

**SCORPION RESOURCES INC.**

**Management Discussion and Analysis  
For the Period Ended December 31, 2017**

**Expressed in Canadian Dollars**

**Date Submitted: February 26, 2018**

## **DATE**

- This MD&A includes material occurring up to and including February 26, 2018.

## **Management's Discussion and Analysis of Financial Position and Results of Operations**

The following information should be read in conjunction with the unaudited condensed interim financial statements of Scorpion Resources Inc. ("Scorpion" or the "Company") for the period ended December 31, 2017 and the audited annual financial statements of Scorpion for the year ended March 31, 2017. All amounts are expressed in Canadian dollars unless otherwise stated.

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Issuer. The Issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements.

The proposed business of the Company involves a high degree of risk and there is no assurance that the Company will identify an appropriate business for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment. Additional funds may be required to enable the Company to pursue such an initiative and the Company may be unable to obtain such financing on terms which are satisfactory to it, particularly in the current economic environment. Furthermore, there is no assurance that the business will be profitable. Those factors raise doubt as to the Company's ability to continue as a going concern.

### **Overall Performance**

During the nine month period ended December 31, 2017, the Company raised cash of \$121,799 (2016 - \$Nil). Expenses amounted to \$160,268 (2016 - \$160,096).

## **Business of the Company**

The Company was incorporated under the Canada Business Corporations Act on October 19, 2011.

The Company was formed for the primary purpose of completing an Initial Public Offering (“IPO”) on the TSX Venture Exchange (“Exchange”) as a Capital Pool Company (“CPC”) as defined in Policy 2.4 of the Exchange. As a CPC, the Company’s principal business would be to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction in accordance with Policy 2.4 of the Exchange (“Qualifying Transaction”). A CPC has 24 months from when the shares are listed on the Exchange to complete a Qualifying Transaction. Such a transaction will be subject to shareholder and regulatory approval. The Company’s shares were listed on the Exchange on September 7, 2012. Until completion of the Qualifying Transaction, the Company could not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction.

On September 9, 2014 the Exchange informed the Company that it has halted the Company’s securities from trading for failure to complete the Qualifying Transaction prior to the suspension deadline of September 8, 2014. The halt was changed to a suspension effective September 11, 2014. The Company was placed on notice to delist and to avoid delisting the Company was required to satisfy either of the following requirements, prior to the delisting deadline of December 8, 2014:

- 1.1 Completion of a Qualifying Transaction acceptable for the Exchange or
- 1.2 Transfer to NEX subject to NEX acceptance rules.

On December 10, 2014 the Company announced that it had applied for a transfer of its listing from the Exchange to the NEX board of the Exchange (“NEX”). The Company obtained the requisite shareholder approval for the transfer to NEX at the annual general meeting of its shareholders held on September 12, 2014. In connection with the transfer to NEX, an aggregate 250,000 seed shares of the Company held in escrow by certain non-arm’s length parties have been cancelled in accordance with the Exchange policy. The Company’s listing will transfer to NEX under the trading symbol SR.H and the Company’s tier classification will change from Tier 2 to NEX.

## **About Scorpion Resources Inc.**

Scorpion Resources Inc. is designated as a Capital Pool Company by the Exchange. It has not commenced commercial operations and has no assets. The purpose of the offering under its Prospectus was to provide it with funds to identify and evaluate businesses or assets with a view to completing a Qualifying Transaction. Until completion of a Qualifying Transaction, Scorpion will not carry on any business other than identification and evaluation of businesses or assets with a view to completing a proposed Qualifying Transaction.

## **Proposed Qualifying Transaction – Subject to the approval of the Exchange and other**

### *Acquisition of BlockStrain Technology Corp.*

On January 18, 2018, the Company entered into a definitive share exchange agreement with BlockStrain Technology Corp. (“BlockStrain”), a private company incorporated in the province of British Columbia, and each of the shareholders of BlockStrain, pursuant to which the Company has agreed to acquire all of the issued and outstanding securities of BlockStrain. The transaction will constitute a reverse takeover of Scorpion by BlockStrain and Scorpion's qualifying transaction as defined in the policies of the TSX Venture Exchange.

Pursuant to the terms of the agreement, the Company will issue an aggregate of 38,350,000 postsplit common shares, pro rata, to the vendors at a deemed price of \$0.30 per Scorpion share.

It is anticipated that the completion of the transaction will involve, among other things, the following steps:

- Scorpion completing a 2 for 1 forward split of the Scorpion shares;
- The vendors receiving one Scorpion share for each common share of BlockStrain held;
- Scorpion completing a private placement of subscription receipts for aggregate gross proceeds of up to \$10,000,000 at a price of \$0.30 per subscription receipt;
- Scorpion adopting a stock option plan, with the number of options available for grant under the plan to be determined in accordance with the policies of the TSX-V.

The Scorpion shares issued to the vendors as consideration for the transaction are expected to be subject to a hold period expiring four months and one day after the closing of the transaction and such other escrow or pooling restrictions as may be applicable under the policies of the TSX-V. It is not expected that shareholder approval will be required for the transaction under the policies of the TSX-V.

Furthermore, the following directors and officers have been identified as proposed directors and officers of Scorpion following completion of the Transaction, subject to the approval of the TSXV:

- Robert Galarza, *Chief Executive Officer and Director*
- Tommy Stephenson, *Chief Technology Officer and Director*
- Anthony Jackson, *Chief Financial Officer and Director*
- Cameron Chell, *Director*

## **Management Changes**

Subsequent to the period ended December 31, 2017, Joshua Bleak resigned as a director of the Company.

## **Results of Operations**

Net loss in the current nine month period ending December 31, 2017 was \$160,268 compared to a net loss of \$160,096 for the same period in the prior year, reflecting an increase of \$172 in losses. Significant line item changes were as follows:

- Business development of \$1,663 compared to \$1,493 in the same period the prior year.
- Consulting fees of \$Nil compared to \$95,000 in the same period in the prior year.
- Foreign exchange gain of \$4,553 compared to \$1,072 in the same period the prior year.
- Office and miscellaneous expenses of \$31,147 compared to \$2,164 in the same period the prior year.
- Professional fees of (\$37,505) compared to \$46,412 in the same period the prior year.
- Property investigation costs of \$119,225 compared to \$Nil in the same period in the prior year.
- Transfer agent and filing fees of \$50,291 compared to \$16,099 in the same period the prior year.

### Summary of Quarterly Results

Three months ended	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Total revenue	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Net income (loss) before tax	(191,525)	(13,327)	44,584	(31,477)	(128,872)	(19,146)	(12,078)	(67,779)
Net earnings (loss) per share (basic and diluted)	(0.06)	(0.01)	0.04	(0.00)	(0.22)	(0.03)	(0.02)	(0.12)

### Discussion

During the period ending December 31, 2017, professional fees were \$5,145 (2016 - \$16,844) reflecting a decrease in accounting and legal fees during the period. Office and miscellaneous were \$30,173 (2016 - \$1,401), property investigation costs were \$119,225 (2016 - \$Nil) and transfer agent and filing fees were \$37,690 (2016 - \$15,206) due to an increase in business activity during the period.

During the period ending September 30, 2017, professional fees were \$5,888 (2016 - \$19,068) reflecting a decrease in accounting and legal fees during the period. Transfer agent and filing fees were \$8,278 (2016 - \$Nil) due to an increase in business activity during the period.

During the period ending June 30, 2017, the Company recovered \$48,538 of professional fees due to the forgiveness of debt from a related party. This resulted to a net income of \$44,584.

Transfer agent and filing fees were \$4,323 (2016 - \$893) due to an increase in business activity during the period.

During the period ending March 31, 2017, professional fees were \$42,394 (2016 - \$11,538) due to finding an acquisition target and getting the Company relisted. Mineral property investigation costs of \$68,000 (2016 - \$Nil) related to finding an acquisition target. Transfer agent and filing fees were \$11,757 (2016 - \$3,165) due to an increase in business activity associated with getting the Company relisted.

During the period ending December 31, 2016, business development expenses related to finding an acquisition target were \$1,493 (2015 - \$Nil). Consulting expenses were \$95,000 (2015 - \$Nil). The increase was due to finding an acquisition target and getting the Company relisted. Professional fees were \$16,844 (2015 - \$3,135) reflecting an increase in accounting fees and a decrease in legal fees. Transfer agent and filing fees were \$15,206 (2015 - \$4,448) due to an increase in business activity associated with getting the Company relisted.

During the period ending September 30, 2016, professional fees were \$19,068 (2015 - \$6,593) reflecting an increase in accounting fees and a decrease in legal fees. Filing fees were \$Nil (2015 - \$4,401) due to a decrease in business activity during the period.

During the period ending June 30, 2016, professional fees were \$10,500 (2015 - \$4,649) reflecting an increase in accounting fees during the period. Exploration expenses were \$Nil (2015 - \$3,616) due to the Company deciding not to pursue the exploration of the CWT Property. Filing fees were \$894 (2015 - 2,151) due to a decrease in business activity during the period.

Other than costs already discussed, management does not believe that meaningful information about the Company's operations can be derived in more detail, from an analysis of quarterly fluctuations, as being presented herein.

### **Liquidity and Capital Resources**

At December 31, 2017, the Company had working capital of \$11,366 which management considers not being sufficient to continue operations for the coming year. The proposed business of the Company, completing its Qualifying Transaction involves a high degree of risk and there is no assurance that the Company will identify an appropriate business opportunity for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment.

On September 9, 2014 the Exchange informed the Company that it has halted the Company's securities from trading for failure to complete the Qualifying Transaction prior to the suspension deadline of September 8, 2014. The halt was changed to a suspension effective September 11, 2014. The Company was placed on notice to delist and to avoid delisting the Company was

required to satisfy either of the following requirements, prior to the delisting deadline of December 8, 2014:

4.6.1 Completion of a Qualifying Transaction acceptable for the Exchange or

4.6.2 Transfer to NEX subject to NEX acceptance rules.

On December 10, 2014, the Company announced that it had applied for a transfer of its listing from the Exchange to the NEX board of the Exchange ("NEX"). The Company obtained the requisite shareholder approval for the transfer to NEX at the annual general meeting of its shareholders held on September 12, 2014. In connection with the transfer to NEX, an aggregate 250,000 seed shares of the Company held in escrow by certain non-arm's length parties have been cancelled in accordance with the Exchange policy. The Company was transferred to NEX under the trading symbol SR.H and the Company's tier classification will change from Tier 2 to NEX.

Additional funds may be required to enable the Company to pursue such an initiative and the Company may be unable to obtain such financing on terms which are satisfactory to it, particularly in the current economic environment. Furthermore, there is no assurance that the business will be profitable. Those factors raise doubt as to the Company's ability to continue as a going concern.

Operations of the Company are funded primarily by the issue of share capital. The continued operation of the Company is dependent on its ability to receive continued financial support from related parties, issue sufficient public equity, or generate profitable operations in the future.

On September 20, 2017, the Company closed a private placement for up to 2,357,191 shares for gross proceeds of \$459,652 at a price of \$0.195 per common share.

Current assets are \$159,549 (March 31, 2017 - \$14,987). Current liabilities being \$170,915 (March 31, 2017 - \$325,737) consists of trade payables and accrued liabilities and loans payable. As of December 31, 2017, the Company had an accumulated deficit of \$918,412 (March 31, 2017 - \$758,144).

#### **Off-Balance Sheet Arrangements**

There are no off-balance sheet arrangements.

#### **Related Party Transactions**

As at December 31, 2017, an amount of \$22,955 (March 31, 2017 - \$94,941) was owed to related parties. This amount is unsecured, non-interest bearing and has no fixed terms of repayment.

As of December 31, 2017, the Company has a loan payable to a director of \$2,500 (March 31, 2017 - \$7,500). The loan is unsecured, without interest and due on demand.

For more information on related parties, please refer to note 8 of the condensed interim financial statements for the nine month period ended December 31, 2017.

### **Subsequent Events**

On January 18, 2018, the Company signed a definitive share exchange agreement with BlockStrain Technology Corp. ("BlockStrain"), a private company incorporated in the province of British Columbia, and each of the shareholders of BlockStrain, pursuant to which the Company has agreed to acquire all of the issued and outstanding securities of BlockStrain. The transaction will constitute a reverse takeover of the Company by BlockStrain and the Company's qualifying transaction as defined in the policies of the Exchange.

Pursuant to the terms of the agreement, the Company will issue an aggregate of 38.35 million post-split common shares, pro rata, to the shareholders of BlockStrain at a deemed price of \$0.30 per share.

#### *Terms of the transaction*

It is anticipated that the completion of the transaction will involve, among other things, the following steps:

- Scorpion completing a 2 for 1 forward split of the Company's shares;
- The shareholders of BlockStrain receiving one of the Company's share for each common share of BlockStrain held;
- The Company completing a private placement of subscription receipts for aggregate gross proceeds of up to \$10-million at a price of 30 cents per subscription receipt; and
- The Company adopting a stock option plan, with the number of options available for grant under the plan to be determined in accordance with the policies of the Exchange.

Closing of the proposed transaction is expected to be on or before April 30, 2018. The proceeds of the concurrent financing are expected to be used for technology development and licensing, corporate and business development, blockchain and smart-contract development, Smart Hub API development, and for general working capital purposes. Finders' fees may be paid in connection with the concurrent financing.

Subsequent to the period ended December 31, 2017, Joshua Bleak resigned as a director of the Company.

### **Proposed Transactions**

The Company has no proposed transactions other than **Proposed Qualifying Transaction – Subject to the approval of the Exchange and other** already discussed above as of the date of this MD&A.

***Critical Accounting Estimates***

The Company's critical accounting estimates include the estimated fair value of stock-based compensation and other share-based payments, and the recoverability of deferred tax assets.

***Changes in Internal Controls over Financial Reporting***

There were no changes in internal controls over financial reporting during the period.

***Financial Instruments and Other Instruments***

The Company's financial instruments at December 31, 2017 consist of cash and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to their short-term nature. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

***Risk Factors***

More detail on risk factors can be found in the Company's interim financial statements for the period ended December 31, 2017.

**Disclosure of Outstanding Share Data**

As at February 26, 2018, the Company had the following number of securities outstanding:

Common shares	3,427,191
Stock options	Nil
Fully diluted shares outstanding	3,427,191

As at February 26, 2018, the Escrow agent held 382,000 shares of the Company under an Escrow agreement.

**ADDITIONAL INFORMATION**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR ([www.SEDAR.com](http://www.SEDAR.com)). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.