50	October 31 st , 2027
November 1 st , 2017	200,000	0.50	November 1 st , 2018
December 1 st , 2017	50,000	0.50	December 1 st , 2018

Konnect Mobile Communications Inc.
Notes to the Consolidated Financial Statements
For the years ended June 30, 2017 and 2016
(Expressed in Canadian Dollars)

19. Subsequent events (cont'd)

The fair value of the options was estimated at the grant date for a total of \$327,415 using the Black-Scholes option pricing-model with the following assumptions:

Granting Date	Number of options	Fair value of options \$	Risk free interest rate	Expected volatility	Expected option life
October 31 st , 2017	600,000	0.4596	1.95%	108%	10 years
November 1 st , 2017	200,000	0.2066	1.39%	108%	1 year
December 1 st , 2017	50,000	0.2068	1.50%	108%	1 year

The Company currently estimates the volatility of the market price of its common shares based on comparable information derived from transactions carried out by public companies in a situation similar to its own.

KONNECT MOBILE COMMUNICATIONS INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTH PERIODS ENDED DECEMBER 31, 2017
UNAUDITED, EXPRESSED IN CANADIAN DOLLARS

KONNECT MOBILE COMMUNICATIONS INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTH PERIODS ENDED DECEMBER 31, 2017
UNAUDITED, EXPRESSED IN CANADIAN DOLLARS

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Konnect Mobile Communications Inc.
Condensed Interim Consolidated Statements of Financial Position
December 31, 2017 and June 30, 2017
(Unaudited, expressed in Canadian Dollars)

	December 31, 2017 (unaudited) \$	June 30, 2017 (audited) \$
ASSETS		
Current assets		
Cash	123,746	13,138
Sales taxes receivables	35,021	44,740
Prepaid expenses	45,083	36,315
Subscriptions receivable	170,000	-
	373,850	94,193
Non-current assets		
Computer equipment	273	321
Patent	24,850	-
Instapay Technology, at amortized cost (note 5)	2,982,854	2,819,228
Total assets	3,381,827	2,913,742
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	124,590	153,616
Due to Directors without interest nor repayment term	2,000	20,883
Balance of sale price (note 7)	-	114,975
Total liabilities	126,590	289,474
SHAREHOLDERS' EQUITY		
Share capital (note 8)	10,363,450	9,251,100
Contributed surplus	1,897,418	1,679,932
Deficit	(9,005,631)	(8,306,764)
Total shareholders' equity	3,255,237	2,624,268
Total liabilities & shareholders' equity	3,381,827	2,913,742

Going Concern (note 2) and Subsequent Events (note 14)

Approved on behalf of the Board:

Signed "Richard Groome", Director

Signed "William Coyle", Director

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

Konnect Mobile Communications Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and six month periods ended December 31, 2017
(Unaudited, expressed in Canadian Dollars)

	Three months ended		Six months ended	
	December 31, 2017 (unaudited)	December 31, 2016 (unaudited)	December 31, 2017 (unaudited)	December 31, 2016 (unaudited)
	\$	\$	\$	\$
Revenues	-	-	-	-
Expenses				
Professional fees	44,150	-	51,450	-
Management fees	75,000	-	135,000	-
Travel expenses	20,615	-	24,958	-
Office expenses	1,199	-	1,199	-
Publicity	-	-	3,590	-
Consultants	87,625	-	110,000	-
Gain on accounts payable write-off	-	(160,876)	-	(160,876)
Amortization of computer equipment	24	49	48	98
Share-based compensation	131,772	-	217,486	-
Provision initial coin offering	100,000	-	150,000	-
Operating loss (Profit)	460,385	(160,827)	693,731	(160,778)
Financial expenses				
Bank fees	1,247	2,740	2,426	4,706
Foreign exchange loss	5,711	35,327	2,710	35,327
	6,958	38,067	5,136	40,033
(Net loss and comprehensive loss) Profit	(467,343)	122,760	(698,867)	120,745
(Loss) Earning per share - basic & diluted (note 9)	(0.033)	0.014	(0.047)	0.014
Weighted average number of shares outstanding	14,317,120	8,480,000	14,767,208	8,480,000

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

Konnect Mobile Communications Inc.
Condensed Interim Consolidated Statements of Changes in Equity
For the six month periods ended December 31, 2017
(Unaudited, expressed in Canadian Dollars)

	SHARE CAPITAL		CONTRIBUTED SURPLUS	RETAINED EARNINGS (DEFICIT)	TOTAL EQUITY
	#	\$	\$	\$	\$
	(Note 8)	(Note 8)	(Note 8)		
Balance as at, July 1, 2016 (audited)	8,480,000	6,350,100	-	(6,201,331)	148,769
Net profit and comprehensive profit for the period	-	-	-	120,745	120,745
Balance, as at December 31, 2016 (unaudited)	8,480,000	6,350,100	-	(6,080,586)	269,514
Balance, as at July 1, 2017 (audited)	14,302,000	9,251,100	1,679,932	(8,306,764)	2,624,268
Shares issued in private placement	2,234,700	1,117,350	-	-	1,117,350
Issuance costs	-	(5,000)	-	-	(5,000)
Share-based compensation	-	-	217,486	-	217,486
Net loss and comprehensive loss for the period	-	-	-	(698,867)	(698,867)
Balance, as at December 31, 2017 (unaudited)	16,536,700	10,363,450	1,897,418	(9,005,631)	3,255,237

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

Konnect Mobile Communications Inc.
Condensed Interim Consolidated Statements of Cash Flows
For the six months periods ended December 31, 2017
(Unaudited, expressed in Canadian Dollars)

	December 31, 2017	December 31, 2016
	6 months	6 months
	(unaudited)	(unaudited)
	\$	\$
Operating activities		
(Net loss and comprehensive loss)Profit	(698,867)	120,745
<i>Adjustments for:</i>		
Amortization of computer equipment	48	98
Provision on advance on Initial Coin Offering (note 5)	150,000	-
Share-based compensation	217,486	-
Gain on accounts payables write-off	-	(160,876)
<i>Changes in non-cash working capital items:</i>		
Sales taxes receivables	9,719	1,005
Prepaid expenses	(8,768)	-
Subscriptions receivable	(170,000)	-
Accounts payable and accruals	(29,026)	35,328
Balance of sale price	(114,975)	-
Cash flows used in operating activities	(644,383)	(3,700)
Financing activities		
Issuance of common shares, net of issuance cost	942,350	-
Shares to be issued	170,000	-
Due to directors	(18,883)	-
Cash flows from financing activities	1,093,467	-
Investing activities		
Advance to Initial Coin Offering	(150,000)	-
Additions to Instapay Technology	(188,476)	-
Advance to shareholder	-	3,748
Cash flows used in investing activities	(338,476)	3,748
Increase in cash and cash equivalents	110,608	48
Cash and cash equivalents, beginning of the period	13,138	97
Cash, end of the period	123,746	145

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

Konnect Mobile Communications Inc.
Notes to Condensed Interim Consolidated Financial Statements
For the three and six months periods ended December 31, 2017
(Unaudited, expressed in Canadian Dollars)

1. GENERAL INFORMATION AND NATURE OF OPERATIONS

Konnect Mobile Communications Inc. (“Konnect” or the “Company”) was incorporated under the Canada Business Corporations Act on June 1st, 2011. Konnect has a wholly-owned subsidiary, Hitlab USA inc., which was incorporated under the Delaware Business Corporations Act on June 16, 2011. Konnect is a Company that manages application on phones and on the Web using a multilevel marketing model. The Company’s head office and primary place of business is located at 230 Notre-Dame Street West, Montréal, Québec, H2Y 1T3, Canada. Shares of the Company are not currently traded on any stock exchange market. The Company’s year-end is June 30, 2017.

2. GOING CONCERN DISCLOSURE

Several adverse conditions and events cast substantial doubt upon the validity of this assumption. Konnect is not currently generating any revenue from its operations and for the six-month period ended December 31, 2017, the Company recorded a net loss and comprehensive loss of \$698,867 (December 31, 2016 – profit of \$120,745) and deficit of \$9,005,631 (deficit of \$8,306,764 as at June 30, 2017). Its ability to continue as a going concern is uncertain and is dependent upon its ability to fund its working capital, complete the development of its mobile applications, and eventually to generate positive cash flows from operations. Management plans to explore all alternatives possible, including joint ventures, debt and equity financings, and merger opportunities. Management of the Company is exploring ways in which to become a publicly traded company. This will allow the Company to raise capital.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

3. BASIS OF PREPARATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The management in accordance with IAS 34, Interim Financial Reporting, effective as of December 31, 2017, has prepared these condensed interim consolidated financial statements of the Company. Readers should refer to the June 30, 2017 annual audited consolidated financial statements for the accounting policies used in the preparation of these condensed interim consolidated financial statements.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these condensed interim consolidated financial statements. Operating results for the three and six month periods ended December 31, 2017 may not be indicative of the results that may be expected for the year ending June 30, 2018.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 2, 2018.

Basis of measurement

These condensed interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified for specific financial instruments carried at fair value where applicable.

Basis of consolidation

These condensed interim consolidated financial statements incorporate the financial statements of the Company and those of Hitlab USA Inc. and Paysocial Inc., its wholly-owned subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Konnect Mobile Communications Inc.
Notes to Condensed Interim Consolidated Financial Statements
For the three and six months periods ended December 31, 2017
(Unaudited, expressed in Canadian Dollars)

3. BASIS OF PREPARATION (cont'd)

Functional and presentation currency

Items included in the consolidated financial statements are measured using currency of the primary economic environment in which the Company operates (the "functional currency"). The functional currency of the Company is the CAD dollar. The presentation currency is the Canadian dollar.

4. CHANGES IN ACCOUNTING POLICIES

Future accounting changes

IFRS 2 Share based payments

In June 2016, the IASB issued an amendment to IFRS 2 to clarify the measurement for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. The mandatory effective date of the amendment to IFRS 2 is for annual periods beginning on or after January 1, 2018. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB published IFRS 9 to replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). The improvements introduced by IFRS 9 include a logical model for financial asset classification and measurement, a single, forward-looking 'expected loss' impairment model based on expected credit losses, and a substantially-reformed approach to hedge accounting. This standard applies to fiscal years beginning on or after January 1, 2018; early adoption is permitted. The Company has not yet determined the effect of the adoption of this standard on its annual consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB published IFRS 15 Revenue from Contracts with Customers, which replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized at a point in time or over time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet determined the effect of the adoption of this standard on its annual consolidated financial statements.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, "Leases". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 will cancel and replace the previous leases Standard, IAS 17, "Leases", and related interpretations. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 is also applied. The Company has not yet determined the effect of the adoption of this standard on its annual consolidated financial statements.

Konnect Mobile Communications Inc.
Notes to Condensed Interim Consolidated Financial Statements
For the three and six months periods ended December 31, 2017
(Unaudited, expressed in Canadian Dollars)

5. PROVISION - INITIAL COIN OFFERING

On September 6, 2017, the Company signed an agreement with a company to contribute to its Initial Coin Offering (ICO) for an amount of \$250,000. The Company will be reimbursed the advance by payments representing 10% of the ICO's net cash proceeds payable in coins. As of September 30, 2017, as per the payment terms of the agreement the Company was committed to disburse \$50,000 for which an advance and a payable were recorded. Considering the nature of the investment and the inherent risks of an Initial Coin Offering, management decided to record a provision for the entirety of the advance.

Advance in Initial Coin Offering	costs
	\$
Balance, as at June 30, 2017 (audited)	-
Additions	150,000
Provision	(150,000)
Balance, as at September 30, 2017 (unaudited)	-

The payment terms of the advance are as follows: \$50,000 within 3 days of signing the agreement, \$100,000 on December 1 2017, \$50,000 on January 1, 2018 and \$50,000 on February 1, 2018.

6. INSTAPAY TECHNOLOGIES

	costs
	\$
Balance, as at June 30, 2016 (audited)	-
Additions	2,819,228
Amortization	-
Balance, as at June 30, 2017 (audited)	2,819,228
Additions	163,626
Amortization	-
Balance, as at December 31, 2017 (unaudited)	2,982,854

Konnect Mobile Communications Inc.
Notes to Condensed Interim Consolidated Financial Statements
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(Unaudited, expressed in Canadian Dollars)

7. BALANCE OF SALE PRICE

On March 15, 2017 the company acquired the Instapay Technology from 9192-1858 Québec inc. in exchange of the issuance of 5,000,000 common shares and a one-time payment of \$200,000 payable upfront \$100,000 followed by monthly payments of \$8,333. The full payment of the debt was made during the quarter ended December 31, 2017.

8. SHARE CAPITAL

Authorized share capital

The Company has authorized an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. On December 31, 2017, there were 16,196,700 issued and fully paid common shares and 340,000 common shares to be paid and issued.

The Corporation is authorized to issue 1,100,000 participating preferred shares without nominal or par value with the following restrictions and privileges:

- a) The holders of the participating preferred shares are entitled to receive quarterly, before a dividend is declared or paid on any other class of shares of the Company or funds are allotted thereto from the profits or surplus available for dividend distribution, a quarterly dividend equal to 0.00001% of the pre-tax profit of the Company as calculated in the Company's quarterly financial statements;
- b) These shares are convertible, at any time, in part or in totality, into units of Hitlab Inc. (the Shareholder). Each unit is comprised of one common share and one share purchase warrant.

Shares issued

During October, 2017, the Company completed several non-brokered private placement, raising gross proceeds of \$100,000 by issuing 200,000 common shares of the Company's capital at a price of \$0.50 per common share.

During November, 2017, the Company completed several non-brokered private placement, raising gross proceeds of \$570,000 by issuing 1,140,000 common shares of the Company's capital at a price of \$0.50 per common share.

During December, 2017, the Company completed several non-brokered private placement, raising gross proceeds of \$433,850 by issuing 867,700 common shares of the Company's capital at a price of \$0.50 per common share of which \$170,000 is recorded as subscriptions receivable and was collected after year end.

Issuance costs of \$5,000 were incurred for private placement closed in the quarter ended December 31, 2017.

Bonus convertible into common shares

On April 1, 2017, the Company had agreements to allocate 15% of the pre tax profits of the Company as a bonus in cash to directors of the Company and such bonus shall be convertible at the sole option of the directors into 15% of the common shares of the Company valid for 5 years from the date of the signature and in any event no less than 3,300,000 shares of the Company.

The conversion did not occur as of December 31, 2017.

Stock options

On May 29, 2017, the Board of Directors of the Company adopted an incentive stock option plan (the "Plan"), for the benefit of employees, officers and directors. The Plan allows the Company to issue stock options up to a maximum of 15% of the issued and outstanding shares of the Company at the date of grant. The exercise price payable for each option is determined by the Board of Directors at the date of grant, shall be the fair market value of the shares as determined by the Board in its discretion.

Konnect Mobile Communications Inc.
Notes to Condensed Interim Consolidated Financial Statements
For the three and six months periods ended December 31, 2017
(Unaudited, expressed in Canadian Dollars)

8. SHARE CAPITAL (cont'd)

Stock options (cont'd)

The vesting period and expiry date are determined by the Board of Directors for each vesting.

During the quarter ending December 31, 2017, the Company issued 850,000 stock options to employees and directors of the Company. These stock options issued are detailed below:

Granting Date	Number of options	Weighted average exercise price \$	Expiration date
October 31, 2017	600,000	0.50	October 31, 2027
November 1, 2017	200,000	0.50	November 1, 2018
December 1, 2017	50,000	0.50	December 1, 2018

The fair value of the options was estimated at the grant date for a total of \$327,415 using the Black-Scholes option pricing-model with the following assumptions:

Granting Date	Number of options	Fair value of options \$	Risk free interest rate	Expected volatility	Expected option life
October 31, 2017	600,000	0.4596	1.95%	108%	10 years
November 1, 2017	200,000	0.2066	1.39%	108%	1 year
December 1, 2017	50,000	0.2068	1.50%	108%	1 year

The Company currently estimates the volatility of the market price of its common shares based on comparable information derived from transactions carried out by public companies in a situation similar to its own.

Konnect Mobile Communications Inc.
Notes to Condensed Interim Consolidated Financial Statements
For the three and six months periods ended December 31, 2017
(Unaudited, expressed in Canadian Dollars)

8. SHARE CAPITAL (cont'd)

Stock options (cont'd)

Changes in the number of options outstanding are as follows:	Number of option	Weighted average exercise price
Balance, as at June 30, 2017 (audited)	1,280,000	\$0.50
Issued	850,000	\$0.50
Balance, as at December 31, 2017 (unaudited)	2,130,000	\$0.50

The following table summarizes the information on outstanding options at December 31, 2017:

Exercise price	Number of option	Weighted average number of remaining contractual life
\$0.50	1,280,000	9.41
\$0.50	600,000	9.84
\$0.50	200,000	0.84
\$0.50	50,000	0.92

9. EARNINGS PER SHARE ("EPS")

Basic EPS

Basic EPS is computed by dividing net (loss) profit for a period by the weighted average number of common shares outstanding during that period.

Diluted EPS

Diluted EPS is computed by dividing net (loss) profit for a period by the diluted number of common shares. Diluted common shares includes the effects of instruments, such as share options, which could cause the number of common shares outstanding to increase.

The Company reported net losses for the three and six months periods ended December 31, 2017. The Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the statements of loss and comprehensive loss.

Konnect Mobile Communications Inc.
Notes to Condensed Interim Consolidated Financial Statements
For the three and six months periods ended December 31, 2017
(Unaudited, expressed in Canadian Dollars)

10. CAPITAL MANAGEMENT

The Company's main capital management objective is to obtain the long-term financing required to ensure that the Company will be able to pursue its operations until it reaches its profitability point. Given the nature of its activities, which require a large initial investment, the Company aims for a capital structure that primarily consists of capital stock. As at December 31, 2017, the Company was not subject to any external obligations regarding its capital.

11. FINANCIAL INSTRUMENTS

As at December 31, 2017, the Company's financial instruments include cash, accounts payable and accruals, due to directors without interest and repayment terms, and balance of sale price, for which there are no differences in the carrying values and fair values, due to their short-term nature. The types of risk exposures are detailed in Note 12.

12. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flows and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge these risks.

Market risk

Foreign exchange risk: Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A portion of the Company's financial assets is denominated in United States dollars. Consequently, certain financial assets are exposed to exchange fluctuations. Most of the Company's operations are conducted in Canadian dollars. The Company does not hold derivative financial instruments to manage the fluctuation of exchange rate risk. The financial assets denominated in United States dollars, translated into Canadian dollars at the closing rate, which expose the Company to exchange risk are:

	December 31, 2017 (unaudited)	June 30, 2017 (audited)
	\$	\$
Cash in United States dollars	919	338
Accrual in United States dollars	84,356	87,716

A 10% change in the exchange rate would not have a significant impact.

Cash flows and fair value interest rate risk: the Company is exposed to fair value interest rate risk arising from assets and liabilities negotiated at a fixed rate such as cash and due to directors.

However, as these financial instruments mature in a short time, the impact is unlikely to be significant.

Credit risk

Credit risk arises from cash with banks and financial institutions. The Company reduces this risk by dealing with creditworthy financial institutions. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentrations of credit risk through cash.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuance. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. At December 31, 2017 the Company has a working capital of \$247,260 (June 30, 2017 - \$195,281 deficiency). The liquidity risk for the Company is considered high.

Konnect Mobile Communications Inc.
Notes to Condensed Interim Consolidated Financial Statements
For the three and six months periods ended December 31, 2017
(Unaudited, expressed in Canadian Dollars)

12. FINANCIAL RISK FACTORS (cont'd)

Liquidity risk (cont'd)

The following are the contractual maturities of the financial liabilities amounts:

	Less than 1 year \$	1 to 5 years \$	> 5 years \$
Accounts payable and accruals	124,590	-	-
Due to directors without interest	2,000		

Fair value

	December 31, 2017		June 30, 2017	
	Carrying value	Fair value	Carrying value	Fair value
<u>Financial assets</u>				
Loans and receivables				
Cash	\$ 123,746	\$ 123,746	\$ 13,138	\$ 13,138
Sales taxes recoverable	35,021	35,021	44,740	44,740
Subscriptions receivable	170,000	170,000	-	-
	\$ 328,767	\$ 328,767	\$ 57,878	\$ 57,878
<u>Financial liabilities</u>				
Financial liabilities, at amortized cost				
Accounts payable and accruals	\$ 124,590	\$ 124,590	\$ 153,616	\$ 153,616
Due to Directors	2,000	2,000	20,883	20,883
Balance of sale price	-	-	114,975	114,975
	\$ 126,590	\$ 126,590	\$ 289,474	\$ 289,474

The above Company's financial instruments, classified as loans and receivables and financial liabilities, have a fair value which approximates their carrying value due to their short-term maturity.

Konnect Mobile Communications Inc.
Notes to Condensed Interim Consolidated Financial Statements
For the three and six months periods ended December 31, 2017
(Unaudited, expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS

The Company's related parties include an entity with significant influence, companies owned by a Director as well as key management personnel.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. All balances of advances receivables and advances payable are measured at fair value and occurred in the normal course of business.

	Three months ended		Six months ended	
	December 31, 2017 (unaudited) \$	December 31, 2016 (unaudited) \$	December 31, 2017 (unaudited) \$	December 31, 2016 (unaudited) \$
<u>Fees paid to related parties</u>				
Key management personnel and Directors				
Richard Groome	30,000	-	60,000	-
William Coyle	30,000	-	60,000	-
Powered by Alfredo (a)	80,047	-	163,180	-
Pierre Gauthier(b)	-	-	15,000	-
Share-based compensation	-	-	217,486	-
Other related party				
Hitlab Inc. (c)	11,625	-	23,250	-
Notre-Dame Capital (c)	30,000	-	30,000	-

(a) Fees from Powered by Alfredo were capitalized under the Instapay Technology

(b) Fees from Pierre Gauthier are included in management fees

(c) Fees from Hitlab Inc. and Notre-Dame Capital are included in consultant fees

	Year / Period	Amounts	Amounts owed	Amounts
		owed by related parties \$	to related parties \$	prepaid to related parties \$
Key management personnel and Director				
William Coyle	December 31, 2017	-	2,000	-
	2016	-	-	-
Hitlab Inc	December 31, 2017	-	-	9,083
	2016	-	-	-

14. SUBSEQUENT EVENTS

Shares issued

During January, 2018, the Company completed several non-brokered private placement, raising gross proceeds of \$30,000 by issuing 60,000 common shares of the Company's capital at a price of \$0.50 per common share.

SCHEDULE "C" – ISSUER MD&A

Please see attached.

ROJO RESOURCES LTD

Management Discussion and Analysis of Financial Condition and Results of Operations For the Six months ended January 31, 2018 (Expressed in Canadian Dollars)

This management discussion and analysis has been prepared as of February 22, 2018, and should be read in conjunction with the audited financial statements of the Company and for the quarter ended January 31, 2018 and 2017 the subsequent management discussion and analysis to February 22, 2018. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures, and internal controls to ensure that information used internally or disclosed externally, including the accompanying audited financial statements and this MD&A, is complete and reliable.

The unaudited interim financial statements of the Company for the six month ended January 31, 2018 are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The Company is a Canadian company based in Vancouver, British Columbia, Canada, engaged primarily in the acquisition, exploration and development of mineral properties of merit in Canada and Worldwide with the aim of developing them to a point whereby they can be put into production or offered for joint venture whereby funding would be available for further development and exploration. Currently the company does not have any assets or mineral properties that are in production and is investigating opportunities in various other sectors.

The Company’s common shares are traded on the TSX Venture Exchange under the trading symbol RJ and as of February 22, 2018, on the OTC International market under the symbol LKYSD.

Additional information on the Company is available on SEDAR at www.sedar.com.

CORPORATE ACTIVITIES

During the current year, the Company does not have any interest in any mineral property options and has been actively pursuing opportunities in other sectors including technology and legal marijuana. As at year-end, management’s efforts to invest in other sectors have not materialized yet.

During the prior year, the Company had interest in following mineral property option which was written-down on August 14, 2015:

Western Athabasca Syndicate Property – Saskatchewan

In a working agreement dated July 2013, the Company Skyharbour Resources Ltd. (“Skyharbour”), Athabasca Nuclear Corp. (“Athabasca”) and Noka Resources Inc. (“Noka”), agreed to associate for the purpose of conducting a co-ordinated exploration program to be carried out on the mineral properties owned by Skyharbour and Athabasca located in the Athabasca area of the Province of Saskatchewan. The Western Athabasca Syndicate property consists of the following individual option agreements:

ROJO RESOURCES LTD

Management Discussion and Analysis of Financial Condition and Results of Operations For the Six months ended January 31, 2018 (Expressed in Canadian Dollars)

Skyharbour Property, Athabasca area – Saskatchewan

On April 26, 2013, the Company entered into an option agreement with Skyharbour Resources Ltd. (“SKY”) a TSX Venture listed company (TSX-V: SYH) whereby the Company will acquire a 25% interest in the Skyharbour Property consisting of 45 mineral claims covering 161,755 hectares located in the Athabasca area in the province of Saskatchewan.

Total consideration consists of 250,000 shares of the Company (issued), and \$100,000 cash payment upon execution of the agreement (paid). The Company must incur \$500,000 in expenditures on or before May 1, 2014 and an additional \$500,000 on or before May 1, 2015. SKY will act as the operator for all expenditures incurred on the Property.

The property is subject to a 2% net smelter returns royalty agreement between SKY and a third party individual, if the Company acquires a 25% interest in the property it would be liable to pay its proportionate share of the royalty to the 3rd party individual.

In the event that the Company does not complete all of the funding requirements for exploration expenditures on the Property to earn its 25% interest in the Property, then the Company may pay SKY an amount equal to such shortfall in expenditures within 30 days after the option deadline. In the event the required payments are not made, then the Option Agreement will terminate.

On July 9, 2013, the Company entered into a working agreement with Skyharbour Resources Ltd, Athabasca Nuclear Corp, and Noka Resources Inc. for the purpose of conducting a coordinated exploration program to be carried out on mineral properties owned by Skyharbour and Athabasca located in the Athabasca area in the Province of Saskatchewan. Each Company has the option to acquire a 25% interest in the Skyharbour Property.

In April 2013, the Company paid \$100,000 and issued 250,000 shares with an estimated fair value of \$140,000 in accordance with the agreement.

In April 2015, the Company paid \$104,862 towards a cash call made by the Syndicate operator.

Athabasca Property, Athabasca area – Saskatchewan

On June 28, 2013, the Company entered into an option agreement with Athabasca Nuclear Corp. (“ANC”) a TSX Venture listed company (TSX-V: ASC) whereby the Company will acquire a 25% interest in the Athabasca Property consisting of 36 mineral claims covering 125,375 hectares located in the Athabasca area in the province of Saskatchewan.

Total consideration consists of 121,234 shares of the Company, and \$100,000 cash payment upon execution of the agreement (paid). The Company must incur \$1,000,000 in expenditures on or before June 1, 2015. ANC will act as the operator for all expenditures incurred on the Property.

The property is subject to a 2% net smelter returns royalty agreement between SKY and a third party individual, if the Company acquires a 25% interest in the property it would be liable to pay its proportionate share of the royalty to the 3rd party individual.

ROJO RESOURCES LTD

Management Discussion and Analysis of Financial Condition and Results of Operations For the Six months ended January 31, 2018 (Expressed in Canadian Dollars)

On July 9, 2013, the Company entered into a working agreement with Skyharbour Resources Ltd, Athabasca Nuclear Corp, and Noka Resources Inc. for the purpose of conducting a coordinated exploration program to be carried out on mineral properties owned by Skyharbour and Athabasca located in the Athabasca area in the Province of Saskatchewan. Each Company has the option to acquire a 25% interest in the Skyharbour Property.

In June 2013, the Company paid \$100,000 in accordance with the agreement and issued 969,869 shares during August 2013.

On August 14, 2015, the management decided not to continue investing in the property and wrote-off its interest accordingly.

OPERATING RESULTS

	Three Months Period Ended January 31 2018	Three Months Period Ended January 31, 2017	Six Months Period Ended January 31, 2018	Six Months Period Ended January 31, 2017
Expenses				
Advertising	\$ 315	\$ 300	\$ 12,297	\$ 600
Amortization	45	44	90	88
Consulting (Note 8)	3,000	7,500	9,000	7,500
Interest and bank charges	137	102	295	628
Management fees (Note 8)	18,000	18,000	36,000	36,000
Office and miscellaneous	1,683	2,500	3,040	3,234
Professional fees	15,649	27,186	23,149	67,927
Shareholder info, transfer agent	4,698	4,952	5,168	5,520
	43,527	60,583	89,039	121,496
Loss before other items	(43,527)	(60,583)	(89,039)	(121,496)
Unrealized gain (loss) on marketable securities	(40,000)	-	25,000	-
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ (83,527)	\$ (60,583)	\$ (64,039)	\$ (121,496)
INCOME (LOSS) PER SHARE - BASIC AND FULLY DILUTED	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

ROJO RESOURCES LTD

Management Discussion and Analysis of Financial Condition and Results of Operations For the Six months ended January 31, 2018 (Expressed in Canadian Dollars)

As of January 31, 2018, the Company had a net and comprehensive loss of \$64,039 (2016: \$121,496) resulting in a loss per share of \$0.01 (2017: \$0.01).

SELECTED QUARTERLY INFORMATION

	<u>January 31,</u> <u>2018</u>	<u>January 31,</u> <u>2017</u>	<u>January 31,</u> <u>2016</u>
Operating expenses	43,527	60,583	48,241
Net Income (Loss)	(83,527)	(60,583)	(48,241)
Loss per share	0.06	0.01	0.01
Total Assets	147,074	146,292	101,740
Working capital (Deficiency)	35,196	(104,318)	50,720
Total liabilities	111,315	144,310	48,033
Share capital	11,307,855	11,068,863	10,900,863
(Deficit)	(14,121,782)	(13,919,594)	(13,699,869)

DISCUSSION OF OPERATIONS

For the quarter ended January 31, 2018

As of January 31, 2018, the Company had a net loss of \$83,527 (2017: (\$60,583) resulting in a loss per share of \$0.01 (2017: \$0.01).

Consulting Fees \$9,000 (2017: \$7,500)

Professional fees \$ 23,149 (2017: \$67,927)

SUMMARY OF QUARTERLY RESULTS

The following financial information is derived from various audited annual financial statements and unaudited interim financial statements, prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), and interpretations of the IFRS Interpretations Committee ("IFRIC").

	<u>01/31/2018</u>	<u>10/31/2017</u>	<u>07/31/2017</u>	<u>04/30/2017</u>	<u>01/31/2017</u>	<u>10/31/2016</u>	<u>07/31/2016</u>	<u>04/30/2016</u>
Revenue - operations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net income (loss)	(83,527)	19,488	(174,065)	35,916	(60,583)	(60,912)	(57,858)	(40,371)
Earnings (loss) per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

The Company does not derive revenue from its operations. Its primary focus is in the acquisition and exploration of resource properties.

The major contributing factor for the loss in fiscal quarter January 31, 2018 was consulting, management fees paid to related parties, professional fees and transfer agent fees.

ROJO RESOURCES LTD

Management Discussion and Analysis of Financial Condition and Results of Operations For the Six months ended January 31, 2018 (Expressed in Canadian Dollars)

LIQUIDITY AND CAPITAL RESOURCES

The Company has no cash flow from operations. The Company receives funds for operational use primarily from issuing common shares in the Company. At January 31, 2018, the Company had \$4,021 cash on hand (January 31, 2017 \$35,739). The Company has a working capital of \$35,196 (2017: working capital deficit of \$104,318).

Summary of liquidity and capital resources:

- Capitalized mineral property costs incurred for the quarter ended January 31, 2018 totaled \$NIL (January 31, 2017 \$NIL)
- General and administrative expenses for the quarter ended January 31, 2018 totaled \$43,527 (2017: \$60,583) of which \$3,000 was consulting, Professional fees of \$15,649 and management fees of \$18,000.
- The Company raised \$NIL before share issue costs in the period under review (2017: \$NIL) in cash through stock issuance. Cash used in operations was \$95,953 (2017: \$13,945). Cash used in investment activities was \$40,000 (2017: \$NIL).

No other commitments to provide additional funds have been made by management or other stockholders. Accordingly, there can be no assurance that any additional funds will be available to the Company to allow it to cover future operating expenses. The Company has no other capital resources other than the ability to issue common stock to raise additional capital or receive funds on the exercise of warrants or options by the holders.

Management continues to look for additional debt or equity financing for working capital and acquisition of projects.

SEGMENTED INFORMATION

The Company is primarily involved in the exploration and development of mineral properties and other investments in Canada and currently is no longer exploring opportunities in any sector outside Canada. During the year, the Company paid a refundable deposit of \$39,433 (\$30,000 USD) (2016 - \$66,051 (\$50,000USD)) to a company operating in the technology sector in Argentina, South America pursuant to an agreement which it's no longer pursuing. The Company assigned its interest to an unrelated party in Canada for a consideration of 500,000 marketable securities of the unrelated party that are held in escrow. All assets and liabilities are currently located in Canada. In prior year, all of Company's assets and liabilities were located in Canada only.

	January 31, 2018	
	Canada	Total
Current Assets	\$ 146,511	\$ 146,511
Property and Equipment	563	563
	<u>\$ 147,074</u>	<u>\$ 147,074</u>

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

ROJO RESOURCES LTD

Management Discussion and Analysis of Financial Condition and Results of Operations For the Six months ended January 31, 2018 (Expressed in Canadian Dollars)

RELATED PARTY TRANSACTIONS

The Company's related parties consist of individuals who are executive officers and/or directors of the Company, or directly related to a director of the Company, as follows:

Name	Nature of transaction
Allen Morishita, Chairman, Director	Management and consulting fees
Paricia Wilson, CFO, Director	Management and consulting fees
John Adams, Director	Management and consulting fees
Mark Tommasi, Director	Management and consulting fees

The Company incurred the following fees and expenses in connection with compensation of individuals who are key management and directors. Administration and exploration expenditures were paid to a private company controlled by a common director:

	Six Month ended January 31, 2018	Six Month ended January 31, 2017
Included in operations		
Consulting fees	\$ -	\$ 7,500
Management fees	36,000	18,000
	\$ 36,000	\$ 25,500

These transactions are in the normal course of operations.

During the current fiscal quarter, the Company owed \$100,623 (2017 - \$119,146) to the related parties. These balances due to related parties are unsecured, non-interest bearing and due on demand.

PROPOSED TRANSACTIONS

There are no proposed asset or business acquisitions or dispositions planned, other than those during the ordinary course of business and disclosed in financial statements.

CRITICAL ACCOUNTING ESTIMATES

By definition the Company is a venture issuer and as such utilizes limited critical accounting estimation. The Company's recoverability of the recorded value of its mineral property costs is dependent upon many factors beyond the Company's control. The Company is engaged in an industry that is dependent on a number of conditions including property tenure, environmental and permitting risks, legal and political risks and the Company's ability to obtain necessary financing to maintain, explore and develop its mineral properties.

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to establish accounting policies and to make estimates that affect both the amount and timing of the recording of assets, liabilities and expenses. Some of these estimates require judgment about matters that are inherently uncertain. Note 3 to the financial statements for the year ended July 31, 2017 includes a summary of the significant accounting policies adopted by the company and Note 2 includes a summary of significant accounting judgments, estimates and assumptions.

ROJO RESOURCES LTD

Management Discussion and Analysis of Financial Condition and Results of Operations For the Six months ended January 31, 2018

(Expressed in Canadian Dollars)

FINANCIAL INSTRUMENTS

Fair Value Measurement

Financial instruments measured at fair value are classified using a hierarchy that reflects the significance of the inputs used in making the measurements. The company classifies its financial instruments based on the fair value hierarchy which has the following levels:

Level 1: Fair value based on quoted market prices (unadjusted) observed on active markets for identical financial instruments.

Level 2: Fair value based on quoted prices for similar financial instruments or based on valuation techniques for which all significant inputs are based on observable market information.

Level 3: Fair value based on valuation techniques for which significant inputs are not based on observable market information.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect the estimated fair values.

The fair value of the Company's cash is measured at level 1 of the fair value hierarchy. The carrying value of accounts receivables, deposits, accounts payable and accrued liabilities and flow-through share premium liability approximates their fair value because of the short term nature of these instruments.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations to the Company. The Company is exposed to credit risk represented by carrying value of cash, short-term investments that are held at a large Canadian financial institution in interest bearing accounts and amounts receivable for harmonized sales tax. The financial institution is a major Canadian bank which the Company believes lessens the degree of credit risk. The primary receivables owed to the Company are owed from the Federal Government of Canada as a result of GST refunds. The Company believes it has no significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company's exposure to liquidity is limited to accounts payable and accrued liabilities and amounts due to related parties. The Company believes that its exposure to liquidity risk is insignificant as currently the Company has adequate funds available to discharge these liabilities. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity transactions.

ROJO RESOURCES LTD

Management Discussion and Analysis of Financial Condition and Results of Operations For the Six months ended January 31, 2018

(Expressed in Canadian Dollars)

The following are the contractual maturities of financial liabilities as at January 31, 2018:

	Total	Up to 3 Months	3 – 12 Months	Beyond 1 Year
Accounts payable and accrued liabilities	\$10,692	\$10,692		
Due to related parties	\$100,623	\$100,623		

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

	Total	Up to 3 Months	3 – 12 Months	Beyond 1 Year
Accounts payable and accrued liabilities	\$39,697	\$39,697		
Due to related parties	\$61,900	\$61,900		

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

Interest rate risk

The Company's interest rate risk is limited to the risk that the fair value of future cash flows from a financial instrument will fluctuate as a result of changes in market prices. The Company's financial assets and liabilities are not exposed to significant interest rate risk due to their short-term nature. The Company's investment policy focuses on the preservation of capital and limits investments of excess cash into high grade Canadian debt securities.

Currency risk

As at July 31, 2017, all the Company's cash and cash equivalents were held in Canadian dollars, the Company's functional currency. The Company is exposed to fluctuations in foreign currency exchange rates as a portion of the Company's exploration and evaluation expenditures are incurred in US dollars. A significant change in the currency exchange rates between the Canadian and US dollar could have an effect on the Company's results of operations, financial position or cash flows. Currently, the Company is not exposed significant currency risk as the Company is not carrying any financial assets or liabilities denominated in foreign currency.

Price risk

The Company is exposed to price risk with respect to commodity prices. The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

ROJO RESOURCES LTD

Management Discussion and Analysis of Financial Condition and Results of Operations For the Six months ended January 31, 2018

(Expressed in Canadian Dollars)

OUTSTANDING SHARE DATA

On May 29, 2017, the Company consolidated its shares on basis of 1 new share for 5 old shares for a total of 4,890,086.

As of January 31, 2018, the following securities were outstanding:

(a) Share Capital

Authorized - unlimited number of common shares without par value

(b) Issued and Outstanding Capital: 4,890,086 shares outstanding

(c) Warrants Outstanding at January 31, 2018:

As of January 31, 2018, the following warrants were outstanding:

Expiry Date	Outstanding 31-January-18	Exercise Price \$
May-03-18	1,080,200	0.50

As of January 31, 2018, the following options were outstanding:

Expiry Date	Outstanding	Exercise Price \$
21-Mar-19	12,500	4.40
	12,500	4.40

DISCLOSURE CONTROLS AND PROCEDURES

The internal controls and procedures of the Company have problems similar to many small venture companies. The size and location of the company's offices makes the maintenance of desirable internal controls difficult. The Company regularly reviews its disclosure and procedures; however, it cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud. Given the size of the Company and the number of staff, the Company does not have the resources to monitor and maintain in-depth and up-to-date understanding of all changes to financial and regulatory reporting.

Due to the limited number of staff, it is not possible to achieve segregation of duties, nor does the Company currently maintain written policies and procedures at its offices. Similarly, the Company must engage accounting assistance with respect to complex, non-routine accounting issues, tax compliance and reporting for its operations. Notwithstanding these weaknesses, the Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and that information is timely and accurately disclosed consistent with Canadian securities laws and regulations. Although the identified weaknesses may be considered to increase the risk that a material misstatement in the Company's financial statements would not be prevented or detected, neither has resulted in a material misstatement in the financial statements.

ROJO RESOURCES LTD

Management Discussion and Analysis of Financial Condition and Results of Operations For the Six months ended January 31, 2018 (Expressed in Canadian Dollars)

At present time, the Company has no plans to increase the size of its staff, however, the CEO and the CFO oversee all material transactions and related accounting records and the audit committee of the Company reviews with management on a quarterly basis the financial statements of the Company. While management and the board of directors of the Company work to mitigate the risk of a material misstatement in the Company's financial reporting, the Company's control system, no matter how well designed or implemented, can only provide reasonable, but not absolute, assurance of detecting, preventing and deterring errors and fraud.

No material changes in the Company's internal control over financial reporting were identified by management during the most recent year end period.

FORWARD LOOKING STATEMENTS – CAUTIONARY NOTES

Certain statements included in this MD&A contain forward-looking statements that relate to future events or the Company's future performance. All statements other than statements of historical fact are forward looking statements. These statements include, but are not limited to, statements concerning the future financial and operating performance of Rojo Resources Ltd. and its current and proposed mineral projects; the future prices of gold and other precious and base metals; the estimation of mineral reserves and resources; the realization of mineral reserve estimates; timing of updated technical reports and scoping study and preliminary economic assessment; expected content of scoping study and preliminary economic assessment; anticipated working-capital requirements; capital expenditures; costs and timing of future exploration; requirements for additional capital; government regulation of mining operations; environmental risks; title disputes or claims; and limitation of insurance coverage.

Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "proposes", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, general business and economic uncertainties; exploration and mining risks; uncertainties relating to surface rights; the actual results of current exploration activities; the outcome of negotiations; conclusions of economic evaluations and studies; future prices of gold and other precious and base metals; increased competition in the mining industry

for properties, equipment and qualified personnel; risks associated with environmental compliance and permitting, including those created by changes in environmental legislation and regulation; the risk of arbitrary changes in law; title risks; and the risk of loss of key personnel.

The forward-looking statements contained herein are based on a number of assumptions that the Company believes are reasonable, but may prove to be incorrect. These assumptions include, but are not limited to, assumptions that there is no material deterioration in general business and economic conditions; that there is no unanticipated fluctuation of interest rates and foreign exchange rates; that the supply and demand for gold develops as expected; that the Company receives regulatory approvals for its exploration projects on a timely basis; that the Company is able to obtain financing for its projects on reasonable terms; that the Company's reserve estimates are within reasonable bounds of accuracy and that the geological,

ROJO RESOURCES LTD

Management Discussion and Analysis of Financial Condition and Results of Operations For the Six months ended January 31, 2018 (Expressed in Canadian Dollars)

operational and price assumptions upon which they are based are reasonable; and that the Company is able to hire the personnel needed to carry out its business plan.

The foregoing lists of factors and assumptions are not exhaustive. The reader should also consider carefully the matters discussed under the heading “Risks and Uncertainties” elsewhere in this MD&A.

Forward-looking statements contained herein are made as of the date hereof (or as of the date of a document incorporated herein by reference, as applicable). No obligation is undertaken to update publicly or otherwise revise any forward-looking statements or the foregoing lists of factors and assumptions, whether as a result of new information, future events or results or otherwise, except as required by law. Because forward-looking statements are inherently uncertain, readers should not place undue reliance on them. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement.

RISK AND UNCERTAINTIES

Early Stage – Need for Additional Funds

Rojo has no history of profitable operations and its present business is at an early stage. As such, Rojo is subject to many risks common to such enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues.

There is no assurance that Rojo will be successful in achieving a return on shareholders’ investments and the likelihood of success must be considered in light of its early stage of operations.

Rojo has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required.

Although Rojo has been successful in the past in obtaining financing through the sale of equity securities or joint ventures, there can be no assurance that Rojo will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

EXPLORATION AND DEVELOPMENT

Exploration for minerals or precious gems is a speculative venture involving substantial risk. There is no certainty that the expenditures made by the Company and/or its Subsidiaries will result in discoveries of commercial metal reserves.

Mining and development risk always accompany anticipated rewards, and uncertainties always exist where mineral properties are concerned. Uncertainties include the size, grade and recovery of a natural occurring mineral deposit. Although exploration and development efforts can outline a mineral deposit with a degree of certainty, ultimate grade and tonnages are never fully known until mining has been completed.

Metal and prices are also a significant factor in the development decision for a mineral property, as a mine may not be economically feasible in a period of depressed prices. Factors, beyond the control of the Company may affect the marketability of any minerals discovered. Pricing is affected by numerous factors such as international economic and political trends, global or regional consumption and demand patterns, and increased production by current producers.

ROJO RESOURCES LTD

Management Discussion and Analysis of Financial Condition and Results of Operations For the Six months ended January 31, 2018 (Expressed in Canadian Dollars)

OPERATING HAZARDS AND RISKS

Mining operations involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. Operations in which Rojo has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production metals, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

TITLE RISKS

Although Rojo has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned.

ENVIRONMENTAL REGULATIONS, PERMITS, AND LICENSES

Rojo's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in impositions of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a direction of stricter standards, and enforcement, and higher fines and penalties for non-compliance for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability for companies and directors, officers and employees. The cost of compliance with changes in

governmental regulations has the potential to reduce the profitability of operations. Rojo intends to fully comply with all environmental regulations.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact of Rojo and cause increases in capital expenditures or productions costs or reduction in levels of productions at producing properties or requirements abandonment or delays in development of new mining properties.

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ECONOMIC CONDITIONS

Unfavorable economic conditions may negatively impact Rojo's financial viability as a result of increased financing costs and limited access to capital markets.

CONFLICT OF INTEREST

Rojo's directors and officers may serve as directors and officers, or may be associated with other reporting companies or have significant shareholding in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which Rojo may participate, the directors and officers of Rojo may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, Rojo will follow the provisions of the Business Corporations Act ("Corporations Act") in dealing with conflicts of interest. These provisions state that where a director/officer has such a conflict, the director must arrange a meeting of the board to disclose his interest and must refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of Rojo are required to act honestly, in good faith and in the best interests of Rojo.

DEPENDENCE ON MANAGEMENT

Rojo is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate Rojo.

SUBSEQUENT EVENTS

December 11, 2017 ROJO RESOURCES LTD. (TSXV:RJ.H) (the "Corporation" or "Rojo") announce that it has entered into a letter of intent dated November 30, 2017 (the "LOI") with Konnect Mobile Communications Inc. ("Konnect" or "KMC"). Pursuant to the LOI, it is proposed that Rojo, Konnect and (if applicable), the securityholders of Konnect, will enter into a definitive agreement (the "Definitive Agreement") in respect of a business combination of Rojo and Konnect (the "Transaction"), which is anticipated to constitute a Reverse Takeover (as that term is defined in the policies of the TSX Venture Exchange (the "TSXV") of Rojo. In connection with the completion of the Transaction, the Corporation intends to delist its securities from the TSXV and list same on the Canadian Securities Exchange (the "CSE") as a technology issuer. The final structure of the Definitive Agreement is subject to applicable corporate, securities and tax considerations. The Transaction is an arm's length transaction.

ADDITIONAL INFORMATION RELATING TO THE COMPANY CAN BE FOUND:

- (a) on SEDAR at www.sedar.com;
- (b) on the Company's web-site, www.rojoresources.com; and
- (c) in the Company's audited financial statements for the year ended July 31, 2017.

ROJO RESOURCES LTD

Management Discussion and Analysis of Financial Condition and Results of Operations

For the year ended July 31, 2017

(Expressed in Canadian Dollars)

This management discussion and analysis has been prepared as of November 22, 2017, and should be read in conjunction with the audited financial statements of the Company for the years ended July 31, 2017 and 2016 the subsequent management discussion and analysis to November 22, 2017. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures, and internal controls to ensure that information used internally or disclosed externally, including the accompanying audited financial statements and this MD&A, is complete and reliable.

The financial statements of the Company for the year ended July 31, 2017 are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The Company is a Canadian company based in Vancouver, British Columbia, Canada, engaged primarily in the acquisition, exploration and development of mineral properties of merit in Canada and Worldwide with the aim of developing them to a point whereby they can be put into production or offered for joint venture whereby funding would be available for further development and exploration. Currently the company does not have any assets or mineral properties that are in production and is investigating opportunities in various other sectors.

The Company’s common shares are traded on the TSX Venture Exchange under the trading symbol RJ and as of November 22, 2017, on the OTC International market under the symbol LKYSD.

Additional information on the Company is available on SEDAR at www.sedar.com.

CORPORATE ACTIVITIES

During the current year, the Company does not have any interest in any mineral property options and has been actively pursuing opportunities in other sectors including technology and legal marijuana. As at year-end, management’s efforts to invest in other sectors have not materialized yet.

During the prior year, the Company had interest in following mineral property option which was written-down on August 14, 2015:

Western Athabasca Syndicate Property – Saskatchewan

In a working agreement dated July 2013, the Company Skyharbour Resources Ltd. (“Skyharbour”), Athabasca Nuclear Corp. (“Athabasca”) and Noka Resources Inc. (“Noka”), agreed to associate for the purpose of conducting a co-ordinated exploration program to be carried out on the mineral properties owned by Skyharbour and Athabasca located in the Athabasca area of the Province of Saskatchewan. The Western Athabasca Syndicate property consists of the following individual option agreements:

ROJO RESOURCES LTD

Management Discussion and Analysis of Financial Condition and Results of Operations

For the year ended July 31, 2017

(Expressed in Canadian Dollars)

Skyharbour Property, Athabasca area – Saskatchewan

On April 26, 2013, the Company entered into an option agreement with Skyharbour Resources Ltd. (“SKY”) a TSX Venture listed company (TSX-V: SYH) whereby the Company will acquire a 25% interest in the Skyharbour Property consisting of 45 mineral claims covering 161,755 hectares located in the Athabasca area in the province of Saskatchewan.

Total consideration consists of 250,000 shares of the Company (issued), and \$100,000 cash payment upon execution of the agreement (paid). The Company must incur \$500,000 in expenditures on or before May 1, 2014 and an additional \$500,000 on or before May 1, 2015. SKY will act as the operator for all expenditures incurred on the Property.

The property is subject to a 2% net smelter returns royalty agreement between SKY and a third party individual, if the Company acquires a 25% interest in the property it would be liable to pay its proportionate share of the royalty to the 3rd party individual.

In the event that the Company does not complete all of the funding requirements for exploration expenditures on the Property to earn its 25% interest in the Property, then the Company may pay SKY an amount equal to such shortfall in expenditures within 30 days after the option deadline. In the event the required payments are not made, then the Option Agreement will terminate.

On July 9, 2013, the Company entered into a working agreement with Skyharbour Resources Ltd, Athabasca Nuclear Corp, and Noka Resources Inc. for the purpose of conducting a coordinated exploration program to be carried out on mineral properties owned by Skyharbour and Athabasca located in the Athabasca area in the Province of Saskatchewan. Each Company has the option to acquire a 25% interest in the Skyharbour Property.

In April 2013, the Company paid \$100,000 and issued 250,000 shares with an estimated fair value of \$140,000 in accordance with the agreement.

In April 2015, the Company paid \$104,862 towards a cash call made by the Syndicate operator.

Athabasca Property, Athabasca area – Saskatchewan

On June 28, 2013, the Company entered into an option agreement with Athabasca Nuclear Corp. (“ANC”) a TSX Venture listed company (TSX-V: ASC) whereby the Company will acquire a 25% interest in the Athabasca Property consisting of 36 mineral claims covering 125,375 hectares located in the Athabasca area in the province of Saskatchewan.

Total consideration consists of 121,234 shares of the Company, and \$100,000 cash payment upon execution of the agreement (paid). The Company must incur \$1,000,000 in expenditures on or before June 1, 2015. ANC will act as the operator for all expenditures incurred on the Property.

The property is subject to a 2% net smelter returns royalty agreement between SKY and a third party individual, if the Company acquires a 25% interest in the property it would be liable to pay its proportionate share of the royalty to the 3rd party individual.

ROJO RESOURCES LTD**Management Discussion and Analysis of Financial Condition and Results of Operations****For the year ended July 31, 2017****(Expressed in Canadian Dollars)**

On July 9, 2013, the Company entered into a working agreement with Skyharbour Resources Ltd, Athabasca Nuclear Corp, and Noka Resources Inc. for the purpose of conducting a coordinated exploration program to be carried out on mineral properties owned by Skyharbour and Athabasca located in the Athabasca area in the Province of Saskatchewan. Each Company has the option to acquire a 25% interest in the Skyharbour Property.

In June 2013, the Company paid \$100,000 in accordance with the agreement and issued 969,869 shares during August 2013.

On August 14, 2015, the management decided not to continue investing in the property and wrote-off its interest accordingly.

OPERATING RESULTS

As of July 31, 2017, the Company had a net and comprehensive loss of \$259,645 (2016: \$1,978,115) resulting in a loss per share of \$0.06 (2016: \$0.11).

SELECTED QUARTERLY INFORMATION

	April 30, 2017	July 31, 2016	July 31, 2015
Operating expenses	94,064	178,253	269,905
Net Income (Loss)	174,064	1,978,115	218,893
Loss per share	0.06	0.11	0.02
Total Assets	201,395	231,956	1,954,489
Working capital (Deficiency)	84,894	112,574	133,480
Exploration and evaluation assets	-	-	1,796,614
Total liabilities	101,597	118,478	20,896
Share capital	11,304,828	11,058,863	10,900,863
(Deficit)	(14,057,743)	(13,798,098)	(11,819,983)

	Three Month Period ended July 31, 2017	Three Months Period Ended July 31, 2016	Year Ended July 31, 2017	Year Ended July 31, 2016
LOSS BEFORE INCOME TAXES				
Advertising	\$ 23,746	\$ (924)	\$ 24,547	\$ 1,314
Amortization	121	(568)	253	175
Consulting fees	-	1,027	7500	4,013
Interest and bank charges	184	124	966	449
Management fees	18,000	18,000	72,000	72,000
Office and miscellaneous	1,774	1,834	6,993	7,524
Professional fees	45,052	28,103	114,279	52,712
Shareholder information, transfer agent and filing fees	5,181	(4,071)	22,517	18,363
Travel and promotion	106	11,110	106	21,653
	94,065	54,635	249,161	178,253

ROJO RESOURCES LTD**Management Discussion and Analysis of Financial Condition and Results of Operations****For the year ended July 31, 2017****(Expressed in Canadian Dollars)**

LOSS BEFORE INCOME TAXES	94,065	54,635	-	178,253
Impairment of exploration and evaluation assets	-	-	-	(1,796,614)
Write-down of property and equipment	-	(3,248)	-	(3,248)
Write-down of marketable securities	80,000	-	80,000	-
Gain on contract assignment	-	-	(69,516)	-
NET AND COMPREHENSIVE LOSS FOR THE YEAR	\$ (174,065)	\$ (57,883)	\$ (259,645)	\$ (1,978,115)
LOSS PER SHARE – BASIC AND FULLY DILUTED	\$ (0.04)	\$ (0.01)	\$ (0.06)	\$ (0.11)

DISCUSSION OF OPERATIONS*For the quarter ended July 31, 2017*

As of July 31, 2017, the Company had a net loss of \$174,065 (2016: \$57,883) resulting in a loss per share of \$0.04 (2016: \$0.01).

Professional Fees \$45,052 (2016: 28,103)

Advertising \$ 23,647 (2016: -924)

SUMMARY OF QUARTERLY RESULTS

The following financial information is derived from various audited annual financial statements and unaudited interim financial statements, prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”), and interpretations of the IFRS Interpretations Committee (“IFRIC”).

	07/31/2017	04/30/2017	01/31/2017	10/31/2016	07/31/2016	04/30/2016	01/31/2016	10/31/2015
Revenue - operations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net income (loss)	(174,065)	35,916	(60,583)	(60,912)	(57,858)	(40,371)	(48,241)	(1,831,645)
Earnings (loss) per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.016)

The Company does not derive revenue from its operations. Its primary focus is in the acquisition and exploration of resource properties.

The major contributing factor for the loss in fiscal quarter 2017 was advertising, management fees paid to related parties, professional fees and transfer agent fees.

ROJO RESOURCES LTD

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LIQUIDITY AND CAPITAL RESOURCES

The Company has no cash flow from operations. The Company receives funds for operational use primarily from issuing common shares in the Company. At July 31, 2017, the Company had \$68,668 cash on hand (July 31, 2016 \$111,822). The Company has a working capital of \$84,894 (2016: working capital of \$112,574).

Summary of liquidity and capital resources:

- Capitalized mineral property costs incurred for the quarter ended July 31, 2017 totaled \$NIL (July 31, 2016 \$NIL)
- General and administrative expenses for the year ended July 31, 2017 totaled \$249,161 (2016: \$178,253 of which \$24,547 was advertising, Professional fees of \$114,279 and management fees of \$72,000.
- The Company raised \$260,000 before share issue costs in the period under review (2016: \$158,000) in cash through stock issuance. Cash used in operations was \$249,686 (2016: \$119,755). Cash used in investment activities was \$39,433 (2016: \$66,879).

No other commitments to provide additional funds have been made by management or other stockholders. Accordingly, there can be no assurance that any additional funds will be available to the Company to allow it to cover future operating expenses. The Company has no other capital resources other than the ability to issue common stock to raise additional capital or receive funds on the exercise of warrants or options by the holders.

Management continues to look for additional debt or equity financing for working capital and acquisition of projects.

SEGMENTED INFORMATION

The Company is primarily involved in the exploration and development of mineral properties and other investments in Canada and currently is no longer exploring opportunities in any sector outside Canada. During the year, the Company paid a refundable deposit of \$39,433 (\$30,000 USD) (2016 - \$66,051 (\$50,000USD)) to a company operating in the technology sector in Argentina, South America pursuant to an agreement which it's no longer pursuing. The Company assigned its interest to an unrelated party in Canada for a consideration of 500,000 marketable securities of the unrelated party that are held in escrow. All assets and liabilities are currently located in Canada. In prior year, all of Company's assets and liabilities were located in Canada only.

	July 31, 2017	
	Canada	Total
Current Assets	\$ 254,074	\$ 254,074
Property and Equipment	728	728
	<u>\$ 254,802</u>	<u>\$ 254,802</u>

ROJO RESOURCES LTD

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For the year ended July 31, 2017

(Expressed in Canadian Dollars)

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

The Company's related parties consist of individuals who are executive officers and/or directors of the Company, or directly related to a director of the Company, as follows:

Name	Nature of transaction
Allen Morishita, Chairman, Director	Management and consulting fees
Paricia Wilson, CFO, Director	Management and consulting fees
John Adams, Director	Management and consulting fees
Mark Tommasi, Director	Management and consulting fees

The Company incurred the following fees and expenses in connection with compensation of individuals who are key management and directors. Administration and exploration expenditures were paid to a private company controlled by a common director:

	Year Ended July 30, 2017	Year End July 31, 2016
Included in operations		
Consulting fees	\$ 7,500	\$ -
Management fees	72,000	72,000
	\$ 79,500	\$ 72,000

These transactions are in the normal course of operations.

During the current fiscal quarter, the Company owed \$61,900 (2016 - \$84,727) to the related parties. These balances due to related parties are unsecured, non-interest bearing and due on demand.

PROPOSED TRANSACTIONS

There are no proposed asset or business acquisitions or dispositions planned, other than those during the ordinary course of business and disclosed in financial statements.

CRITICAL ACCOUNTING ESTIMATES

By definition the Company is a venture issuer and as such utilizes limited critical accounting estimation. The Company's recoverability of the recorded value of its mineral property costs is dependent upon many factors beyond the Company's control. The Company is engaged in an industry that is dependent on a number of conditions including property tenure, environmental and permitting risks, legal and political risks and the Company's ability to obtain necessary financing to maintain, explore and develop its mineral properties.

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The preparation of financial statements in conformity with International Financial Reporting Standards requires management to establish accounting policies and to make estimates that affect both the amount and timing of the recording of assets, liabilities and expenses. Some of these estimates require judgment about matters that are inherently uncertain. Note 3 to the financial statements for the year ended July 31, 2016 includes a summary of the significant accounting policies adopted by the Company and Note 2 includes a summary of significant accounting judgments, estimates and assumptions.

FINANCIAL INSTRUMENTS

Fair Value Measurement

Financial instruments measured at fair value are classified using a hierarchy that reflects the significance of the inputs used in making the measurements. The company classifies its financial instruments based on the fair value hierarchy which has the following levels:

Level 1: Fair value based on quoted market prices (unadjusted) observed on active markets for identical financial instruments.

Level 2: Fair value based on quoted prices for similar financial instruments or based on valuation techniques for which all significant inputs are based on observable market information.

Level 3: Fair value based on valuation techniques for which significant inputs are not based on observable market information.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect the estimated fair values.

The fair value of the Company's cash is measured at level 1 of the fair value hierarchy. The carrying value of accounts receivables, deposits, accounts payable and accrued liabilities and flow-through share premium liability approximates their fair value because of the short term nature of these instruments.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations to the Company. The Company is exposed to credit risk represented by carrying value of cash, short-term investments that are held at a large Canadian financial institution in interest bearing accounts and amounts receivable for harmonized sales tax. The financial institution is a major Canadian bank which the Company believes lessens the degree of credit risk. The primary receivables owed to the Company are owed from the Federal Government of Canada as a result of GST refunds. The Company believes it has no significant credit risk.

ROJO RESOURCES LTD**Management Discussion and Analysis of Financial Condition and Results of Operations****For the year ended July 31, 2017****(Expressed in Canadian Dollars)**

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company's exposure to liquidity is limited to accounts payable and accrued liabilities and amounts due to related parties. The Company believes that its exposure to liquidity risk is insignificant as currently the Company has adequate funds available to discharge these liabilities. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity transactions.

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

	Total	Up to 3 Months	3 – 12 Months	Beyond 1 Year
Accounts payable and accrued liabilities	\$39,697	\$39,697		
Due to related parties	\$61,900	\$61,900		

The following are the contractual maturities of financial liabilities as at July 31, 2016:

	Total	Up to 3 Months	3 – 12 Months	Beyond 1 Year
Accounts payable and accrued liabilities	\$33,751	\$33,751		
Due to related parties	\$84,727	\$84,727		

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

Interest rate risk

The Company's interest rate risk is limited to the risk that the fair value of future cash flows from a financial instrument will fluctuate as a result of changes in market prices. The Company's financial assets and liabilities are not exposed to significant interest rate risk due to their short-term nature. The Company's investment policy focuses on the preservation of capital and limits investments of excess cash into high grade Canadian debt securities.

Currency risk

As at July 31, 2017, all the Company's cash and cash equivalents were held in Canadian dollars, the Company's functional currency. The Company is exposed to fluctuations in foreign currency exchange rates as a portion of the Company's exploration and evaluation expenditures are incurred in US dollars. A significant change in the currency exchange rates between the Canadian and US dollar could have an effect on the Company's results of operations, financial position or cash flows. Currently, the Company is not exposed significant currency risk as the Company is not carrying any financial assets or liabilities denominated in foreign currency.

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(Expressed in Canadian Dollars)

Price risk

The Company is exposed to price risk with respect to commodity prices. The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

OUTSTANDING SHARE DATA

On May 29, 2017, the Company consolidated its shares on basis of 1 new share for 5 old shares for a total of 4,890,086.

As of July 31, 2017, the following securities were outstanding:

(a) Share Capital

Authorized - unlimited number of common shares without par value

(b) Issued and Outstanding Capital: 4,890,086 shares outstanding

(c) Warrants Outstanding at July 31, 2017:

As of July 31, 2017, the following warrants were outstanding:

Expiry Date	Outstanding	Exercise Price
May-03-18	1,080,200	0.50

As of July 31, 2017, the following options were outstanding:

Expiry Date	Outstanding	Exercise Price
21-Mar-19	12,500	4.40
	12,500	4.40

DISCLOSURE CONTROLS AND PROCEDURES

The internal controls and procedures of the Company have problems similar to many small venture companies. The size and location of the company's offices makes the maintenance of desirable internal controls difficult. The Company regularly reviews its disclosure and procedures; however, it cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud. Given the size of the Company and the number of staff, the Company does not have the resources to monitor and maintain in-depth and up-to-date understanding of all changes to financial and regulatory reporting.

ROJO RESOURCES LTD

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Due to the limited number of staff, it is not possible to achieve segregation of duties, nor does the Company currently maintain written policies and procedures at its offices. Similarly, the Company must engage accounting assistance with respect to complex, non-routine accounting issues, tax compliance and reporting for its operations. Notwithstanding these weaknesses, the Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and that information is timely and accurately disclosed consistent with Canadian securities laws and regulations. Although the identified weaknesses may be considered to increase the risk that a material misstatement in the Company's financial statements would not be prevented or detected, neither has resulted in a material misstatement in the financial statements.

At present time, the Company has no plans to increase the size of its staff, however, the CEO and the CFO oversee all material transactions and related accounting records and the audit committee of the Company reviews with management on a quarterly basis the financial statements of the Company. While management and the board of directors of the Company work to mitigate the risk of a material misstatement in the Company's financial reporting, the Company's control system, no matter how well designed or implemented, can only provide reasonable, but not absolute, assurance of detecting, preventing and deterring errors and fraud.

No material changes in the Company's internal control over financial reporting were identified by management during the most recent year end period.

FORWARD LOOKING STATEMENTS – CAUTIONARY NOTES

Certain statements included in this MD&A contain forward-looking statements that relate to future events or the Company's future performance. All statements other than statements of historical fact are forward looking statements. These statements include, but are not limited to, statements concerning the future financial and operating performance of Rojo Resources Ltd. and its current and proposed mineral projects; the future prices of gold and other precious and base metals; the estimation of mineral reserves and resources; the realization of mineral reserve estimates; timing of updated technical reports and scoping study and preliminary economic assessment; expected content of scoping study and preliminary economic assessment; anticipated working-capital requirements; capital expenditures; costs and timing of future exploration; requirements for additional capital; government regulation of mining operations; environmental risks; title disputes or claims; and limitation of insurance coverage.

Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "proposes", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, general business and economic uncertainties; exploration and mining risks; uncertainties relating to surface rights; the actual results of current exploration activities; the outcome of negotiations; conclusions of economic evaluations and studies; future prices of gold and other precious and base metals; increased competition in the mining industry

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for properties, equipment and qualified personnel; risks associated with environmental compliance and permitting, including those created by changes in environmental legislation and regulation; the risk of arbitrary changes in law; title risks; and the risk of loss of key personnel.

The forward-looking statements contained herein are based on a number of assumptions that the Company believes are reasonable, but may prove to be incorrect. These assumptions include, but are not limited to, assumptions that there is no material deterioration in general business and economic conditions; that there is no unanticipated fluctuation of interest rates and foreign exchange rates; that the supply and demand for gold develops as expected; that the Company receives regulatory approvals for its exploration projects on a timely basis; that the Company is able to obtain financing for its projects on reasonable terms; that the Company's reserve estimates are within reasonable bounds of accuracy and that the geological, operational and price assumptions upon which they are based are reasonable; and that the Company is able to hire the personnel needed to carry out its business plan.

The foregoing lists of factors and assumptions are not exhaustive. The reader should also consider carefully the matters discussed under the heading "Risks and Uncertainties" elsewhere in this MD&A.

Forward-looking statements contained herein are made as of the date hereof (or as of the date of a document incorporated herein by reference, as applicable). No obligation is undertaken to update publicly or otherwise revise any forward-looking statements or the foregoing lists of factors and assumptions, whether as a result of new information, future events or results or otherwise, except as required by law. Because forward-looking statements are inherently uncertain, readers should not place undue reliance on them. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement.

RISK AND UNCERTAINTIES

Early Stage – Need for Additional Funds

Rojo has no history of profitable operations and its present business is at an early stage. As such, Rojo is subject to many risks common to such enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues.

There is no assurance that Rojo will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of its early stage of operations.

Rojo has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required.

Although Rojo has been successful in the past in obtaining financing through the sale of equity securities or joint ventures, there can be no assurance that Rojo will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

ROJO RESOURCES LTD

Management Discussion and Analysis of Financial Condition and Results of Operations

For the year ended July 31, 2017

(Expressed in Canadian Dollars)

EXPLORATION AND DEVELOPMENT

Exploration for minerals or precious gems is a speculative venture involving substantial risk. There is no certainty that the expenditures made by the Company and/or its Subsidiaries will result in discoveries of commercial metal reserves.

Mining and development risk always accompany anticipated rewards, and uncertainties always exist where mineral properties are concerned. Uncertainties include the size, grade and recovery of a natural occurring mineral deposit. Although exploration and development efforts can outline a mineral deposit with a degree of certainty, ultimate grade and tonnages are never fully known until mining has been completed.

Metal and prices are also a significant factor in the development decision for a mineral property, as a mine may not be economically feasible in a period of depressed prices. Factors, beyond the control of the Company may affect the marketability of any minerals discovered. Pricing is affected by numerous factors such as international economic and political trends, global or regional consumption and demand patterns, and increased production by current producers.

OPERATING HAZARDS AND RISKS

Mining operations involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. Operations in which Rojo has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production metals, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

TITLE RISKS

Although Rojo has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned.

ENVIRONMENTAL REGULATIONS, PERMITS, AND LICENSES

Rojo's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in impositions of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a direction of stricter standards, and enforcement, and higher fines and penalties for non-compliance for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability for companies and directors, officers and employees. The cost of compliance with changes in

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governmental regulations has the potential to reduce the profitability of operations. Rojo intends to fully comply with all environmental regulations.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact of Rojo and cause increases in capital expenditures or productions costs or reduction in levels of productions at producing properties or requirements abandonment or delays in development of new mining properties.

ECONOMIC CONDITIONS

Unfavorable economic conditions may negatively impact Rojo's financial viability as a result of increased financing costs and limited access to capital markets.

CONFLICT OF INTEREST

Rojo's directors and officers may serve as directors and officers, or may be associated with other reporting companies or have significant shareholding in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which Rojo may participate, the directors and officers of Rojo may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, Rojo will follow the provisions of the Business Corporations Act ("Corporations Act") in dealing with conflicts of interest. These provisions state that where a director/officer has such a conflict, the director must arrange a meeting of the board to disclose his interest and must refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of Rojo are required to act honestly, in good faith and in the best interests of Rojo.

DEPENDENCE ON MANAGEMENT

Rojo is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate Rojo.

ADDITIONAL INFORMATION RELATING TO THE COMPANY CAN BE FOUND:

- (a) on SEDAR at www.sedar.com;
- (b) on the Company's web-site, www.rojoresources.com; and
- (c) in the Company's audited financial statements for the year ended July 31, 2017.

SCHEDULE "D" – KONNECT MD&A

Please see attached.

Konnect Mobile Communications Inc.

Management's, Discussion and Analysis

For the three and six-month periods ending December 31, 2017

GENERAL INFORMATION

Management's Discussion and Analysis ("MD&A") of the financial position and of the results of operations is the responsibility of management and has been reviewed and approved by the Board of Directors of Konnect Mobile Communications Inc. ("Konnect" or the "Company") on April 4, 2018.

Konnect Mobile Communications Inc., incorporated under the Canada Business Corporations Act on June 1st, 2011, is a company that manages application on phones and on the Web using a multilevel marketing model.

The Company's head office is located at 230 Notre-Dame Street West, Montreal, Quebec, H2Y 1T3. Shares of the Company are not currently traded on any stock exchange market. The Company depends on funding from private financing to continue its activities.

The following MD&A presents the results, financial position and cash flows of Konnect and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanying notes for the quarter ended December 31, 2017, and the audited consolidated financial statements of the Company for the twelve-month period ended June 30, 2017 and with the related notes attached thereto.

In addition to containing an analysis for the three and six-month periods ending December 31, 2017, this MD&A reports on items deemed significant that occurred between January 1, 2018 and the date on which the MD&A is approved by the Company's Board of Directors, which is April 4, 2018, inclusively.

The Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at June 1, 2011 and throughout all periods presented, as if these policies had always been in effect. Certain comparative figures have been reclassified to conform to the current year's presentation.

The MD&A is provided to enable the reader to assess material changes in financial position and results of operations for the three and six-month period ended December 31, 2017, in comparison to the corresponding period last year. This MD&A is also intended to supplement and complement the unaudited condensed interim consolidated financial statements of Konnect and accompanying notes for the quarter ended December 31, 2017 and 2016.

The MD&A is prepared in conformity with NI 51-102F1 and unless expressly stated otherwise, all references to dollar amounts are in Canadian dollars.

Konnect Mobile Communications Inc.

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FORWARD-LOOKING STATEMENTS

This MD&A for the three and six-month period ended December 31, 2017 may contain or refer to certain forward-looking statements relating, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "intend", "estimate", "may", and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance.

Any forward-looking information that may be presented in this MD&A is identified as such. Statements regarding the adequacy of cash resources to carry out our exploration and development programs or the need for future financing are forward-looking statements. Any forward-looking information is based on current expectations that involve a number of business risks and uncertainties. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. Current shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested forward-looking statements.

Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur.

There are no events and circumstances that occurred during the period to which the MD&A relates, except those that may be published in the subsequent event section, and the going concern notes and financing, that are reasonably likely to cause actual results to differ materially from material forward-looking information, for a period that is not yet complete and has previously disclosed to the public.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

Konnect Mobile Communications Inc.

Management's, Discussion and Analysis

For the three and six-month periods ending December 31, 2017

GOING CONCERN DISCLOSURE

The Company depends on funding from its parent company and on private financing to continue its activities.

Several adverse conditions and events cast substantial doubt upon the validity of this assumption. Konnect is not currently generating any revenue from its operations. For the six-month period ended December 31, 2017, the Company recorded a net comprehensive loss of \$698,867 (a profit of \$120,745 in 2016) and had an accumulated deficit of \$9,005,631 (June 30, 2017 - \$8,306,764). The Company, at December 31, 2017, has a working capital of \$247,260 (June 30, 2017 – deficit working capital of \$195,281).

In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its existing commitments and pay general and administrative costs.

The condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations. These consolidated financial statements do not reflect the adjustment to the carrying values of assets and liabilities, the reported revenues and expenses and the consolidated statement of financial position classifications that would be necessary were the going concern assumption not be appropriate. These adjustments could be material.

Konnect Mobile Communications Inc.

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CORPORATE OVERVIEW

Konnect is proud to be a Canadian technology company. Konnect develops and innovates technologies that connect businesses and people in their everyday lives.

Konnect primarily develops BLUE OCEAN products in the areas of FINTECH, CRYPTOCURRENCY and COMMUNICATIONS.

Konnect is currently focused on the disruption of the global payments and remittance markets.

Konnect's goal is to create products and services that empower both people and businesses, giving them back the control over their money and finances.

Konnect Mobile Communications Inc.

Management's, Discussion and Analysis

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FINANCIAL POSITION AND LIQUIDITY

The financial position of Konnect at December 31, 2017 and June 30, 2017 is:

	December 31, 2017	June 30, 2017 (audited)
	\$	\$
Current assets	373,850	94,193
Non-current assets	3,007,977	2,819,549
Total assets	3,381,827	2,913,742
Current liabilities	126,590	289,474
Shareholder's Equity	3,255,237	2,624,268
Total liabilities and Equity	3,381,827	2,913,742
Working capital	247,260	(195,281)

Cash at December 31, 2017 was \$123,746 compared to \$13,138 at June 30, 2017. As of December 31, 2017, Konnect had a working capital of \$247,260 compared to a deficit working capital of \$195,281 at June 30, 2017.

The Company was able to raise funds by way of several private placements during last year (see Capital Resources section for more information). The Company continues to focus on potential opportunities in the market.

Cash flows used operating activities for the six-month period ended December 31, 2017, were \$644,383 compared to \$3,700 used in the same period ended December 31, 2016. The net loss for the six-month period was \$698,867 compared to a profit of \$120,745 for the six-month period ended December 31, 2016.

Cash flows from financing activities for the six-month period ended December 31, 2017, were \$1,093,467 compared to \$Nil for the same period ended December 31, 2016.

Cash flows used in investing activities for the six-month period ended December 31, 2017, were \$338,476 compared to cash flows positive from investing of \$3,748 for the same period ended December 31, 2016.

Current assets (excluding cash) at December 31, 2017 were \$250,104 compared to \$81,055 at June 30, 2017. Other current assets are Canadian sales tax receivable (\$35,021), prepaid expenses (\$45,083) and subscription receivable (\$170,000).

Konnect Mobile Communications Inc.
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For the three and six-month periods ending December 31, 2017

Non-current assets as at December 31, 2017 and June 30, 2017 are:

	December 31, 2017	June 30, 2017 (audited)
	\$	\$
Computer equipment	273	321
Instapay Technology, at amortized cost	2,982,854	2,819,228
Patent	24,850	-
	3,007,977	2,819,549

Effective May 5, 2017, the Company completed the acquisition of 100% of the shares of Paysocial Inc. through a share exchange agreement for a total consideration of \$2,700,000, paid through a share capital issuance of 5,000,000 common shares of the Company valued at \$0.50 per share and cash payments of \$200,000.

The acquisition was in line with the Company's growth strategy and to be a leading company in financial technology and applications. The impact of the acquisition on revenue and net loss is \$Nil for the year ended June 30, 2017 and the six-month period ended December 31, 2017, as there were no operations in Paysocial, prior to this transaction. There would have been no difference on revenue and net loss had the acquisition of Paysocial taken place on July 1, 2016.

The fair value of the acquisition has been established based with the fair value of the shares issued in the exchange plus the cash payment, as this value was deemed more reliable than valuation of Paysocial. The Company recorded \$2,100 as professional fees in conjunction with the acquisition. During the six month period ended December 31, 2017 there was an addition to the fair value of the acquisition of \$163,626.

Amortization of Instapay Technology has yet to start because the technology is still being developed and not ready for use as at December 31, 2017.

In accordance with the company's accounting policy, intangible assets are tested for impairment when events or changes in circumstances suggests that their carrying amount may not be recoverable. During the last quarter of fiscal 2017, the Company acquired the Instapay technology and decided to focus on its development, therefore decided to record an impairment loss of the MLM technology, for which commercialization had not generated any revenues since acquisition. The Company is no longer pursuing this business therefore the asset isn't expected to generate any revenues.

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The current liabilities of Konnect at December 31, 2017 and June 30, 2017 are:

	December 31, 2017	June 30, 2017 (audited)
	\$	\$
Accounts payable and accrued liabilities	124,590	153,616
Due to Directors without interest nor repayment terms	2,000	20,883
Due to Initial Coin Offering	-	-
Due to a company owned by a shareholder	-	-
Balance of sale price	-	114,975
	126,590	289,474

Accounts payable and accrued liabilities were \$124,590 at December 31, 2017 compared to \$153,616 at June 30, 2017. Included in the accounts payable and accrued liabilities for this period is an amount of \$2,000 (June 30, 2017 - \$20,883) due to related parties of the Company (See Related Party Transactions for additional information).

The balance of sale price of \$114,975 comes from the acquisition completed on March 15th, 2017, the Company acquired the Instapay Technology from 9192-1858 Québec Inc. in exchange of the issuance of 5,000,000 common shares and a one-time payment of \$200,000 payable upfront \$100,000 followed by monthly payments of \$8,333. The full payment of the debt was completed during the quarter ended December 31, 2017.

On September 6, 2017, the Company signed an agreement with a company to contribute to its Initial Coin Offering (ICO) for an amount of \$250,000. The Company will be reimbursed the advance by payments representing 10% of the ICO's net cash proceeds payable in coins. As of September 30, 2017, as per the payment terms of the agreement the Company was committed to disburse \$50,000 for which an advance and a payable were recorded. Considering the nature of the investment and the inherent risks of an Initial Coin Offering, management decided to record a provision for the entirety of the advance.

The payment terms of the advance are as follows: \$50,000 within 3 days of signing the agreement, \$100,000 on December 1st 2017, \$50,000 on January 1st, 2018 and \$50,000 on February 1st, 2018.

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Shareholders' Equity was \$3,243,612 at December 31, 2017 compared to \$2,624,268 at June 30, 2017. The detail of the Shareholders' Equity is:

	December 31, 2017	June 30, 2017 (audited)
	\$	\$
Share capital	10,363,450	9,251,100
Contributed surplus	1,897,418	1,679,932
Deficit	(9,005,631)	(8,306,764)
	3,255,237	2,624,268

The Company has no revenues and relies on equity financing and loans to meet its obligations and the deficits continue to rise.

Konnect Mobile Communications Inc.

Management's, Discussion and Analysis

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CAPITAL RESOURCES

Common shares

The Company has authorized an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. On December 31, 2017, there were 16,196,700 (June 30, 2017 – 14,302,000) issued and fully paid common shares and 340,000 common shares to be paid and issued.

The Company is authorized to issue an unlimited number of common shares at no par value. The Corporation is authorized to issue 1,100,000 participating preferred shares without nominal or par value with the following restrictions and privileges:

- The holders of the participating preferred shares are entitled to receive quarterly, before a dividend is declared or paid on any other class of shares of the Company or funds are allotted thereto from the profits or surplus available for dividend distribution, a quarterly dividend equal to 0.00001% of the pre-tax profit of the Company as calculated in the Company's quarterly financial statements;
- These shares are convertible, at any time, in part or in totality, into units of Hitlab Inc. (the Shareholder). Each unit is comprised of one common share and one share purchase warrant.

All shares issued are fully paid.

Shares issued – year-end June 30, 2017

- On March 19, 2017, the Company acquired the Instapay technology for a fair value of \$2,500,000 by issued 5,000,000 common shares.
- On April 17, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$50,000 by issuing 100,000 common shares of the Company's capital at a price of \$0.50 per common share.
- On May 3, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$200,000 by issuing 400,000 common shares of the Company's capital at a price of \$0.50 per common share.
- On May 3, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$50,000 by issuing 100,000 common shares of the Company's capital at a price of \$0.50 per common share.
- On May 10, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$100,000 by issuing 200,000 common shares of the Company's capital at a price of \$0.50 per common share.
- On May 11, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$11,000 by issuing 22,000 common shares of the Company's capital at a price of \$0.50 per common share

Issuance costs of \$10,000 were incurred for private placement close in the year ended June 30th, 2017.

Konnect Mobile Communications Inc.

Management's, Discussion and Analysis

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Shares issued – first quarter ended September 30, 2017

- During the first quarter of 2017, the Company completed three non-brokered private placements, raising gross proceeds of \$13,500 by issuing 27,000 common shares of the capital of the Company at a price of \$0.50 per common share.

Shares issued – second quarter ended December 31, 2017

- During October, 2017, the Company completed several non-brokered private placements, raising gross proceeds of \$100,000 by issuing 200,000 common shares of the Company's capital at a price of \$0.50 per common share.
- During November, 2017, the Company completed several non-brokered private placements, raising gross proceeds of \$570,000 by issuing 1,140,000 common shares of the Company's capital at a price of \$0.50 per common share.
- During December, 2017, the Company completed several non-brokered private placements, raising gross proceeds of \$433,850 by issuing 867,700 common shares of the Company's capital at a price of \$0.50 per common share of which \$170,000 is recorded as subscriptions receivable and was collected after year end.

Issuance costs of \$5,000 were incurred for private placement closed in the quarter ended December 31, 2017.

Bonus convertible into common shares

On April 1st, 2017, the Company had agreements to allocate 15% of the pre tax profits of the Company as a bonus in cash to directors of the Company and such bonus shall be convertible at the sole option of the directors into 15% of the common shares of the Company valid for 5 years from the date of the signature and in any event no less than 3,300,000 shares of the Company. The conversion did not occur as of June 30, 2017 and December 31, 2017.

Share purchase warrants

As at December 31, 2017 and June 30, 2017, there were no share purchase warrants issued and outstanding.

Stock options

On May 29, 2017, the Board of Directors of the Company adopted an incentive stock option plan (the "Plan"), for the benefit of employees, officers and directors. The Plan allows the Company to issue stock options up to a maximum of 15% of the issued and outstanding shares of the Company at the date of grant. The exercise price payable for each option is determined by the Board of Directors at the date of grant, and shall be the fair market value of the shares as determined by the Board in its discretion. The vesting period and expiry date are determined by the Board of Directors for each vesting.

Konnect Mobile Communications Inc.
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At the same time, the Board of Directors issued 1,280,000 stock options to officers and directors of the Company. These stock options have a strike price of \$0.50, no vesting period and expire in 10 years. The fair value of the options was estimated at \$0.4592 per option at the grant date for a total of \$587,753 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 1.75%, expected volatility of 107.50% and expected option life of ten years. The Company currently estimates the volatility of the market price of its common shares based on comparable information derived from transactions carried out by public companies in a situation similar to its own.

The amortization of the fair value of the options for a total of \$587,753 using the Black-Scholes option pricing-model is:

Fiscal year ended June 30, 2017	29,932
Fiscal year ended June 30, 2018	342,856
Fiscal year ended June 30, 2019	155,102
Fiscal year ended June 30, 2020	59,864
	587,753

During the quarter ending December 31, 2017, the Company issued 850,000 stock options to employees and directors of the Company. These stock options issued are detailed below:

Granting date	Number of options	Fair value of options	Risk free interest rate	Expected volatility	Expected option life
		\$			
October 31, 2017	600,000	0,4596	1.95%	108%	10 years
November 1, 2017	200,000	0,2066	1.39%	108%	1 year
December 1, 2017	50,000	0,2068	1.50%	108%	1 year

Changes in the number of options outstanding are as follows:

	Number of options	Weighted average exercise price
Balance, as at June 30, 2017	1,280,000	\$0.50
Issued	850,000	\$0.50
Balance, as at December 31, 2017	2,130,000	\$0.50

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The following table summarizes the information on outstanding options at December 31, 2017:

Granting date	Number of options	Weighted average exercise price	Expiration date
		\$	
May 29, 2017	1,280,000	0.50	May 29, 2027
October 31, 2017	600,000	0.50	October 31, 2027
November 1, 2017	200,000	0.50	November 1, 2018
December 1, 2017	50,000	0.50	December 1, 2018
	2,130,000	0.50	

Share structure

As at December 31, 2017, the share structure of the Company is as follows:

Outstanding Shares	Warrants & Broker Warrants	Options	Fully Diluted
16,536,700	Nil	2,130,000	18,666,700

As at the date if this MD&A the share structure of the Company is as follows:

Outstanding Shares	Warrants & Broker Warrants	Options	Fully Diluted
16,596,700	Nil	2,130,000	18,726,700

Konnect Mobile Communications Inc.
Management's, Discussion and Analysis
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RESULTS OF OPERATIONS

The Company has currently no operations to generate sales and revenues. Detail for the three-month period ended December 31, 2017 and 2016 are:

For the three-month periods ended,	December 31, 2017	December 31, 2016	Variance Increase (Decrease)
	\$	\$	\$
Revenues	-	-	-
Expenses			
Consultants	87,625	-	87,625
Management fees	75,000	-	75,000
Professional fees	44,150	-	44,150
Office expense	1,199	-	1,199
Travel expenses	20,615	-	20,615
Gain on accounts payable write-off	-	(160,876)	160,876
Share-based compensation	131,772	-	131,772
Amortization of computer equipment	24	49	(25)
Provision Initial Coin Offering	100,000	-	100,000
	460,385	(160,827)	621,212
Operating loss	(460,385)	160,827	(621,212)
Financial expenses			
Bank charges	1,247	2,740	(1,493)
Foreign exchange gain	5,711	35,327	(29,616)
Net comprehensive loss	(467,343)	122,760	(590,103)

Total expenses for the three-month period ended December 31, 2017 were \$460,385 compared to a profit of \$160,827 in 2016, up by \$621,212. The main driver for the expenses in 2017 was the share-based compensation expense for \$131,772 (issuance of stock-options) and the provision for the Initial Coin Offering expense for \$100,000. Due to the new development and financing activities, the Company has also experienced higher operating costs, such as consultants (\$87,625), management fees (\$75,000), professional fees (\$44,150) and travel expense (\$20,615). The Company also recorded bank charges for \$1,247 and a foreign exchange loss for \$5,711 during the three-month period ended December 31, 2017.

The Company recorded amortization and write-offs during the three-month period ended December 31, 2016. The gain on accounts payable write-off of \$160,876 was recorded for payables that were outstanding for more than one year and with certainty that they will never be paid.

Konnect Mobile Communications Inc.
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Detail for the six-month period ended December 31, 2017 and 2016 are:

For the six-month periods ended,	December 31, 2017	December 31, 2016	Variance Increase (Decrease)
	\$	\$	\$
Revenues	-	-	-
Expenses			
Consultants	110,000	-	110,000
Management fees	135,000	-	135,000
Professional fees	51,450	-	51,450
Publicity	3,590	-	3,590
Office expense	1,199	-	1,199
Travel expenses	24,958	-	24,958
Gain on accounts payable write-off	-	(160,876)	160,876
Share-based compensation	217,486	-	217,486
Amortization of computer equipment	48	98	(50)
Provision Initial Coin Offering	150,000	-	150,000
	693,731	(160,778)	854,509
Operating loss	(693,731)	160,778	(854,509)
Financial expenses			
Bank charges	2,426	4,706	(2,280)
Foreign exchange gain	2,710	35,327	(32,617)
Net comprehensive loss	(698,867)	120,745	(819,612)

Total expenses for the six-month period ended December 31, 2017 were \$698,867 compared to a profit of \$120,745 in 2016, up by \$819,612. The main driver for the expenses in 2017 was the share-based compensation expense for \$217,486 (issuance of stock-options) and the provision for the Initial Coin Offering expense for \$150,000. Due to the new development and financing activities, the Company has also experienced higher operating costs, such as consultants (\$110,000), management fees (\$135,000), professional fees (\$51,450) and travel expense (\$24,958). The Company also recorded bank charges for \$2,426 and a foreign exchange loss for \$2,710 during the six-month period ended December 31, 2017.

The Company recorded amortization and write-offs during the six-month period ended December 31, 2016. The gain on accounts payable write-off of \$160,876 was recorded for payables that were outstanding for more than one year and with certainty that they will never be paid.

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SELECTED ANNUAL INFORMATION

The Company has 16,536,700 shares outstanding as at December 31, 2017 and 16,596,700 shares outstanding as at the date of this report.

Results of Operations - Selected Annual Information

	December 31, 2017 (3 months)	September 30, 2017 (3 months)	June 30, 2017 (12 months)
Net Revenues	-	-	-
Total Expenses	(467,343)	(231,524)	2,105,433
Net Loss	(467,343)	(231,524)	(2,105,433)
Net Comprehensive Loss	(467,343)	(231,524)	(2,105,433)
Loss per Common share (Basic)	(0,033)	(0,016)	(0,210)
Loss per Common share (Diluted)	(0,029)	(0,014)	(0,135)
Total Assets	3,381,827	2,981,777	2,913,742
Total Liabilities	126,590	489,819	289,474

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TRANSACTIONS WITH RELATED PARTIES

In addition to share issuances, transactions with related parties were as follows:

The Company's related parties include an entity with significant influence, companies controlled by a shareholder as well as key personnel and directors. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. All balances of advances receivables and advances payable are measured at fair value and occurred in the normal course of business.

December 31,	Three-month period ended,		six-month period ended,	
	2017	2016	2017	2016
	\$	\$	\$	\$
<u>Key management and Directors</u>				
Richard Groome	30,000	-	60,000	-
William Coyle	30,000	-	60,000	-
Powered by Alfredo (1)	80,047	-	163,180	-
Pierre Gauthier (2)	-	-	15,000	-
Share-based compensation	-	-	217,486	-
<u>Other related party</u>				
Hitlab Inc. (3)	23,250	-	34,875	-
Notre-Dame Capital (3)	30,000	-	30,000	-

Amounts payable and receivable to related parties were as follows:

Period	Amounts owed	Amounts owed	Amounts prepaid
	by related parties \$	to related parties \$	to related parties \$
William Coyle			
December 31, 2017	-	2,000	-
December 31, 2016	-	-	-
Hitlab Inc.			

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December 31, 2017	-	-	9,083
December 31, 2016	-	-	-

SUBSEQUENT EVENTS

Shares issued

During January, 2018, the Company completed several non-brokered private placements, raising gross proceeds of \$30,000 by issuing 60,000 common shares of the Company's capital at a price of \$0.50 per common share.

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CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICY

The Company would like to direct readers to its unaudited condensed interim consolidated financial statements for the period ended December 31, 2017 and the audited annual consolidated financial statements for the year ending June 30, 2017 and 2016, for more detail on the current and future changes in accounting policy, which are incorporated by reference and can be found on the regulator's web site at www.sedar.com.

Statement of compliance

The unaudited condensed interim consolidated financial statements have been prepared in accordance with international accounting standards for financial.

Basis of presentation

The consolidated financial statements incorporate the financial statements of the Company and those of Hitlab USA Inc. and Paysocial Inc., its wholly-owned subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flows information.

Functional and presentation currency

Items included in the condensed interim consolidated financial statements are measured using currency of the primary economic environment in which the Company operates (the "functional currency"). The functional currency of the Company is the CAD dollar. The presentation currency is the Canadian dollar.

Future accounting changes

The following standards have been issued but are not yet effective. The Company is assessing the impact of this new standard, but does not expect it to have a significant impact on the consolidated financial statements.

New accounting standards effective January 1st, 2017 and beyond

- IFRS 2 Share-based payment – In June 2016, the IASB issued an amendment to IFRS 2 to clarify the measurement for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. The mandatory effective date of the amendment to IFRS 2 is for annual periods beginning on or after January 1, 2018. The Company is evaluating the impact of this standard on its consolidated financial statements.
- IFRS 9 *Financial Instruments* – In July 2014, the IASB amended IFRS 9, *Financial Instruments*, to

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consolidate all three phases of its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The phases are the following: classification and evaluation, impairment and hedge accounting. This standard supersedes all previous versions of IFRS and will come into effect on January 1st 2018. Early application is permitted. The Company is evaluating the impact of this standard on its consolidated financial statements.

- IFRS 15 *Revenue from contracts with customers* – In May 2014, the IASB issued IFRS 15, *Revenue from contracts with customers*, which specifies the method and timing of recognition of revenue, and requires more detailed and relevant information disclosure. IFRS 15 supersedes IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and other interpretations related to revenue. In September 2015, the IASB issued an amendment to IFRS 15 to suspend for one year the effective date, i.e. as of January 1st 2018. The standard must be applied retrospectively. Early application is still permitted. The Company is evaluating the impact of this standard on its consolidated financial statements.
- IFRS 16 *Leases* – In January 2016, the IASB published IFRS 16, *Leases*. The new standard establishes the principles to present the information with regards to the amount, timing and uncertainty of future net cash inflows from a lease. Under the new standard, the lessee will recognize all assets and liabilities coming from a lease. The effective date to this new standard will be for periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, *Revenue from contracts with customers* is applied. The Company is evaluating the impact of this standard on its consolidated financial statements.

Konnect Mobile Communications Inc.

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For the three and six-month periods ending December 31, 2017

SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgments, estimates and assumptions based on currently available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on managements' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from those estimated. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

In the process of applying the Company's accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the consolidated financial statements:

Share-based -payments

The Company uses the fair value method of valuing compensation expense associated with the Company's stock option plan. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, expected forfeitures and distribution yield.

The estimated useful lives and residual values of computer equipment, Instapay technology, MLM technology and trademark and the measurement of depreciation expense

Management estimates the useful lives of computer equipment and definite life intangible assets based on the year during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of computer equipment and definite life intangible assets for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, Management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

Going concern

The Company's ability to achieve its strategy by financing its future needs in working capital requires exercising judgments.

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RISK AND UNCERTAINTIES

Konnect strategy emphasizes developing technology in order to leverage its intellectual property and drive the creation of shareholder value. This strategy has required, and continues to require, significant financings, and is subject to risks associated with prices, resources and operations. Due to the nature of the Company's business, the present stage of development of its technology projects, and the constraints placed upon the Company's ability to move forward by its current liquidity situation, readers should carefully review and consider the financial, environmental and operational risk factors affecting the Company.

Need for Additional Financing

The Company currently has no source of operating cash flow, and there is no assurance that additional funding will be available to the Company as and when needed for further development of its projects, or to fulfill its obligations to its existing creditors. Volatile markets may make it difficult or impossible for the Company to obtain adequate debt or equity financing in the future, or on terms acceptable to the Company. The failure to obtain additional financing could force the Company to liquidate its assets to satisfy creditor claims.

No Revenues

To date, the Company has not achieved revenue from operations. There can be no assurance that significant additional losses will not occur in the near future, or that the Company will be profitable in the future. The amounts and timing of expenditures will depend on the progress of ongoing development, the results of consultants' analyses and recommendations, and the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of new technologies and other factors, many of which are beyond the Company's control. In particular, the Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel, and equipment associated with advancing development and commercial production of its technology are added.

The Company does not expect to receive revenues from operations in the foreseeable future. The Company expects to continue to incur losses until such time as its projects enter into commercial production and generate sufficient revenues to fund its continuing operations. There can be no assurance that the Company will generate any revenues or achieve profitability.

Dependence on Management

The Company's business and operations are dependent on recruiting and retaining the services of a small number of key members of management and qualified personnel. The success of the operations and activities of the Company are dependent, to a significant extent, on the efforts and abilities of the management of the Company. Investors must be willing to rely, to a significant extent, on the discretion and judgment of the management of the Company. Furthermore, while the Company believes that it will be successful in attracting qualified personnel and retaining its current management team, there can be no assurance of such success. The Company does not maintain key employee insurance on any of its employees.

Konnect Mobile Communications Inc.

Management's, Discussion and Analysis

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Competition

The business of the Company is intensely competitive. The Company competes with other technology companies. The Company competes with other similar companies that have greater financial and technical resources and experience. Many competitors have also conduct refining and marketing operations on a worldwide basis. Such competition may result in the Company being unable to acquire desired resources, to recruit or retain qualified employees, or to acquire the capital necessary to fund its operations and develop its projects.

The inability of the Company to compete with other similar companies for these resources would have a material adverse effect on the Company's results of operations and business.

Inability to Enforce Legal Rights in Certain Circumstances

In the event a dispute arises in another foreign jurisdiction, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. Similarly, to the extent that the Company's assets are governed or located outside of Canada, investors may have difficulty collecting from the Company any judgments obtained in the Canadian courts and predicated on the civil liability provisions of securities legislation.

Exchange Rate Fluctuations

Exchange rate fluctuations may adversely affect the Company's financial position and results. The Company may incur certain costs in U.S. dollars, Euros and other currencies, while financial results are reported in Canadian dollars. Currency exchange fluctuations may materially adversely affect the Company's future cash flows, results of operations and financial condition. The Company does not currently engage in hedging or have a policy in place for managing or controlling foreign currency risks.

Share Price Fluctuations

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly development stage companies, have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

Conflicts of Interest

Certain of the Company's directors and officers may serve as directors or officers of other reporting companies, companies providing services to the Company, or companies in whom they may have significant shareholdings. To the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

In accordance with the laws of Canada, the directors of the Company are required to act honestly, in good faith and in the best interest of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

Konnect Mobile Communications Inc.

Management's, Discussion and Analysis

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Dividends Unlikely

The Company has not declared or paid any dividends since the date of its incorporation and does not currently anticipate that dividends will be declared in the short or medium term. Earnings, if any, will be retained to finance further development of the Company's business.

Potential Dilution

The issue of Common Shares of the Company upon the exercise of outstanding options and warrants will dilute the ownership interest of the Company's current Shareholders. The Company may also issue additional option and warrants or additional Common Shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

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OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

Readers are encouraged to read and consider the risk factors, which are incorporated in this MD&A, and additional information regarding the Company, the SEDAR website at www.sedar.com.

Signed: "William Coyle"

William Coyle
Chief Executive Officer

Konnect Mobile Communications Inc.
April 4, 2018
Montreal, Quebec
Canada

Konnect Mobile Communications Inc.

Management's, Discussion and Analysis

For the year ending June 30, 2017

GENERAL INFORMATION

Management's Discussion and Analysis ("MD&A") of the financial position and of the results of operations is the responsibility of management and has been reviewed and approved by the Board of Directors of Konnect Mobile Communications Inc. ("Konnect" or the "Company") on April 4, 2018.

Konnect Mobile Communications Inc., incorporated under the Canada Business Corporations Act on June 1st, 2011, is a company that manages application on phones and on the Web using a multilevel marketing model.

The Company's head office is located at 230 Notre-Dame Street West, Montreal, Quebec, H2Y 1T3. Shares of the Company are not currently traded on any stock exchange market. The Company's year-end is June 30th, 2017. The Company depends on funding from private financing to continue its activities.

The following discussion and analysis should be read in conjunction with the annual audited consolidated financial statements of Konnect for the year ended June 30, 2017 and with the related notes attached thereto. These annual audited consolidated financial statements have been prepared in accordance with international accounting standards for financial reporting.

The Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at June 1, 2011 and throughout all periods presented, as if these policies had always been in effect. Certain comparative figures have been reclassified to conform to the current year's presentation.

The MD&A is provided to enable the reader to assess material changes in financial position and results of operations for the year ended June 30, 2017, in comparison to the corresponding period last year. This MD&A is also intended to supplement and complement the audited consolidated financial statements of Konnect and accompanying notes for the period ended June 30, 2017 and 2016.

The MD&A is prepared in conformity with NI 51-102F1 and unless expressly stated otherwise, all references to dollar amounts are in Canadian dollars.

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FORWARD-LOOKING STATEMENTS

This MD&A for the year ended June 30, 2017 may contain or refer to certain forward-looking statements relating, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "intend", "estimate", "may", and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance.

Any forward-looking information that may be presented in this MD&A is identified as such. Statements regarding the adequacy of cash resources to carry out our exploration and development programs or the need for future financing are forward-looking statements. Any forward-looking information is based on current expectations that involve a number of business risks and uncertainties. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. Current shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested forward-looking statements.

Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur.

There are no events and circumstances that occurred during the period to which the MD&A relates, except those that may be published in the subsequent event section, and the going concern notes and financing, that are reasonably likely to cause actual results to differ materially from material forward-looking information, for a period that is not yet complete and has previously disclosed to the public.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

Konnect Mobile Communications Inc.

Management's, Discussion and Analysis

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GOING CONCERN DISCLOSURE

The Company depends on funding from its parent company and on private financing to continue its activities.

Several adverse conditions and events cast substantial doubt upon the validity of this assumption. Konnect is not currently generating any revenue from its operations. For the year ended June, 2017, the Company recorded a net comprehensive loss of \$2,105,433 (a loss of \$90,472 in 2016) and had an accumulated deficit of \$8,306,764 (June 30, 2016 - \$6,201,331). The Company, at June 30, 2017, has a deficit working capital of \$195,281 (June 30, 2016 – deficit working capital of \$310,872).

In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its existing commitments and pay general and administrative costs.

The annual consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations. These consolidated financial statements do not reflect the adjustment to the carrying values of assets and liabilities, the reported revenues and expenses and the consolidated statement of financial position classifications that would be necessary were the going concern assumption not be appropriate. These adjustments could be material.

Konnect Mobile Communications Inc.

Management's, Discussion and Analysis

For the year ending June 30, 2017

CORPORATE OVERVIEW

Konnect is proud to be a Canadian technology company. Konnect develops and innovates technologies that connect businesses and people in their everyday lives.

Konnect primarily develops BLUE OCEAN products in the areas of FINTECH, CRYPTOCURRENCY and COMMUNICATIONS.

Konnect is currently focused on the disruption of the global payments and remittance markets.

Konnect's goal is to create products and services that empower both people and businesses, giving them back the control over their money and finances.

Konnect Mobile Communications Inc.

Management's, Discussion and Analysis

For the year ending June 30, 2017

FINANCIAL POSITION AND LIQUIDITY

The financial position of Konnect at June 30, 2017 and 2016 is:

	June 30, 2017	June 30, 2016
	\$	\$
Current assets	94,193	1,744
Non-current assets	2,819,549	459,641
Total assets	2,913,742	461,385
Current liabilities	289,474	312,616
Shareholder's Equity	2,624,268	148,769
Total liabilities and Equity	2,913,742	461,385
Working capital	(195,281)	(310,872)

Cash at June 30, 2017 was \$13,138 compared to \$97 at June 30, 2016. As of June 30, 2017, Konnect had a deficit working capital of \$195,281 compared to a deficit working capital of \$310,872 at June 30, 2016.

The Company was able to raise funds by way of several private placements during last year (see Capital Resources section for more information). The Company continues to focus on potential opportunities in the market.

Cash flows used in operating activities for the year ended June 30, 2017, were \$120,908 compared to \$53,105 used in the same year ended June 30, 2016. The net loss for the year was \$2,105,433 compared to a loss of \$90,472 for the year ended June 30, 2016.

Cash flows from financing activities for the year ended June 30, 2017, were \$421,883 compared to \$Nil for the year ended June 30, 2016.

Cash flows used in investing activities for the year ended June 30, 2017, were \$287,528 compared to cash flows from investing of \$52,995 for the year ended June 30, 2016.

Current assets (excluding cash) at June 30, 2017 were \$81,055 compared to \$1,647 at June 30, 2016. Other current assets are Canadian sales tax receivable (\$44,740) and prepaid expenses (\$36,315).

Konnect Mobile Communications Inc.

Management's, Discussion and Analysis

For the year ending June 30, 2017

Non-current assets as at June 30, 2017 and 2016 are:

	June 30, 2017	June 30, 2016
	\$	\$
Advance to a shareholder	-	31,700
Computer equipment	321	459
Instapay Technology, at amortized cost	2,819,228	-
MLM technology, at amortized cost	-	424,507
Trademark, at amortized cost	-	2,975
	2,819,549	459,641

Effective May 5, 2017, the Company completed the acquisition of 100% of the shares of Paysocial Inc. through a share exchange agreement for a total consideration of \$2,700,000, paid through a share capital issuance of 5,000,000 common shares of the Company valued at \$0.50 per share and cash payments of \$200,000. As at June 30, 2017, a balance of which \$114,975 remains unpaid.

The acquisition was in line with the Company's growth strategy and to be a leading company in financial technology and applications. The impact of the acquisition on revenue and net loss is \$Nil for the year ended June 30, 2017 as there were no operations in Paysocial, prior to this transaction. There would have been no difference on revenue and net loss had the acquisition of Paysocial taken place on July 1, 2016.

The fair value of the acquisition has been established based with the fair value of the shares issued in the exchange plus the cash payment, as this value was deemed more reliable than valuation of Paysocial. The Company recorded \$2,100 as professional fees in conjunction with the acquisition.

Amortization of Instapay Technology has yet to start because the technology is still being developed and not ready for use as at June 30th, 2017.

In accordance with the company's accounting policy, intangible assets are tested for impairment when events or changes in circumstances suggests that their carrying amount may not be recoverable. During the last quarter of fiscal 2017, the Company acquired the Instapay technology and decided to focus on its development, therefore decided to record an impairment loss of the MLM technology, for which commercialization had not generated any revenues since acquisition. The Company is no longer pursuing this business therefore the asset isn't expected to generate any revenues.

Konnect Mobile Communications Inc.

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For the year ending June 30, 2017

The current liabilities of Konnect at June 30, 2017 and 2016 are:

	June 30, 2017	June 30, 2016
	\$	\$
Accounts payable and accrued liabilities	153,616	312,616
Due to Directors without interest nor repayment terms	20,883	-
Balance of sale price	114,975	-
	289,474	312,616

Accounts payable and accrued liabilities were \$153,616 at June 30, 2017 compared to \$312,616 at June 30, 2016. Included in the accounts payable and accrued liabilities for this year end is an amount of \$20,883 (June 30, 2016 - \$Nil) due to related parties of the Company. (See Related Party Transactions for additional information).

The balance of sale price of \$114,975 comes from the acquisition completed on March 15th, 2017, the Company acquired the Instapay Technology from 9192-1858 Québec Inc. in exchange of the issuance of 5,000,000 common shares and a one-time payment of \$200,000 payable upfront \$100,000 followed by monthly payments of \$8,333. The full payment of the debt will be completed on April 2018.

Shareholders' Equity was \$2,624,268 at June 30, 2017 compared to \$148,769 at June 30, 2016. The detail of the Shareholders' Equity is:

	June 30, 2017	June 30, 2016
	\$	\$
Share capital	9,251,100	6,350,100
Contributed surplus	1,679,932	-
Deficit	(8,306,764)	(6,201,331)
	2,624,268	148,769

The Company has no revenues and relies on equity financing and loans to meet its obligations and the deficits continue to rise.

Konnect Mobile Communications Inc.

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For the year ending June 30, 2017

CAPITAL RESOURCES

Common shares

The Company is authorized to issue an unlimited number of common shares at no par value. The Corporation is authorized to issue 1,100,000 participating preferred shares without nominal or par value with the following restrictions and privileges:

- The holders of the participating preferred shares are entitled to receive quarterly, before a dividend is declared or paid on any other class of shares of the Company or funds are allotted thereto from the profits or surplus available for dividend distribution, a quarterly dividend equal to 0.00001% of the pre-tax profit of the Company as calculated in the Company's quarterly financial statements;
- These shares are convertible, at any time, in part or in totality, into units of Hitlab Inc. (the Shareholder). Each unit is comprised of one common share and one share purchase warrant.

All shares issued are fully paid.

Shares issued

- On March 19, 2017, the Company acquired the Instapay technology for a fair value of \$2,500,000 by issued 5,000,000 common shares.
- On April 17, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$50,000 by issuing 100,000 common shares of the Company's capital at a price of \$0.50 per common share.
- On May 3, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$200,000 by issuing 400,000 common shares of the Company's capital at a price of \$0.50 per common share.
- On May 3, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$50,000 by issuing 100,000 common shares of the Company's capital at a price of \$0.50 per common share.
- On May 10, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$100,000 by issuing 200,000 common shares of the Company's capital at a price of \$0.50 per common share.
- On May 11, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$11,000 by issuing 22,000 common shares of the Company's capital at a price of \$0.50 per common share

Issuance costs of \$10,000 were incurred for private placement close in the year ended June 30th, 2017.

On April 1st, 2017, the Company had agreements to allocate 15% of the pre tax profits of the Company as a bonus in cash to directors of the Company and such bonus shall be convertible at the sole option of the directors into 15% of the common shares of the Company valid for 5 years from the date of the signature and in any event no less than 3,300,000 shares of the Company. The conversion did not occur as of June 30, 2017.

Konnect Mobile Communications Inc.

Management's, Discussion and Analysis

For the year ending June 30, 2017

Share purchase warrants

As at June 30, 2017 and 2016, there were no share purchase warrants issued and outstanding.

Stock options

On May 29, 2017, the Board of Directors of the Company adopted an incentive stock option plan (the "Plan"), for the benefit of employees, officers and directors. The Plan allows the Company to issue stock options up to a maximum of 15% of the issued and outstanding shares of the Company at the date of grant. The exercise price payable for each option is determined by the Board of Directors at the date of grant, and shall be the fair market value of the shares as determined by the Board in its discretion. The vesting period and expiry date are determined by the Board of Directors for each vesting.

At the same time, the Board of Directors issued 1,280,000 stock options to officers and directors of the Company. These stock options have a strike price of \$0.50, no vesting period and expire in 10 years. The fair value of the options was estimated at \$0.4592 per option at the grant date for a total of \$587,753 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 1.75%, expected volatility of 108% and expected option life of ten years. The Company currently estimates the volatility of the market price of its common shares based on comparable information derived from transactions carried out by public companies in a situation similar to its own.

Changes in the number of options outstanding are as follows:	Number of options	Weighted average exercise price
Balance, as at June 30, 2016	-	- \$
Issued	1,280 000	0,50 \$
Balance, as at June 30, 2017	1,280 000	0,50 \$

Share structure

As at year ended June 30, 2017, the share structure of the Company is as follows:

Outstanding Shares	Warrants & Broker Warrants	Options	Fully Diluted
14,302,000	Nil	1,280,000	15,582,000

As at the date if this MD&A the share structure of the Company is as follows:

Outstanding Shares	Warrants & Broker Warrants	Options	Fully Diluted
16,596,700	Nil	2,130,000	18,726,700

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For the year ending June 30, 2017

RESULTS OF OPERATIONS

The Company has currently no operations to generate sales and revenues. Detail for the year ended June 30, 2017 and 2016 are:

For the years ended,	June 30, 2017	June 30, 2016	Variance Increase (Decrease)	
	\$	\$	\$	%
Revenues	-	-	-	-
Expenses				
Consultants	33,019	17,245	15,774	91,47%
License	16,307	-	16,307	100,00%
Management fees	100,000	-	100,000	100,00%
Professional fees	32,600	-	32,600	100,00%
Publicity	5,795	-	5,795	100,00%
Office expenses	335	301	34	11,30%
Travel expenses	23,892	-	23,892	100,00%
Gain on accounts payable write-off	(225,424)	(19,895)	(205,529)	1033,07%
Share-based compensation	1,679,932	-	1,679,932	100,00%
MLM Technology write-off	350,679	-	350,679	100,00%
Trademark write-off	2,632	-	2,632	100,00%
Amortization of MLM technology	73,828	73,828	-	0,00%
Amortization of trademark	343	312	31	9,94%
Amortization of computer equipment	138	197	(59)	-29,95%
	2,094,076	71,988	2,022,088	2808,92%
Operating loss	(2,094,076)	(71,988)	(2,022,088)	2808,92%
Financial expenses				
Bank charges	8,529	7,178	1,351	18,82%
Foreign exchange loss	2,828	11,306	(8,478)	-74,99%
Net comprehensive loss	(2,105,433)	(90,472)	(2,014,961)	2227,17%

Total expenses for the year ended June 30, 2017 were \$2,094,076 compared to \$71,988 in 2016, up by \$2,022,088.

The main driver for the higher expenses in 2017 was the share-based compensation expense for \$1,679,932 (bonus convertible into common shares and issuance of stock-options) and the MLM technology write-off expense for \$350,679.

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Due to the new development and financing activities, the Company has also experienced higher operating costs, such as consultants (\$33,019), management fees (\$100,000), professional fees (\$32,600) and travel expense (\$23,892).

The Company also recorded amortization and write-offs during the year. The gain on accounts payable write-off of \$225,424 was recorded for payables that were outstanding for more than one year and with certainty that they will never be paid.

During the last quarter of fiscal year 2017, the Company acquired the Instapay technology and decided to focus on its development, therefore decided to record an impairment loss of \$350,679 on the MLM technology, for which commercialization had not generated any revenues since acquisition. The Company is no longer pursuing this business therefore the asset isn't expected to generate any revenues.

As at June 30, 2017, the Company had a share-based compensation expense of \$1,679,932 (June 30, 2016 – \$Nil). This is a non-cash charge.

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SELECTED ANNUAL INFORMATION

The Company has 14,302,000 shares outstanding as at June 30, 2017 and 16,596,700 shares outstanding as at the date of this report.

Results of Operations - Selected Annual Information

Year ended June 30,	2017	2016
Net Revenues	-	-
Total Expenses	2,105,433	90,472
Net Loss	(2,105,433)	(90,472)
Net Comprehensive Loss	(2,105,433)	(90,472)
Loss per Common share (Basic)	(0,210)	(0,011)
Loss per Common share (Diluted)	(0,135)	(0,011)
Total Assets	2,913,742	461,385
Total Liabilities	289,474	312,616

**Konnect Mobile Communications Inc.
Management's, Discussion and Analysis
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TRANSACTIONS WITH RELATED PARTIES

In addition to share issuances, transactions with related parties were as follows:

The Company's related parties include an entity with significant influence, companies controlled by a shareholder as well as key personnel and directors. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. All balances of advances receivables and advances payable are measured at fair value and occurred in the normal course of business.

	June 30, 2017 \$	June 30, 2016 \$
<u>Management fees</u>		
Company controlled by a shareholder	10,000	-
Key management personnel and Director	90,000	-
<u>Consultants fees</u>		
Company controlled by a Director	137,129	-
Company under significant influence	5,000	-
<u>Share-based compensation</u>		
Key management personnel and Director	1,679,932	-

Amounts payable and receivable to related parties were as follows:

	Year	Amounts owed by related parties \$	Amounts owed to related parties \$	Amounts prepaid to related parties \$
Shareholder				
	2017	-	-	36,315
	2016	31,700	-	-
Key management personnel and Director				
	2017	-	20,883	-
	2016	-	-	-

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SUBSEQUENT EVENTS

Letter of Intent

On September 6, 2017, the Company signed a letter of intent (LOI) with VN3T.org ICO (VN3T). Pursuant the LOI, it is proposed that the Company will contribute the amount of \$250,000 to the VN3T campaign in exchange of which VN3T will reimburse the Company with the first \$250,000 raised by their Initial Coin Offering (ICO) campaign. Subsequently, VN3T will give 10% of the ICO net cash proceed to the Company in the form of coins.

On November 30, 2017, the Company signed a Letter of intent (LOI) with ROJO RESOURCES LTD (Rojo). Pursuant to the LOI, it is proposed that Rojo, Konnect and (if applicable), the securityholders of connect, will enter into a definitive agreement in respect of a business combination of Rojo, which is anticipated to constitute a Reverse Takeover of Rojo. The final structure of the Definitive Agreement is subject to applicable corporate, securities and tax considerations. The Transaction is an arm's length transaction.

Shares issued

During August, 2017, the Company completed three non-brokered private placements, raising gross proceeds of \$13,500 by issuing 27,000 common shares of the Company's capital at a price of \$0.50 per common share.

During October, 2017, the Company completed several non-brokered private placements, raising gross proceeds of \$100,000 by issuing 200,000 common shares of the Company's capital at a price of \$0.50 per common share.

During November, 2017, the Company completed several non-brokered private placements, raising gross proceeds of \$570,000 by issuing 1,140,000 common shares of the Company's capital at a price of \$0.50 per common share.

During December, 2017, the Company completed several non-brokered private placements, raising gross proceeds of \$433,850 by issuing 867,700 common shares of the Company's capital at a price of \$0.50 per common share.

During January, 2018, the Company completed several non-brokered private placements, raising gross proceeds of \$30,000 by issuing 60,000 common shares of the Company's capital at a price of \$0.50 per common share.

The Company had agreements to allocate 15% of the pre-tax profits of the Company as a bonus to directors of the Company and such bonus shall be convertible at the sole option of the directors into 15% of the common shares of the Company valid for 5 years from the date of the signature and in any event no less than 3,300,000 shares of the Company. On February 27, 2018, the directors processed with the conversion of their profit options as per the agreements resulting in issuance of 3,300,000 common shares of the Company's capital at a price of \$0.50 per common share.

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Commitments

On September 6, 2017, the Company signed an agreement with a company to contribute in its Initial Coin Offering for an amount of \$250,000. As of March 7, 2018, the totality of the commitment has been met by the Company.

Stock options

During the second quarter of financial year 2018 ending December 31, 2017, the Company issued 850,000 stock options to employees and directors of the Company. These stock options issued are detailed below:

Granting Date	Number of options	Weighted average exercise price	Expiration date
		\$	
October 31 st , 2017	600,000	0.50	October 31 st , 2027
November 1 st , 2017	200,000	0.50	November 1 st , 2018
December 1 st , 2017	50,000	0.50	December 1 st , 2018

The fair value of the options was estimated at the grant date for a total of \$327,415 using the Black-Scholes option pricing-model with the following assumptions:

Granting Date	Number of options	Fair value of options	Risk free interest rate	Expected volatility	Expected option life
		\$			
October 31, 2017	600,000	0.4596	1.95%	108%	10 years
November 1, 2017	200,000	0.2066	1.39%	108%	1 year
December 1, 2017	50,000	0.2068	1.50%	108%	1 year

The Company currently estimates the volatility of the market price of its common shares based on comparable information derived from transactions carried out by public companies in a situation similar to its own.

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CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICY

The Company would like to direct readers to its audited annual consolidated financial statements for the year ending June 30, 2017 and 2016, for more detail on the current and future changes in accounting policy, which are incorporated by reference and can be found on the regulator's web site at www.sedar.com.

Statement of compliance

The annual audited consolidated financial statements have been prepared in accordance with international accounting standards for financial.

Basis of presentation

The consolidated financial statements incorporate the financial statements of the Company and those of Hitlab USA Inc. and Paysocial Inc., its wholly-owned subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Basis of measurement

These annual consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flows information.

Functional and presentation currency

Items included in the consolidated financial statements are measured using currency of the primary economic environment in which the Company operates (the "functional currency"). The functional currency of the Company is the CAD dollar. The presentation currency is the Canadian dollar.

Future accounting changes

The following standards have been issued but are not yet effective. The Company is assessing the impact of this new standard, but does not expect it to have a significant impact on the consolidated financial statements.

New accounting standards effective January 1st, 2017 and beyond

- IFRS 2 Share-based payment – In June 2016, the IASB issued an amendment to IFRS 2 to clarify the measurement for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. The mandatory effective date of the amendment to IFRS 2 is for annual periods beginning on or after January 1, 2018. The Company is evaluating the impact of this standard on its consolidated financial statements.
- IFRS 9 *Financial Instruments* – In July 2014, the IASB amended IFRS 9, *Financial Instruments*, to consolidate all three phases of its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The phases are the following: classification and evaluation, impairment and hedge accounting. This standard supersedes all previous versions of IFRS and will come into effect on January 1st 2018. Early application is permitted. The Company is evaluating the impact of this standard on its consolidated financial statements.

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- *IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*
The amendments to IFRS 10 "Consolidated Financial Statements" (IFRS 10) and IAS 28 "Investments in associates and joint ventures" (IAS 28) deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. The amendments are effective for annual periods beginning on or after January 1, 2017. The Company is evaluating the impact of this standard on its consolidated financial statements.
- *IFRS 15 Revenue from contracts with customers* – In May 2014, the IASB issued IFRS 15, *Revenue from contracts with customers*, which specifies the method and timing of recognition of revenue, and requires more detailed and relevant information disclosure. IFRS 15 supersedes IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and other interpretations related to revenue. In September 2015, the IASB issued an amendment to IFRS 15 to suspend for one year the effective date, i.e. as of January 1st 2018. The standard must be applied retrospectively. Early application is still permitted. The Company is evaluating the impact of this standard on its consolidated financial statements.
- *IFRS 16 Leases* – In January 2016, the IASB published IFRS 16, *Leases*. The new standard establishes the principles to present the information with regards to the amount, timing and uncertainty of future net cash inflows from a lease. Under the new standard, the lessee will recognize all assets and liabilities coming from a lease. The effective date to this new standard will be for periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, *Revenue from contracts with customers* is applied. The Company is evaluating the impact of this standard on its consolidated financial statements.
- *IAS 7 Statement of cash flows* – In January 2016, the IASB published an amendment to IAS-7 "Statement of Cash Flows". The amendment "Disclosure Initiative" clarifies that changes in liabilities arising from financing activities, including cash and non-cash changes, shall be disclosed in the Statement of Cash Flows. The provisions of this amendment will apply to financial statements beginning on or after January 1, 2017. Early adoption is permitted. The Company is evaluating the impact of this standard on its consolidated financial statements.
- *IAS 12 Incomes taxes* the IASB issued amendments to IAS 12 *Income Taxes*. The amendments, *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)*, clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The Company is evaluating the impact of this standard on its consolidated financial statements.

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SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgments, estimates and assumptions based on currently available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on managements' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from those estimated. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

In the process of applying the Company's accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the consolidated financial statements:

Share-based -payments

The Company uses the fair value method of valuing compensation expense associated with the Company's stock option plan. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, expected forfeitures and distribution yield.

The estimated useful lives and residual values of computer equipment, Instapay technology, MLM technology and trademark and the measurement of depreciation expense

Management estimates the useful lives of computer equipment and definite life intangible assets based on the year during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of computer equipment and definite life intangible assets for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, Management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

Going concern

The Company's ability to achieve its strategy by financing its future needs in working capital requires exercising judgments.

Konnect Mobile Communications Inc.

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RISK AND UNCERTAINTIES

Konnect strategy emphasizes developing technology in order to leverage its intellectual property and drive the creation of shareholder value. This strategy has required, and continues to require, significant financings, and is subject to risks associated with prices, resources and operations. Due to the nature of the Company's business, the present stage of development of its technology projects, and the constraints placed upon the Company's ability to move forward by its current liquidity situation, readers should carefully review and consider the financial, environmental and operational risk factors affecting the Company.

Need for Additional Financing

The Company currently has no source of operating cash flow, and there is no assurance that additional funding will be available to the Company as and when needed for further development of its projects, or to fulfill its obligations to its existing creditors. Volatile markets may make it difficult or impossible for the Company to obtain adequate debt or equity financing in the future, or on terms acceptable to the Company. The failure to obtain additional financing could force the Company to liquidate its assets to satisfy creditor claims.

No Revenues

To date, the Company has not achieved revenue from operations. There can be no assurance that significant additional losses will not occur in the near future, or that the Company will be profitable in the future. The amounts and timing of expenditures will depend on the progress of ongoing development, the results of consultants' analyses and recommendations, and the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of new technologies and other factors, many of which are beyond the Company's control. In particular, the Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel, and equipment associated with advancing development and commercial production of its technology are added.

The Company does not expect to receive revenues from operations in the foreseeable future. The Company expects to continue to incur losses until such time as its projects enter into commercial production and generate sufficient revenues to fund its continuing operations. There can be no assurance that the Company will generate any revenues or achieve profitability.

Dependence on Management

The Company's business and operations are dependent on recruiting and retaining the services of a small number of key members of management and qualified personnel. The success of the operations and activities of the Company are dependent, to a significant extent, on the efforts and abilities of the management of the Company. Investors must be willing to rely, to a significant extent, on the discretion and judgment of the management of the Company. Furthermore, while the Company believes that it will be successful in attracting qualified personnel and retaining its current management team, there can be no assurance of such success. The Company does not maintain key employee insurance on any of its employees.

Konnect Mobile Communications Inc.

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Competition

The business of the Company is intensely competitive. The Company competes with other technology companies. The Company competes with other similar companies that have greater financial and technical resources and experience. Many competitors have also conduct refining and marketing operations on a worldwide basis. Such competition may result in the Company being unable to acquire desired resources, to recruit or retain qualified employees, or to acquire the capital necessary to fund its operations and develop its projects.

The inability of the Company to compete with other similar companies for these resources would have a material adverse effect on the Company's results of operations and business.

Inability to Enforce Legal Rights in Certain Circumstances

In the event a dispute arises in another foreign jurisdiction, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. Similarly, to the extent that the Company's assets are governed or located outside of Canada, investors may have difficulty collecting from the Company any judgments obtained in the Canadian courts and predicated on the civil liability provisions of securities legislation.

Exchange Rate Fluctuations

Exchange rate fluctuations may adversely affect the Company's financial position and results. The Company may incur certain costs in U.S. dollars, Euros and other currencies, while financial results are reported in Canadian dollars. Currency exchange fluctuations may materially adversely affect the Company's future cash flows, results of operations and financial condition. The Company does not currently engage in hedging or have a policy in place for managing or controlling foreign currency risks.

Share Price Fluctuations

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly development stage companies, have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

Conflicts of Interest

Certain of the Company's directors and officers may serve as directors or officers of other reporting companies, companies providing services to the Company, or companies in whom they may have significant shareholdings. To the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

In accordance with the laws of Canada, the directors of the Company are required to act honestly, in good faith and in the best interest of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

Konnect Mobile Communications Inc.

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Dividends Unlikely

The Company has not declared or paid any dividends since the date of its incorporation and does not currently anticipate that dividends will be declared in the short or medium term. Earnings, if any, will be retained to finance further development of the Company's business.

Potential Dilution

The issue of Common Shares of the Company upon the exercise of outstanding options and warrants will dilute the ownership interest of the Company's current Shareholders. The Company may also issue additional option and warrants or additional Common Shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

Konnect Mobile Communications Inc. Management's, Discussion and Analysis For the year ending June 30, 2017

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

Readers are encouraged to read and consider the risk factors, which are incorporated in this MD&A, and additional information regarding the Company, the SEDAR website at www.sedar.com.

Signed: "William Coyle"

William Coyle
Chief Executive Officer

Konnect Mobile Communications Inc.
April 4, 2018
Montreal, Quebec
Canada

SCHEDULE "E" – PRO FORMA FINANCIAL STATEMENTS

Please see attached.

Proforma Financial Statements

STATEMENTS OF FINANCIAL POSITION	2018-01-31 Rojo	2017-12-31 Konnect	Notes	Pro Forma Adjustments Amounts	Pro Forma Combined
ASSETS					
Current Assets					
Cash	\$ 4,021	\$ 123,746	2(b) 2(g) 2(h) 2(j) 2(k)	\$ 30,000 496,668 3,500,000 1,000,000 99,000	5,253,435
GST receivable	2,000	35,021			37,021
Prepaid Expenses	20,490	45,083			65,573
Subscriptions receivable	-	170,000			170,000
Marketable Securities	120,000	-			120,000
	146,511	373,850			5,646,029
Non-Current Assets					
Computer equipment	-	273			273
Patent	-	24,850			24,850
Instapay Technology, at amortized cost	-	2,982,854			2,982,854
Property and Equipment	563	-			563
	563	3,007,977			
Total Assets	\$ 147,074	3,381,827		\$ 5,125,668	8,654,569
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	\$ 10,692	\$ 124,590	2(c)	669,600	804,882
Due to related parties	100,623	2,000			102,623
	111,315	126,590			907,505
SHAREHOLDER'S EQUITY					
Share Capital	11,307,855	10,363,450	2(a) 2(b) 2(b) 2(a) 2(g) 2(h) 2(k)	(11,307,855) 30,000 22,000 244,504 496,668 3,500,000 99,000	14,755,622
Equity portion of convertible debenture	-	-	2(j)	1,000,000	1,000,000
Contributed surplus	2,849,686	1,897,418	2(a)	(2,849,686)	1,897,418
Warrants	-	-	2(i)	785,400	785,400
Deficit	(14,121,782)	(9,005,631)	2(b) 2(c) 2(a) 2(a) 2(i)	(22,000) (669,600) 14,121,782 (208,745) (785,400)	(10,691,376)
TOTAL EQUITY	35,759	3,255,237			7,747,064
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 147,074	3,381,827		5,125,668	8,654,569

RESULTING ISSUER
Notes to Pro Forma Consolidated Financial Statements
As at December 31, 2017
(Unaudited)
(in Canadian dollars)

1. Basis of preparation

The accompanying unaudited pro forma consolidated financial statements ("Financial Statements") of Rojo Resources Ltd. have been prepared by management to reflect the acquisition of Konnect Mobile Communications by Rojo Resources Ltd. after giving effect to the proposed transactions (the "Transaction") as described in Note 2.

These financial statements have been prepared from information derived from and should be read in conjunction with the following:

1. The audited financial statements of Rojo Resources Ltd. as at and for the years ended July 31, 2017, and 2016. The unaudited condensed interim financial statements of Rojo Resources Ltd. for the six month period ended January 31, 2018.
2. The audited financial statements of Konnect Mobile Communications Inc. as at and for the year ended June 30, 2017 and 2016. The unaudited interim financial statements of Konnect Mobile Communications for the six month period ended December 31, 2017.

The pro forma consolidated statement of financial position gives effect to the Transaction had it occurred on January 31, 2018.

Pro forma statements of profit or loss and comprehensive loss have not been prepared due to the fact that all conditions for the exception of TSX Venture Exchange Form 3B.1 item 48.2 are met.

The Transaction has been accounted for in accordance with IFRS 2, Share-Based Payment. The Transaction is considered to be a reverse takeover of Rojo Resources Ltd. by Konnect Mobile Communications Inc. as the former shareholders of Konnect Mobile Communications Inc. will own a majority of the outstanding shares of the Resulting Issuer. The Transaction has been accounted for in the Financial Statements as a continuation of the financial statements of Konnect Mobile Communications Inc. The fair value of the shares issued was determined based on the fair value of the common shares issued by the Resulting Issuer.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and, in the opinion of management, include all adjustments necessary for fair presentation. No adjustments have been made to reflect additional costs or cost savings that could result from the combination of the operations of Rojo Resources Ltd. and Konnect Mobile Communications Inc., as management does not anticipate any material costs or cost savings as a result of this Transaction.

The pro forma financial statements have been prepared for illustration purposes only and may not be indicative of the combined results or financial position had the Transaction been in effect at the date indicated.

2. Pro Forma Assumptions and Adjustments

- a) Share capital, contributed surplus and the deficit of Rojo Resources Ltd. are eliminated.

A reverse takeover transaction involving a non-public operating entity and a non-operating public company is in substance a shared-based payment transaction, rather than a business combination. The transaction is equivalent to the issuance of shares by the Resulting Issuer for the net assets and the listing status of the non-operating public company, Rojo Resources Ltd.

The fair value of the consideration is as follows:

Issuance of 4,890,086 common shares of the resulting issuer to the former shareholders of Rojo Resources Ltd.	<u><u>\$244,504</u></u>
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The allocation of the consideration is as follows:

Cash equivalents	4,021
Taxes receivables	2,000
Prepaid expenses	20,490
Marketable Securities	120,000
Property and Equipment	563
Accounts payable and accrued liabilities	(10,692)
Advance from non-related company	(100,623)
Listing costs expensed	208,745
	<u><u>\$244,504</u></u>

- b) Resulting Issuer issued 60,000 common shares at a price of \$0.50 per common share through a private placement, prior to the 1 for 4 split, for aggregate gross proceeds of \$30,000. No issuance cost were incurred for this private placement.
As part of the transaction, 2 directors and officers of Konnect Mobile Communications entered into a profit sharing agreement with an option to convert their profit share into a minimum amount of common shares. The 2 directors were issued 3,300,000 common shares of the Company, prior to the 1 to 4 split, as per their employment agreements, of which 2,200,000 were issued for a nominal consideration and 1,100,000 were issued at \$0.02.
- c) Other closing costs associated with the Transaction are estimated to be \$669,600. These costs relate to regulatory filing fees, transfer agent and professional fees, which will be expensed in the post-acquisition period.
- d) On or shortly after closing of the Transaction, the Resulting Issuer will change its name to Konnect Mobile Technologies Corp.
- e) The pro forma effective income tax rate applicable to the operations will be approximately 26.8%.
- f) On or shortly after closing of the Transaction, the resulting Issuer amended its articles to provide for the split of the 16,536,700 common shares issued and outstanding of the Company into 66,146,800 common shares of the Company, representing a ratio of 1 for 4.
- g) Resulting Issuer issued 3,973,340 common shares in accordance with the engagement letter signed on November 30, 2017. The holder is entitled to acquire one post-Consolidation common share of the Resulting Issuer.
- h) Resulting Issuer issued 7,000,000 units at a price of \$0.50 per unit through a private placement, for aggregate gross proceeds of \$3,500,000. Each unit consists of one common share in the share capital of the Resulting Issuer and one warrant of the Resulting Issuer.
- i) Regarding the private placement (2h), each warrant entitles the holder to purchase one common share of the Resulting Issuer upon the payment of \$1.00 for a period of twelve months following the listing date of the Resulting Issuer. The estimated fair value of the warrants of \$785,400 was calculated using the Black-Scholes option pricing model with the following assumptions : (i) expected warrant life of 1 year; (ii) risk free interest rate of 1.79%; (iii) dividend yield of nil; (iv) expected volatility of 108%. These are highly subjective assumptions and any changes in the subjective input assumptions can materially affect the fair value of the estimate.
- j) Konnect Mobile Communications Inc. issued Convertible Debentures for aggregate gross proceeds of \$1,000,000. The Convertible Debentures shall convert (a) at the holder's election (b) when the volume weighted average price of the Resulting Issuer shares equals two times the conversion price and (c) after 12 months. The convertible debentures shall be convertible into Konnect Mobile Communications Inc. shares and warrants prior to a going public event. Upon completion of the Transaction, the Convertible Debentures shall be assumed by the Resulting Issuer and shall be convertible into Resulting Issuer shares and warrants.
- k) Prior to closing the Transaction, 198,000 warrants from the non-operating public company, Rojo Resources Ltd, were exercised at \$0.50 resulting in an increase in cash and share capital of \$99,000.

3. Pro Forma Share Capital

a) Common shares:

Upon completion of the proposed transactions, the proforma common shares outstanding will be as follows:

	<u>Note</u>	<u>Number</u>	<u>Amount</u>
Rojo Resources Ltd. common shares issued and outstanding as at January 31, 2018		4,890,086	\$11,307,855
Adjustment for transaction	2(a)	(4,890,086)	(11,307,855)
Acquisition of Rojo Resources Ltd.	2(a)	4,890,086	\$244,504
Shares of Konnect Mobile Communications Inc. following the split	2(f)	66,146,800	10,363,450
Issuance of common shares from issuance of the Konnect Finder Shares	2(g)	3,973,340	496,668
Issuance of common shares through a private placement	2(b)	240,000	30,000
Issuance of share through Director's profit conversion	2(b)	13,200,000	22,000
Issuance of common shares through conversion of Subscription Receipts	2(h)	7,000,000	3,500,000
Cost of financing - warrants	2(f)	-	Nil
Conversion of warrants	2(k)	198,000	99,000
Pro forma share capital as at January 31,2018		<u>95,648,226</u>	<u>\$14,755,622</u>

b) Warrants:

The following table summarizes the proforma consolidated warrants outstanding:

<u>Note</u>	<u>Number of warrants outstanding</u>	<u>Weighted average exercise price</u>
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Rojo Resources Ltd. begining balance at January 31, 2018		-	Nil
Issuance of 7,000,000 warrants	2(i)	7,000,000	\$1.00
Proforma warrants outstanding as at January 31, 2018		<u>7,000,000</u>	<u>\$1.00</u>

c) Options:

The following table summarizes the proforma consolidated options outstanding:

	<u>Note</u>	<u>Number of options outstanding</u>	<u>Weighted average exercise price</u>
Konnect Mobile Communications Inc. begining balance at January 31, 2018		2,130,000	\$0.50
Issuance of options		-	-
Proforma options outstanding as at January 31, 2018		<u>2,130,000</u>	<u>\$0.50</u>

d) Convertible Debentures :

The following table summarizes the proforma consolidated Convertible Debentures outstanding:

	<u>Note</u>	<u>Amount</u>
Rojo Resources Ltd. begining balance at January 31, 2018		-
Issuance of Convertible Debentures	(2j)	\$1,000,000
Proforma Convertible Debentures as at January 31, 2018		<u>\$1,000,000</u>