

# SEAWAY ENERGY SERVICES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2017

This discussion and analysis of financial position and results of operation is prepared as at January 29, 2018 and should be read in conjunction with the audited financial statements and the accompanying notes for the years ended September 30, 2017 and 2016 of Seaway Energy Services Inc. ("Seaway" or "the Company"). The following disclosure and associated condensed consolidated interim financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management's discussion and analysis ("MD&A") are quoted in Canadian dollars.

### Forward Looking Statements

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: "anticipate," "believe," "plan," "estimate," "expect," "intend" and similar expressions to the extent that they relate to the Company or its management or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including the ability to raise the necessary capital or to be fully able to implement its business strategies.

Forward-looking statements are not historical facts, but reflect the Company's current expectations and assumptions regarding future results or events. In particular, fluctuations in the securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via [www.sedar.com](http://www.sedar.com) and readers are urged to review these materials.

### Company Overview

The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange ("TSXV") under the symbol "SEW". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia.

During fiscal 2017 the Company completed a non-brokered private placement financing of 7,610,000 units for proceeds of \$380,500. In December 2017 the Company completed a further non-brokered private placement financing of 15,000,000 units for proceeds of \$3,000,000. The Company currently does not have any active operations and management has been actively seeking new business opportunities and financing. On January 22, 2018 the Company negotiated and entered into a letter of intent to acquire X2 Blockchain Games Corp. ("X2"). See "Proposed Business Acquisition and Financing".

The Company's continuing operations, as intended, are dependent upon its ability to identify, evaluate, negotiate and complete an acquisition of or participation in an interest in properties, assets or businesses. There can be no assurance that the Company will be able to complete such activities or obtain financing to continue; therefore, a material uncertainty exists that casts significant doubt over the Company's ability to continue as a going concern.

### Proposed Business Acquisition and Financing

On January 22, 2018 the Company entered into a letter of intent (the "LOI") with X2 pursuant to which the Company will acquire all of the outstanding shares of X2 (the "Proposed Transaction"). The Proposed Transaction is expected to constitute a change of business and be structured as a reverse takeover. The shareholders of X2 will receive an aggregate of 100,000,000 common shares of the Company.

The LOI sets out certain terms and conditions pursuant to which the Proposed Transaction will be completed. The Proposed Transaction is subject to the parties successfully entering into a definitive business combination agreement (the “Definitive Agreement”) in respect of the Proposed Transaction on or before March 15, 2018 or such other date as the parties may mutually agree. The LOI also contemplates other material conditions precedent to the closing of the Proposed Transaction (the “Closing”), including customary due diligence, receipt of all necessary regulatory, corporate and third party approvals, compliance with all applicable regulatory requirements, and all requisite board and shareholder approvals being obtained.

Certain of the Company’s common shares issuable pursuant to the Proposed Transaction may be subject to escrow requirements pursuant to applicable regulatory policy and hold periods as required by applicable securities laws.

Pursuant to the terms of the LOI, the Company is also required to complete a private placement financing of \$15,000,000 (the “Concurrent Financing”) concurrent with the closing of the Proposed Transaction. The Concurrent Financing will be completed on a non-brokered basis, and the Company may pay finder’s fees in accordance with applicable securities laws and exchange policies to eligible finders. Completion of the Concurrent Financing is subject to receipt of exchange approval and other requisite approvals. All securities issued in connection with the Concurrent Financing will be subject to hold periods under applicable Canadian and United States securities laws for a minimum of four months and a day.

### *Business of X2*

X2 is a British Columbia corporation, which holds 100% of X Blockchain Games Corp. (“X Blockchain Games”), a California corporation. X Blockchain Games is an independent games publisher focused on blockchain technology, and is based in Silicon Beach, Santa Monica, California, the hub of video games and eSports.

X Blockchain Games is an independent games publisher for cutting edge games that integrate blockchain technology and Cryptocurrency into the user’s game experience. The company was founded by Nolan Bushnell, considered a founding father of the video game industry, best known for founding Atari and Chuck E. Cheese’s Pizza Time Theatre.

X Blockchain Games owns the historical back catalogue of Nolan Bushnell’s games, which includes 40 unpublished games, created over four decades, following the sale of Atari in 1977 to Warner. In addition to developing and publishing this exclusive back catalogue of games, the company is also looking to acquire a number of independent titles and game studios to ensure a continued stream of new titles for the world to enjoy and play.

X Blockchain Games has the technology and expertise to integrate blockchain technology into its digital games. Leveraging this secure distributed ledger technology, games are being developed to create bigger, better and more valuable gaming experiences by seamlessly integrating the digital and physical realms and creating value opportunities for players wherever they are

Games development for X Blockchain Games is based in Silicon Beach, Santa Monica, California, with game design and art direction based under the oversight of Chief Creative Officer and Head of Games Design, Zai Ortiz. Mr. Ortiz is a legendary Hollywood 3D visionary most famous for the animation design of the J.A.R.V.I.S. system holograms in Marvel’s Iron Man, TRON Legacy, Mission Impossible and many more Hollywood blockbusters.

X Blockchain Games’ team will ensure cutting edge gaming experiences and a steady flow of new titles over the next two years.

### **Changes to the Board of Directors**

During December 2017 Messrs. John McCoach and Amrik Virk were appointed to the board of directors.

Mr. McCoach recently retired as president of the TSXV, a position he held since 2009. He is currently on the board of directors of a Toronto Stock Exchange listed mining company and the Capital Markets Authority Implantation Organization; the entity tasked by five participating provinces, one territory and the Government of Canada to create a pan-Canadian securities commission. Mr. McCoach is a financial industry executive with experience in various strategic, management and operational roles and has a track record of success in building strategies and programs to meet customer needs, maximize revenue growth, operational efficiency, and shareholder value. He is adept at leading and coaching teams through large, complex organizational and cultural transformations and regulatory changes.

Moreover, Mr. McCoach is highly effective in establishing trust and credibility, both domestically and internationally, with multiple constituents. Mr. McCoach has over 35 years of experience in the investment industry and has witnessed, and participated in, many changes in the Canadian capital markets. He was a senior vice president, corporate finance for an independent Canadian investment dealer prior to joining TMX Group.

Mr. Virk is the former Minister of Technology, Innovation and Citizens' Services and Minister of Advanced Education for British Columbia, Canada. Mr. Virk's leadership positioned the province's technology sector as the 15<sup>th</sup> largest in the world. As Minister of Technology, Mr. Virk launched the #BCTECH Strategy, which still currently forms the backbone of the province's technology economy. Mr. Virk's comprehensive mandate included various International Trade Missions, 14 Technology Accelerators, all of governments' cyber security, real estate portfolio, as well as a large portion of all public building construction. As the Minister of Advanced Education, Mr. Virk effectively had oversight of all post-secondary education in the province; including 25 public universities and colleges and over 300 private institutions. He was responsible for re-engineering post-secondary education in British Columbia and subsequently took a national lead in aligning university degree graduations and funding with job and economic prospects. In both of his portfolios, he managed budgets nearing \$2 billion dollars. Prior to elected office, Mr. Virk was a highly decorated police officer with a 26-year career with the Royal Canadian Mounted Police.

As of the date of this MD&A the directors and officers are as follows:

David Sidoo	- President, CEO, director
Nick DeMare	- CFO, Corporate Secretary, director
Dylan Sidoo	- director
Peter Espig	- director
John McCoach	- director
Amrik Virk	- director

### Selected Financial Data

The following selected financial information is derived from the audited annual financial statements of the Company.

	Year Ended September 30,		
	2017 \$	2016 \$	2015 \$
<b>Operations:</b>			
Revenues	Nil	Nil	Nil
Expense	(292,743)	(247,285)	(65,024)
Other items	505	37,838	(114,000)
Comprehensive loss	(292,238)	(209,447)	179,024
(Loss) income per share - basic and diluted	(0.03)	(0.04)	(0.04)
<b>Balance Sheet:</b>			
Working capital (deficit)	29,529	25,734	(142,319)
Total assets	92,239	37,264	11,767

The following selected financial information is derived from the unaudited condensed interim consolidated financial statements of the Company.

	Fiscal 2017				Fiscal 2016			
	Sept. 30 2017 \$	Jun. 30 2017 \$	Mar. 31 2017 \$	Dec. 31 2016 \$	Sept. 30 2016 \$	Jun. 30 2016 \$	Mar. 31 2016 \$	Dec. 31 2015 \$
<b>Operations:</b>								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expense	(49,492)	(28,110)	(27,523)	(187,618)	(31,594)	(118,639)	(38,565)	(58,487)
Other items	505	-	-	-	37,838	-	-	-
Comprehensive (loss) income	(48,987)	(28,110)	(27,523)	(187,618)	6,244	(118,639)	(38,565)	(58,487)
(Loss) income per share -basic and diluted	(0.01)	(0.00)	(0.00)	(0.02)	0.00	(0.09)	(0.01)	(0.01)

	Fiscal 2017				Fiscal 2016			
	Sept. 30 2017 \$	Jun. 30 2017 \$	Mar. 31 2017 \$	Dec. 31 2016 \$	Sept. 30 2016 \$	Jun. 30 2016 \$	Mar. 31 2016 \$	Dec. 31 2015 \$
<b>Balance Sheet:</b>								
Working capital (deficit)	29,529	78,516	86,126	13,648	25,734	19,490	(239,371)	(200,806)
Total assets	92,239	127,752	114,211	30,966	37,264	83,343	24,983	15,691

## Results of Operations

### *Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016*

Activities during the three months ended September 30, 2017 (“Q4/2017”) and the three months ended September 30, 2016 (“Q4/2016”) were limited. During Q4/2017 the Company reported a net loss of \$48,987 compared to a net loss of \$27,734 for Q4/2016, an increase in loss of \$21,253, due to the increase in corporate activities.

### *Year Ended September 30, 2017 Compared to Year Ended September 30, 2016*

During the year ended September 30, 2017 (“fiscal 2017”) the Company reported a net loss of \$292,238 compared to a net loss of \$209,447 for the year ended September 30, 2016 (“fiscal 2016”), an increase in loss of \$82,791. Specific general and administrative expenses of variance are noted below:

- (i) during fiscal 2017 the Company recognized share based compensation of \$140,533 on the granting of 890,000 share options. During fiscal 2016 no share options were granted;
- (ii) professional fees during fiscal 2017 decreased by \$117,373, from \$138,991 during fiscal 2016 to \$21,618 during fiscal 2017;
- (iii) executive management compensation during fiscal 2017 increased by \$68,350, from \$20,650 during fiscal 2016 to \$89,000 during fiscal 2017. See also “Related Party Disclosures”; and
- (iv) during fiscal 2016 the Company recognized forgiveness of debt of \$37,838 arising from the negotiation of debt settlements.

## Financing Activities

During fiscal 2017 the Company received \$155,500 from the exercise of warrants to issue 1,555,000 common shares.

During fiscal 2016 the Company completed a private placement of 7,610,000 units for gross proceeds of \$380,500.

## Financial Condition / Capital Resources

At September 30, 2017, the Company had working capital of \$29,529 and, during fiscal 2017 the Company incurred a loss of \$292,238. Subsequent to September 30, 2017 the Company completed a non-brokered private placement of 15,000,000 units for gross proceeds of \$3,000,000. A further \$78,500 was received from the exercise of warrants. The Company is required to raise a further \$15,000,000 under the Concurrent Financing as a condition to complete the Proposed Transaction and Concurrent Financing. The Company’s operations have been funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

## Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

## Proposed Transactions

See “Proposed Business Acquisition and Financing”. The Company has no other proposed transactions.

## Changes in Accounting Principles

There are no changes in accounting policies.

## Related Party Disclosures

A number of key management personnel or their related parties hold positions in other entities that result in them having control or significant influence over the financial or operation policies of those entities. Certain of these entities transacted with the Company during the reporting period.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and executive officers.

- (a) During fiscal 2017 and 2016 the following amounts were incurred with respect to current and former key management personnel.

Executive management compensation was incurred as follows:

	2017 \$	2016 \$
David Sidoo, President and CEO <sup>(1)</sup>	60,000	-
Nick DeMare, CFO <sup>(2)</sup>	24,000	-
Max Sali, director <sup>(3)</sup>	5,000	-
Kyle Stevenson, former CEO	-	15,000
Dennis Clement, former director	-	5,650
	<u>89,000</u>	<u>20,650</u>

(1) Paid to Siden Investments Ltd., a private company owned by Mr. Sidoo.

(2) Paid to Chase Management Ltd., a private company owned by Mr. DeMare.

(3) Mr. Sali resigned as a director on November 27, 2017.

As at September 30, 2017, \$56,000 (September 30, 2016 - \$nil) remained unpaid.

Share based compensation was recorded as follows:

	2017 \$	2016 \$
David Sidoo, President and CEO	69,476	-
Nick DeMare, CFO	19,738	-
Max Sali, director	7,895	-
Peter Espig, director	7,895	-
	<u>105,004</u>	<u>-</u>

- (b) The Company's CFO, Mr. DeMare, was appointed on October 17, 2016. Since the appointment \$14,200 was incurred for accounting and administration services provided by Chase Management Ltd. a private company owned by Mr. DeMare. As at September 30, 2017, \$1,800 remained unpaid.
- (c) During fiscal 2017 the Company paid \$5,500 (2016 - \$15,000) for accounting and administration services provided by Midland Management Ltd., a private company owned by Ryan Cheung, a former CFO of the Company.
- (d) During fiscal 2017 the Company paid \$1,986 (2016 - \$11,300) for legal services provided by BP Law, a private company owned by Mr. Brendan Purdy, a former CEO of the Company.
- (e) During fiscal 2016 the Company paid \$6,878 for accounting and administration services provided by MJ Holub Financial Consulting, a private company owned by Mr. Michael Holub, a former CFO of the Company.

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

### **Outstanding Share Data**

The Company's authorized share capital is unlimited common shares without par value and unlimited preferred shares without par value. As at January 29, 2018, there were 26,317,583 outstanding common shares, 16,525,000 warrants outstanding with an exercise prices ranging from \$0.10 to \$0.40 per share and 1,250,000 share options outstanding with exercise prices ranging from \$0.20 to \$1.14 per share.