# SEAWAY ENERGY SERVICES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS
## FOR THE YEAR ENDED SEPTEMBER 30, 2018

This management discussion and analysis of financial position and results of operation is prepared as at January 25, 2019 and should be read in conjunction with the audited financial statements and the accompanying notes for the years ended September 30, 2018 and 2017 of Seaway Energy Services Inc. ("Seaway" or "the Company"). The following disclosure and associated 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 and readers are urged to review these materials.

**Company Overview**

The Company is a corporation continued under the laws of British Columbia. 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 #789 - 999 West Hasting Street, Vancouver, British Columbia, V6C 2W2 Canada.

The Company 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".

In December 2017 the Company completed a private placement financing to raise $3,000,000.

In March 2018 the Company agreed to provide X2 with a bridge loan of up to $500,000. The Company made an initial advance of $250,000. During the year ended September 30, 2018 the Company and X2 formally terminated the Acquisition Agreement and X2 repaid the bridge loan and accumulated interest in full.

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 cast 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, superseded by the share exchange agreement dated April 13, 2018 (the "Acquisition Agreement"), with X2 Blockchain Games Corp. ("X2"), Nolan Bushnell and the shareholders of X2, pursuant to which the Company would acquire all of the outstanding shares of X2 in exchange for 81,915,074 common shares of the Company on a 1:1 basis (the "Acquisition").

The Acquisition Agreement set out certain terms and conditions pursuant to which the Acquisition would be completed. The Acquisition Agreement also contemplated other material conditions precedent to the closing of the Acquisition (the "Acquisition 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. The Company was also required to complete a private placement to raise up to $16,000,000 concurrent with the closing of the Acquisition.

The Company had agreed to pay a finder's fee comprising $500,000 cash and issuance of 4,095,753 common shares of the Company.

X2 is a British Columbia corporation which owns 100% of X Blockchain Games Corp. ("X Blockchain"), a California, USA based corporation. X Blockchain is an independent games publisher focusing on digital games integrating blockchain technology to create enhanced game experiences. X2 Blockchain has acquired the exclusive legal and beneficial ownership of a back catalogue of games and all data and materials, including all intellectual property rights.

As at September 30, 2018 the Company incurred $59,995 for legal and other costs associated with the proposed Acquisition.

During the year ended September 30, 2018, the Company and X2 formally terminated the Acquisition Agreement. As a result, X2 repaid the Company $252,339 as payment of principal and accrued interest on a loan agreement whereby the Company agreed to provide X2 with a bridge loan (the "Bridge Loan") (Note 5) of up to $500,000 (the "Bridge Loan") and an additional $47,661 for legal expenditures incurred by the Company on account of the Acquisition.

## Board of Directors and Officers

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

| | |
|---|---|
| David Sidoo | - President, director |
| Dylan Sidoo | - CEO, director |
| Leon Ho | - CFO, director |
| Peter Espig | - director |
| John McCoach | - director |
| Amrik Virk | - director |

## Selected Annual Information

| | Year ended September 30, 2018 | Year ended September 30, 2017 | Year ended September 30, 2016 |
|---|---|---|---|
| Revenues | $Nil | $Nil | $Nil |
| Loss For the Year | $1,374,212 | $292,238 | $209,447 |
| Loss Per Share: Basic & Diluted | $(0.06) | $(0.03) | $(0.04) |
| Total Assets | $2,276,770 | $92,239 | $37,264 |
| Long Term Debt | $Nil | $Nil | $Nil |

### Selected Financial Data

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

| | Fiscal 2018 | | | | Fiscal 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Sep. 30 2018 $ | Jun. 30 2018 $ | Mar. 31 2018 $ | Dec. 31 2017 $ | Sept. 30 2017 $ | Jun. 30 2017 $ | Mar. 31 2017 $ | Dec. 31 2016 $ |
| **Operations:** | | | | | | | | |
| Revenues | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Expenses | (223,978) | (273,789) | (394,483) | (519,392) | (49,492) | (28,110) | (27,523) | (187,618) |
| Other items | 10,953 | 11,677 | 11,949 | 2,851 | 505 | - | - | - |
| Comprehensive (loss) income | (213,025) | (262,112) | (382,534) | (516,541) | (48,987) | (28,110) | (27,523) | (187,618) |
| (Loss) income per share -basic and diluted | (0.01) | (0.01) | (0.04) | (0.04) | (0.01) | (0.00) | (0.00) | (0.02) |
| **Balance Sheet:** | | | | | | | | |
| Working capital (deficit) | 2,152,567 | 2,365,5952 | 2,475,204 | 2,857,738 | 29,529 | 78,516 | 86,126 | 13,648 |
| Total assets | 2,276,770 | 2,460,339 | 2,613,260 | 2,915,987 | 92,239 | 127,752 | 114,211 | 30,966 |

### Fourth Quarter

There were no significant events or transaction during the three month period ended September 30, 2018.

### Results of Operations

*Year Ended September 30, 2018 Compared to Year Ended September 30, 2017*

During the year ended September 30, 2018 the Company reported a net loss of $1,374,212, compared to a net loss of $292,238 for the year ended September 30, 2017. The fluctuation was primarily attributed to the following:

(i) incurred $45,555 (2017 - $19,700) for accounting and administrative costs for increased in activities during the current year.
(ii) incurred $33,261 (2017 - $nil) for 2018 audit. The Company 2018 and 2017 fees were recorded in 2018.
(iii) incurred $83,328 (2017 - $nil) for corporate finance fees related to financial advisory services incurred during the current year.
(iv) incurred $346,250 (2017 - $89,000) for executive management compensation due to appointment of three new directors and bonuses paid to officers and directors of the Company or accrued during the current year.
(v) recovered $13,402 (2017 – expense of $1,986) of legal fees related to termination of the X2 transaction.
(vi) incurred $110,576 (2017 - $15,328) of professional fees for business development services incurred during the current year.
(vii) incurred $100,000 (2017 -$nil) of public relations to raise awareness of the Company for business opportunities and to pursue financing opportunities.
(viii) incurred $282,000 (2017 - $140,533) of share-based compensation for stock options granted during the current year.
(ix) incurred $25,000 (2017 - $nil) of sponsorship expenses for a charitable cause supported by management of the Company.
(x) incurred $346,602 (2017 - $7,907) of travel expenses due to increased travel to the U.S.A., England and Asia to meet with prospective investor groups to raise equity financing and potential business opportunities.

**Investing Activities**

With the proposed business acquisition arrangement, the Company provided X2 with a bridge loan of $250,000. During the year ended September 30, 2018, the Company and X2 formally terminated the Acquisition Agreement and X2 repaid the bridge loan and accumulated interest in full.

**Financing Activities**

During the fiscal 2018, the Company completed a non-brokered private placement financing of 15,000,000 units at a price of $0.20 per unit for gross proceeds of $3,000,000. The proceeds from this financing were used by the Company to explore opportunities for acquisition in the technology sector and specifically the emerging sector related to distributed ledger technology. In connection to the private placement, the Company paid share issuance costs of $15,750 cash. A further $231,000 was received from the exercise of warrants and 2,310,000 common shares were issued.

**Financial Condition / Capital Resources**

During the year ended September 30, 2018 the Company incurred a comprehensive loss of $1,374,212 and, as at September 30, 2018, had working capital of $2,152,567 and an accumulated deficit of $5,428,568. The Company has sufficient financial resources to maintain current levels of overhead. 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**

The Company has no other proposed transactions.

**Changes in Accounting Policies**

There were no changes in accounting policies for the year ended September 30, 2018.

Recent accounting pronouncements

*IFRS 9 Financial Instruments*

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of Embedded Derivatives. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*

Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- *Classification and measurement of financial liabilities:*

When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- *Impairment of financial assets:*

An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- *Hedge accounting:*

Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

The final version of this new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

*IFRS 16 Leases*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost and is then depreciated similarly to property and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard is effective for annual periods beginning on or after January 1, 2019.

**Related Party Disclosures**

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.

(i) During the years ended September 30, 2018 and 2017 the following amounts were incurred with respect to current and former key management personnel:

| | **2018** | **2017** |
|---|---|---|
| Executive management compensation | $ 346,250 | $ 89,000 |
| Share-based compensation | 282,000 | 105,004 |
| | $ 628,250 | $ 194,004 |

As at September 30, 2018, $75,500 (September 30, 2017 - $57,000) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the year ended September 30, 2018 the Company incurred a total of $38,805 (2017 - $14,200) with Chase Management Ltd. ("Chase"), a private corporation owned by the former CFO of the Company, for accounting and administrative services provided by Chase personnel, excluding the CFO. As at September 30, 2018, $320 (2017 - $1,800) remained unpaid and has been included in accounts payable and accrued liabilities.

(iii) During the year ended September 30, 2018 the Company paid $10,756 (2017 - $Nil) for rent provided by a company related to a Director of the Company.

(iv) During the year ended September 30, 2018, the Company paid $8,000 (2017 - $5,500) for accounting and administration services provided by a company related to a Director of the Company.

(v) During the year ended September 30, 2018, the Company paid $Nil (2017 - $1,986) for legal services provided by a Director of the Company.

**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 25, 2019, the Company had the following outstanding:

Common shares – 27,842,583 outstanding

Warrants:

| Number | Exercise Price | Expiry Date |
|---|---|---|
| 7,813,000 | $0.40 | December 5, 2019 |
| 7,187,000 | 0.40 | December 12, 2019 |
| 15,000,000 | | |

Options:

| Number | Exercise Price | Expiry Date |
|---|---|---|
| 160,000 | $0.35 | October 18, 2021 |
| 890,000 | 0.20 | October 20, 2021 |
| 100,000 | 1.14 | December 21, 2021 |
| 100,000 | 1.14 | December 27, 2021 |
| 1,250,000 | | |