

BLOCKSTRAIN TECHNOLOGY GROUP INC.
(formerly BLOCKStrain Technology Corp.)

**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR PERIOD FROM
INCORPORATION TO APRIL 30, 2018**

August 24, 2018

Introduction

This management's discussion and analysis (this "MD&A") of the financial condition and results of operations of BLOCKStrain Technology Group Inc. (the "Corporation" or "BTG") should be read in conjunction with the Corporation's audited financial statements and notes thereto for the period from November 22, 2017 (inception) to April 30, 2018 (the "Financial Statements").

The Financial Statements have been prepared by management and have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. All amounts are expressed in Canadian dollars unless otherwise stated.

Effective May 17, 2018, the Corporation completed a three-cornered amalgamation with Scorpion Resources Inc. (now BLOCKStrain Technology Corp.) ("BLOCKStrain") and a wholly-owned subsidiary thereof, which resulted in a reverse takeover of BLOCKStrain by the Corporation, with the Corporation as the acquiror and BLOCKStrain as the acquiree for accounting purposes, and the exchange of all common shares in the capital of the Corporation (each, a "Share") for common shares in the capital of BLOCKStrain ("Transaction"). The Corporation is not a reporting issuer. Because the Transaction was not completed until after April 30, 2018, being the period covered by the Financial Statements, the financial information contained herein and in the Financial Statements represents the financial results of the Corporation prior to the completion of the Transaction.

Additional information relating to the Corporation, including the Financial Statements, is available under the profile of BLOCKStrain on SEDAR at www.sedar.com.

Forward-Looking Statements

This MD&A includes statements that express management's opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results, and therefore are, or may be deemed to be, "forward-looking information" or "forward-looking statements". These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "seeks", "projects", "intends", "plans", "may", "will" or "should", or their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this MD&A and include statements regarding the Corporation's intentions, beliefs or current expectations concerning, among other things, the Corporation's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which the Corporation operates. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this MD&A. Such risks include, but are not limited to, risks related to: changes in applicable

legislation and regulatory requirements; competition for, among other things, capital reserves and skilled personnel; protection of intellectual property; third party performance of obligations under contractual arrangements; prevailing regulatory, tax and other applicable laws and regulations; stock market volatility and market valuations; the Corporation's ability to obtain the financing needed to pursue its plan of operations on acceptable terms or at all; the Corporation's ability to obtain equipment, services and supplies in a timely manner; uncertainty in global financial markets; and other factors beyond the Corporation's control. See the section entitled "Risk Factors" for more information regarding risks relating to the Corporation.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. The forward-looking statements are based on assumptions that management believes are reasonable, which include, but are not limited to, assumptions with respect to: future growth potential; the ability to raise capital; timing and amount of capital and other expenditures; the impact of competition; results of operations; future prospects and opportunities; maintaining a stable workforce; there being no material variations in the current legal, tax and regulatory environments; future levels of indebtedness; and current economic conditions. Readers are cautioned that forward-looking statements are not guarantees of future performance and that actual results of operations, financial condition and liquidity, and the development of the industry in which the Corporation operates, may differ materially from the forward-looking statements contained in this MD&A. In addition, even if the Corporation's results are consistent with the forward-looking statements contained in this MD&A, those results or developments may not be indicative of results or developments in the future.

Any forward-looking statements in this MD&A speak only as of the date of such statements, and the Corporation does not undertake any obligation to update such statements or to publicly announce the results of any revisions to any such statements to reflect future events or developments, except as required by applicable laws. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements.

Description of the Business

The Corporation is developing a comprehensive, community-driven cannabis genetics registration and licensing archive platform, dedicated to making it safe and conformable for breeders and growers, large and small, to protect and release their genetics and strain varieties into the public domain, while also being compensated and rewarded. The Corporation intends to accomplish this by utilizing blockchain and cryptocurrency features to create an ecosystem that encourages contribution of genetics and intellectual property, coupled with the security, authenticity and verification that modern distributed ledger technology provides.

The Corporation combines traditional cannabis culture with modern crypto-technology. By being open and available to everyone, the platform is expected to help shape the future adoption and authenticity of the cannabis industry. Through use of a secure API network, the Corporation will make it easy for testing providers, grow facilities, app and software developers, research groups, and major supply chain platforms to build applications and solutions, thereby helping fuel technology and innovation for the cannabis industry as a whole.

With compliance and regulation being a critical priority for industry participants, the Corporation will be focused on ensuring that applicable regulatory standards are adhered to, while providing real-time visibility of industry operations directly to, and collaboration with, agencies assigned to enforce and

regulate cannabis activity nationwide. The Corporation intends to use powerful supply chain and IoT technology to allow for the tracking of cannabis movement from genetics to sale, while providing for the scalability of what is expected to become a globally traded product.

The Corporation's technology is expected to:

- be built with the highest standard of blockchain or distributed ledger technology, on a trusted and tested blockchain, to ensure irrefutable, auditable, transparent, highly-secure and encrypted data and transaction processing for all parties within the Corporation's value chain;
- provide an industry-first "genome to sale" platform, which will allow regulators, producers, growers, distributors and retailers to easily protect, review and manage the genetic backbone of inventory in order to ensure that safe and legal products are made available to customers and patients consistently;
- provide a transparent system in alignment with IgnitePro™, a proven cloud-based logistics SaaS platform that provides 24/7 global visibility, as well as intelligent inventory management and collaboration of teams which has been built from the ground up to meet the specific needs of the cannabis industry; and
- utilize industry-leading sensor technology, which, when tied to the BLOCKStrain platform, is expected to provide Licensed Producers with real-time insight and analytics into all aspects of their grow management, thereby enabling them to optimize their operations.

The BLOCKStrain platform is expected to be a highly-secure, transparent, genome-to-sale governance and provenance analytics platform that will provide governments, regulators, geneticists, Licensed Producers and other participants in the cannabis value chain with accurate, real-time information.

Effective December 29, 2017, the Corporation entered into a letter of intent with Spark Digital Technologies, Inc. ("**Spark**"), which contemplates the entering into of an exclusive definitive licensing agreement with Spark for the use of Spark's proprietary platform, IgnitePro™, which was built exclusively for the cannabis industry. In connection with the entering into of the letter of intent, the Corporation advanced Spark a loan in the principal amount of \$100,000, which bears interest at the rate of 10% per annum and will mature on December 29, 2018 (the "**Spark Loan**").

The highlights of the IgnitePro™ platform include:

- intuitive global track-and-trace software;
- secure infrastructure powered by Microsoft Azure;
- robust APIs and web services for integration;
- inventory management and IgnitePro™ Smart Serialization™;
- document management, regulation and compliance reporting;
- a mobile companion app for tracking and monitoring; and
- sophisticated machine learning & AI capability.

The IgnitePro™ technology is connected globally and will be able to travel with cannabis plants and products as they move from cultivation to distribution. IgnitePro™ will produce reports, store documentation and track transports and, when combined with the BLOCKStrain platform, is expected to ensure regulation and compliance standards are being met and protected on the blockchain.

Selected Financial Information

The Corporation was incorporated under the *Business Corporations Act* (British Columbia) on November 22, 2017. The following table sets out selected financial information of the Corporation from its date of incorporation to April 30, 2018:

	Period from incorporation to April 30, 2018 (\$) (audited)
Revenue	-
Other income	3,178
Net loss	527,798
Net loss per share	0.02
Total assets	162,086
Long-term liabilities	-
Dividends per share	-

Results of Operations

The following is a summary of the Corporation's expenses from its date of incorporation on November 22, 2017 to April 30, 2018:

	Period from incorporation to April 30, 2018 (\$) (audited)
Bank charges	497
Legal fees	23,202
Marketing	89,739
Office supplies	2,284
Product development	376,184
Travel	32,420
Exchange loss	6,650
Total	530,976

Liquidity, Capital Resources and Commitments

As at April 30, 2018, the Corporation had working capital of approximately \$47,452. The Corporation is in the early growth phase and has not yet generated any revenues. It will require a substantial amount of additional funds to complete the development of its platform, to build a sales and marketing organization, and to fund additional losses, which it expects to incur.

The following table outlines the Corporation's contractual obligations as at April 30, 2018:

	Within 1 Year (\$)	1 to 3 Years (\$)	3 to 5 Years (\$)	Total (\$)
Spark Loan and interest	-	103,178 ⁽¹⁾	-	103,178 ⁽¹⁾
Total	-	103,178	-	103,178

(1) The principal amount of the Spark Loan (and all accrued and unpaid interest thereon) will, at the sole option of the Corporation, be set off and credited against the amount of the initial license fee to be paid by the Corporation to Spark, or be convertible into equity securities of Spark at a pre-money valuation of \$3,600,000.

Litigation

There are no material pending legal proceedings to which the Corporation is a party, or of which any of its property is the subject matter, nor is the Corporation aware that any such proceedings are contemplated.

International Financial Reporting Standards (IFRS) and Accounting Changes

The principal accounting policies applied in the preparation of the Financial Statements are set out below.

Share Capital

Financial instruments issued by the Corporation are treated as equity only to the extent that they do not meet the definition of a financial liability. The Shares are classified as equity instruments. Incremental costs directly attributable to the issue of new Shares are recognized in equity as a reduction from the gross proceeds received from the issued Shares.

Financial Instruments

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of loss and comprehensive loss. The losses arising from impairment are recognized in the statement of loss and comprehensive loss. The Corporation has classified related party receivables as loans and receivables.

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost. The effective interest rate (or amortized cost method) is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Corporation does not have any Level 1, 2 or 3 fair value measurements.

Foreign Currency Translation

The Corporation's functional currency is Canadian dollars. The Corporation is not exposed to significant currency risk at this time.

Critical Accounting Estimates and Significant Management Judgments

The preparation of financial statements in accordance with IFRS requires the Corporation to use judgment in applying its accounting policies and make estimates and assumptions about reported amounts at the date of the financial statements and in the future. The Corporation's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted prospectively in the period in which the estimates are revised.

Changes in Accounting Standards

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Corporation has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

Off-Balance Sheet Arrangements

The Corporation does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation.

Related Party Transactions

As at April 30, 2018, the Corporation had not entered into any related party transactions. However, there are certain agreements that have been entered into by the Corporation that, although negotiated while the applicable parties were at arm's length, continue to be in force and, following such time, transactions between the contracting parties will represent related party transactions, as further described below:

- (a) Robert Galarza, the President of the Corporation, is also the CEO and is a controlling shareholder of Spark, and was appointed CEO of BLOCKStrain at the closing of the Transaction. Tommy Stephenson was not a related party to the Corporation as at April 30, 2018, but is also an officer and controlling shareholder of Spark. The Corporation has entered into a letter of intent with Spark, pursuant to which the Corporation has agreed to license the Spark's IgnitePro™ software and other intellectual property. As consideration for the license, the Corporation has agreed to pay Spark an initial license fee of \$500,000, which is to be paid at a time mutually determined by the parties, as well as a minimum annual license fee to be negotiated between the parties in good faith. Spark has also granted the Corporation a right of first refusal to acquire all of the securities of Spark. It is expected that the terms of the license will include that Spark will provide the Corporation with:

- (i) a perpetual exclusive license to use, develop, sub-license, sell and distribute the Spark assets for the cannabis industry in Canada; and
- (ii) a right of first refusal to obtain a license with rights to use, develop, sub-license, sell and distribute the Spark assets for the cannabis industry in any other jurisdiction.

In connection with the Spark letter of intent, the Corporation advanced the Spark Loan. The Spark Loan has a term of one year and bears interest at the rate of 10% per annum. The principal amount of the Spark Loan (and all accrued and unpaid interest thereon) will, at the sole option of the Corporation, be set off and credited against the amount of the initial license fee to be paid by BLOCKStrain to Spark, or be convertible into equity securities of Spark at a pre-money valuation of \$3,600,000.

- (b) As noted above, in connection with the closing of the Transaction, Tommy Stephenson, who was not a related party to the Corporation as at April 30, 2018, was appointed as Chief Technology Officer of BLOCKStrain. Mr. Stephenson is the CEO and a director and shareholder of Heated Details, Inc. (“**Heated Details**”), a company incorporated under the laws of the State of Washington. The Corporation has entered into a master services agreement and supporting statement of work dated January 19, 2018 with Heated Details, pursuant to which the Corporation paid Heated Details USD\$180,000 (CAD\$230,951) to complete Phase I platform development and blockchain set up for the BLOCKStrain platform. The project commenced on January 22, 2018 and was completed in March 2018.

Pursuant to the Heated Details master services agreement, Heated Details will provide strategy, design, and solution guidance, as well as advice and input based on previous implementation experience and development best practices. The services will be provided with the goal of understanding and defining the past state, the current state and the long-term future state of legalized cannabis production, distribution and regulation in Canada, including traceability and deployment of a blockchain platform for supporting the verification and tracking of genetics and strains. The methodology used for this project will consist of preparation for, conducting of, and reporting on, a series of working sessions that will take place over the course of the project.

Activity Track 1: Benchmark, Process Identification, Regulation and Prepare Business Plan

Heated Details will provide a thorough analysis of existing processes, regulation and government/partner requirements, which will inform and guide the discussions in the blueprinting workshop.

Deliverable: Process/Requirements Analysis. After reviewing these materials, key findings and insights will be provided in business plan via a PPT file format and will serve as the introduction to the blueprinting workshop sessions. Draft analysis materials will be provided to BLOCKStrain for review during this activity phase. The Corporation will provide input and materials necessary to assure completeness in advance of the workshop session(s).

Activity Track 2: Blockchain Requirements, Design & Supply Chain Architecture

Heated Details will help lead a series of facilitated meetings with stakeholders and partners of the Corporation. During this time, Heated Details will discuss all aspects that will outline both near and long-term strategy for crypto/ token design, algorithms, utility and product launch (platform launch and coin launch). Heated Details will be responsible for preparing workshop agendas and formats. The Corporation will be responsible for scheduling these workshops within the mutually

agreed upon project schedule. The Corporation will provide key stakeholders for attendance at these sessions. The workshops will focus on various topics, including:

- Distributed Ledger Technology (DLT)
- Blockchain Design
- Customer Experience / Value Proposition
- Blockchain Support and Structure (i.e., mining, master nodes, etc.)
- Interoperability of Coin

The workshop format will be a facilitated, round-table discussion with each session being introduced by Heated Details. A published agenda will be sent to all participants. Other available background materials will be sent pre-workshop to guarantee a productive session.

Deliverable: Workshop Sessions Report Out. Following the workshops, a report will be delivered in PPT file format outlining all discussion points, issues, resolutions, roles, responsibilities and next steps that were discussed during the workshops. Heated Details will define a product strategy blueprint as a roadmap of activities, which will guide the team from the initial ideation, consensus building, architecture development, partner selection, and ongoing platform management through the use of best practices.

- (c) As at April 30, 2018, the Corporation and BLOCKStrain were negotiating consulting agreements with Business Instincts Group Inc., a company controlled by Cameron Chell, a director of the Corporation who was appointed as a director of BLOCKStrain on closing of the Transaction, and other proposed members of management of BLOCKStrain, but no such agreements had been executed as at April 30, 2018. Notwithstanding the foregoing, BLOCKStrain has agreed to pay annual consulting fees or salaries, as applicable, of up to \$150,000 to each officer of BLOCKStrain.

Trends and Outlook

The regulated cannabis market, with respect to both medical and recreational use, is rapidly changing, with regulatory bodies and governments in various international jurisdictions working to develop frameworks for the legalization. However, despite the enthusiasm and cultural shift in perception towards cannabis, the Corporation believes there are three significant challenges that governments and the industry face, being:

1. How will governments and regulatory bodies ensure that there is an auditable trail throughout the cannabis supply chain and that health and safety regulations are followed?
2. How will Licensed Producers protect their genetic strains from potential copyright infringement, understand the provenance of each strain, and help governments and consumers understand the key attributes of each strain?
3. How will Licensed Producers optimize their operations through real-time data reporting and analysis?

The Corporation believes there is not yet one unified solution that addresses all of the challenges mentioned above. Governments and the industry as a whole currently rely on existing agriculture-based inventory tracking and logistics solutions that have been modified for use in the cannabis industry. Unfortunately,

the fragmentation and functionality issues of the current systems have left Licensed Producers and regulators unsatisfied. Moreover, cannabis is a licensed and regulated agriculture product and it is clear that the industry requires unique and highly secure solutions that are developed and tailored with its needs in mind at each step. The Corporation believes that its platform will be able to address these issues.

Disclosure of Outstanding Share Data

The Corporation’s authorized share capital consists of an unlimited number of Shares and an unlimited number of preferred shares, of which 38,350,000 Shares were issued and outstanding as at April 30, 2018 and as at the current date, and no preferred shares or any other convertible securities are issued and outstanding.

Holders of Shares are entitled to one vote for each Share held at all meetings of the Corporation’s shareholders, to receive dividends if, as and when declared by the Corporation’s board of directors, and to participate ratably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Corporation. The Shares carry no pre-emptive rights, conversion or exchange rights, or redemption, retraction, repurchase, sinking fund or purchase fund provisions. There are no provisions requiring a holder of Shares to contribute additional capital, and no restrictions on the issuance of additional securities by the Corporation. There are no restrictions on the repurchase or redemption of Shares by the Corporation except to the extent that any such repurchase or redemption would render the Corporation insolvent.

As at the date of this MD&A, all of the Shares are owned by BLOCKStrain and the Corporation is a wholly-owned subsidiary of BLOCKStrain.

Prior Sales

The following table sets forth the dates and the prices at which Shares (being the only securities of the Corporation) have been sold within the 12-month period prior to the date of this MD&A:

Date	Number and Type of Security	Issue Price per Security	Aggregate Issue Price	Consideration Received
November 22, 2017	10 Shares	\$0.01	\$0.10	\$0.10 ⁽¹⁾
December 15, 2017	38,350,000 Shares	\$0.015	\$575,250	\$575,250

⁽¹⁾ These Shares were cancelled for no consideration effective February 16, 2018.

Risks and Uncertainties

You should carefully consider the following risks and uncertainties in addition to other information in BLOCKStrain’s filing statement dated May 10, 2018 with respect to the Transaction in evaluating the Corporation and its business. The market in which the Corporation competes is very competitive and changes rapidly. New risks may emerge from time to time and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those expected. References to “BLOCKStrain” below refer to the Corporation and its affiliates as at the date hereof.

Limited Operating History and History of Losses

BLOCKStrain has not commenced commercial operations and has no assets other than cash. BLOCKStrain has no history of earnings and has not yet generated any revenue. As such, it is subject to many of the risks common to early-stage enterprises, including: under-capitalization; cash shortages; limitations with respect

to personnel, financial, and other resources; and lack of revenue. Although BLOCKStrain anticipates generating revenue in the future, it is also incurring substantial expenses in the establishment of its business. The success of the Corporation will ultimately depend on its ability to generate cash from its business. There is no assurance that the future expansion of the business will be sufficient to raise the required funds to continue the development of its business. There is no assurance that the Corporation will be successful in achieving a return on shareholders' investment, and the likelihood of success must be considered in light of the early stage of its operations.

Service Interruptions

BLOCKStrain intends to serve customers from third-party data center hosting facilities located in British Columbia and Alberta. Any damage to, or failure of, BLOCKStrain's systems could result in interruptions to BLOCKStrain's service. As BLOCKStrain continues to add data centers and add capacity in existing data centers, BLOCKStrain may move or transfer its data and its customers' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of its services. Further, any damage to, or failure of, BLOCKStrain's systems generally could result in interruptions in BLOCKStrain's service. Interruptions in BLOCKStrain's service may reduce revenue, cause BLOCKStrain to issue credits or pay penalties, cause customers to terminate their subscriptions and materially adversely affect its renewal rates and ability to attract new customers.

It is also expected that BLOCKStrain's business will be harmed if its customers believe its service is unreliable. BLOCKStrain intends to replicate and back-up customer data as part of its disaster recovery plans. However, these plans may not be successful in all circumstances. BLOCKStrain will not control the operation of any third party facilities it may use. All of the facilities it operates or utilizes are expected to be vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism, a decision to close any facility without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in BLOCKStrain's service. Even with the disaster recovery arrangements, BLOCKStrain's service could be interrupted and its business and financial condition could be materially adversely affected.

Need for Continued Development of Technology

The success of BLOCKStrain's platform will be dependent on the accuracy, proper use and continuing development of its technological systems, including its business systems and operational platforms. BLOCKStrain's ability to effectively use the information generated by its information technology systems, as well as its success in implementing new systems and upgrades, may affect its ability to: conduct business with its clients, including delivering services and solutions; manage its inventory and accounts receivable; purchase, sell, ship and invoice its products and services efficiently and on a timely basis; and maintain its cost-efficient operating model while expanding its business in revenue and in scale.

Ability to Generate Profits

There can be no assurance that BLOCKStrain will generate net profits in future periods. Further, there can be no assurance that BLOCKStrain will be cash flow positive in future periods. In the event that BLOCKStrain fails to achieve profitability, the value of the BLOCKStrain shares may decline. In addition, if BLOCKStrain is unable to achieve or maintain positive cash flows, BLOCKStrain will be required to seek additional funding, which may not be available on favourable terms, or at all.

Regulatory Uncertainty

The legal global cannabis industry is still in its infancy and is dependent on the regulatory environment, including federal, state and local laws. BLOCKStrain's business and achievement of its business objectives will be dependent, in part, on compliance with regulatory requirements enacted by governmental authorities for the collection and tracking of data related to the cannabis sector. An assumption in BLOCKStrain's business plan is that the Federal Government will proceed with legalization of adult use cannabis in late summer/early fall of 2018. As has been discussed in recent news, there is a risk that this date will be pushed back, possibly as far as summer 2019. If the adult-use market is postponed, BLOCKStrain will still be able to roll out its business plan with clients that are solely Licensed Producers operating under the ACMPR, but the potential client base will be smaller. Further, even if the adult-use market does open in the timeframe expected, there is a risk that governmental authorities and other industry participants will not accept or utilize BLOCKStrain's technology. While BLOCKStrain expects that its business model will be perceived to be viable and compliant with applicable regulatory requirements, there is no guarantee that its platform will be adopted or utilized. To the extent that there are changes to existing regulations, the adoption and use of BLOCKStrain's platform may be adversely affected.

In addition to the above, in jurisdictions such as the United States, the conflict between federal and state legislation could have a material adverse impact on BLOCKStrain's business. BLOCKStrain's management has determined that, at this time, it will only operate in Canada and, in the future, will only enter regulated markets where there is an alignment between all levels of government and in which the TSX Venture Exchange (the "TSXV") has approved it conducting operations. However, there can be no assurance that the regulatory environment will remain favourable to the conduct of BLOCKStrain's business. Further, even within Canada, different provinces and local governmental authorities will have different regulatory requirements and it is possible that BLOCKStrain's platform may not be compatible with those requirements. This variability may be difficult and/or ineffective to manage from both a technological and cost standpoint. In the event that BLOCKStrain's business is determined to be non-compliant with applicable regulatory requirements, its business and financial condition would be materially adversely affected.

Blockchain Related Risks

The use of blockchain technology for enterprise applications is in its early stages. While numerous use cases have been developed to demonstrate the efficiency, security and viability of blockchain technology, it is still largely unproven. There are risks that the underlying blockchain protocols and methodologies will not be scalable or sustainable in industry-wide applications. As a new and largely un-regulated industry, changes in or more aggressive enforcement of laws and regulations around blockchain could adversely impact companies involved in the industry. Failure or delays in obtaining necessary approvals, or changes in government regulations and policies and practices could have an adverse impact on BLOCKStrain's future cash flows, earnings, results of operations and financial condition. Further, governmental agencies could shut down or restrict the use of blockchain platforms or blockchain based technologies. This could lead to a loss or interruption in business for BLOCKStrain.

Intellectual Property Risk

BLOCKStrain's activities may infringe on patents, trademarks or other intellectual property rights owned by others. If BLOCKStrain is required to defend itself against intellectual property rights claims, it may spend significant time and effort and incur significant litigation costs, regardless of whether such claims have merit. If BLOCKStrain is found to have infringed on the patents, trademarks or other intellectual property rights of others, BLOCKStrain may also be subject to substantial claims for damages or a requirement to cease the use of such disputed intellectual property, which could have an adverse effect on its operations. Such litigation or claims and the consequences that could follow could distract management

of BLOCKStrain from the ordinary operation of its business and could increase costs of doing business, resulting in a negative impact on the business, financial condition or results of operations of BLOCKStrain.

Evolving Business Model

As digital assets and blockchain technologies become more widely available, management expects the services and products associated with them to evolve. As a result, to stay current with the industry, BLOCKStrain's business model may need to evolve as well. From time to time, BLOCKStrain may modify aspects of its business model relating to its product mix and service offerings. BLOCKStrain cannot offer any assurance that these or any other modifications will be successful or will not result in harm to the business. BLOCKStrain may not be able to manage growth effectively, which could damage its reputation, limit its growth and negatively affect its operating results. Such circumstances would have a material adverse effect on BLOCKStrain's ability to continue as a going concern, which would have a material adverse effect on its business, prospects and operations, and potentially the value of any cryptocurrencies it holds or expects to acquire for its own account, and harm BLOCKStrain's investors.

Network Security Risks

BLOCKStrain expects to obtain, transmit and store confidential user information in connection with its services. 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 BLOCKStrain intends to offer services, are designed to protect the privacy of personal information and to prevent that information from being inappropriately disclosed. BLOCKStrain expects to rely on a variety of technologies to secure its systems. Despite the implementation of network security measures, BLOCKStrain's infrastructure will potentially be 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 BLOCKStrain uses to protect its systems. BLOCKStrain 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 BLOCKStrain users. If internal BLOCKStrain personnel or a third party were to misappropriate, misplace or lose corporate information, including financial and account information, customers' personal information, or source code, BLOCKStrain's business may be harmed. BLOCKStrain 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 BLOCKStrain's systems or databases or those of BLOCKStrain's partners or contractors, they may be able to steal, publish, delete or modify confidential customer information. A security breach could expose BLOCKStrain to monetary liability, and lead to inquiries, fines or penalties.

TSXV Restrictions on Business

BLOCKStrain has undertaken to the TSXV that it will only conduct the cannabis related business currently being conducted and, unless prior written approval of the TSXV is obtained, will not engage in any cannabis related business outside of Canada. This could adversely affect BLOCKStrain's ability to expand its business into other areas and may prevent BLOCKStrain from expanding into new areas of business when its competitors that are not listed on the TSXV may not have such restrictions. Such restrictions could materially and adversely affect BLOCKStrain's growth, business, financial condition and results of operations.

Reliance on Key Personnel

BLOCKStrain's success depends in large measure on certain key personnel and the contributions of these individuals to BLOCKStrain's immediate operations are likely to be of central importance. The loss of the services of such key personnel could have a material adverse effect on BLOCKStrain. In addition, the competition for qualified personnel in the blockchain and cryptocurrency industry is intense and there can be no assurance that BLOCKStrain will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of BLOCKStrain's management.

Management of Complex Software Implementation Projects

The successful deployment of BLOCKStrain's software will depend on managing complex implementation projects. A variety of factors may result in complex deployments being delayed, cancelled or failing, including: the inherent complexity of modern software; difficulty staffing the project with qualified personnel; difficulty managing a project in which the customer and multiple vendors must work together effectively; unrealistic deadlines; inability to realistically limit the scope of the project; problems with third party systems, software or services; inaccurate or faulty data; and insufficient time and investment spent in the planning and design phases of the project. As a result, BLOCKStrain may not be able to successfully manage deployments of its software which could harm its reputation, be costly to correct, delay revenues and expose BLOCKStrain to litigation.

Conflicts of Interest

Certain of the directors and officers of BLOCKStrain are also directors and officers of other companies. In addition, they may devote time to other outside business interests, so long as such activities do not materially or adversely interfere with their duties to BLOCKStrain. The interests of these persons could conflict with those of BLOCKStrain. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of BLOCKStrain board of 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 applicable laws, the directors of BLOCKStrain will be required to act honestly, in good faith and in the best interests of BLOCKStrain.

Competition

BLOCKStrain expects to compete with other blockchain platforms focused on the cannabis sector. Market and financial conditions, and other conditions beyond BLOCKStrain's control, may make it more attractive to invest in other financial vehicles, or to invest in cryptocurrencies directly which could limit the market for BLOCKStrain's shares.

Other Information

Additional information about the Corporation is available under BLOCKStrain's profile on SEDAR at www.sedar.com.