

Bluknight Aquafarms Inc. (formerly 1040426 B.C. Ltd.)

Management's Discussion and Analysis

For the Year Ended July 31, 2017

General

This management discussion and analysis of financial position and results of operations ("MD&A") is prepared as at October 16, 2017 and should be read in conjunction with the audited consolidated financial statements for the year ended July 31, 2017 and related notes of Bluknight Aquafarms Inc. (formerly 1040426 BC Ltd.) (the "Company"). These audited consolidated financial statements, including comparatives, have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the consolidated financial statements and Management Discussion and Analysis ("MD&A"), is complete and reliable.

All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted. This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

Description of Business

The Company is a business development services company. It provides business development services to new and emerging businesses, including making introductions to accountants, lawyers, brokers, transfer agents, and various other professionals and service providers to assist companies in raising capital and going public. The Company is a reporting issuer in the provinces of British Columbia and Alberta.

Plan of Arrangement

In June 2015, the Company entered into an Arrangement Agreement with TNX Maverick Inc. (“TNX”) (formerly Kidani Capital Partners Inc.) and 1033120 BC Ltd. (“1033120”). TNX is a reporting issuer in the provinces of Alberta and British Columbia.

In October 2015, the shareholders of the Company, TNX and 1033120, executed the Arrangement as follows:

- a) 1033120 acquired all of the issued and outstanding common shares of the Company from TNX for consideration of the Purchase Price of \$1,000 on the Closing of the Plan of Arrangement (the “Purchase Shares”);
- b) 1033120 and the Company exchanged securities on a 1:1 basis such that 396,600 common shares of 1033120 were exchanged by their holders for 396,600 common shares of the Company (Note 7);
- c) TNX and the Company exchanged on a 1:1 basis, such that TNX issued one common share to the Company and the Company issued one common share to TNX (collectively, the “Exchange Shares”); and
- d) The Purchase and the Exchange Shares were then cancelled.

Following completion of the Arrangement Agreement, the Company became a reporting issuer. A transaction fee of \$6,932 was recorded as a result of the Arrangement.

As a result of the Arrangement Agreement, the former shareholders of 1033120, for accounting purposes, are considered to have acquired control of the Company. Accordingly, the Arrangement has been accounted for as a reverse takeover that was not a business combination and effectively a capital transaction of the Company. As 1033120 is deemed to be accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on June 19, 2015 are included in the consolidated financial statements at their historical carrying value. The financial statements are a continuation of 1033120 in accordance with IFRS 3, “Business Combinations”. The Company’s results of operations are included from October 29, 2015 onwards.

Selected Annual Information

	July 31, 2017	July 31, 2016	July 31, 2015
Total assets	\$ 226,452	\$ -	\$ -
Total liabilities	346,269	2,750	-
Share capital	7,932	7,932	1
Deficit	\$ (127,749)	\$ (10,682)	\$ -
Net loss	\$ (117,067)	\$ (10,682)	\$ -
Loss per share	\$ (0.30)	\$ (0.04)	\$ -

Results of Operations

For the year ended July 31, 2017, the Company incurred a loss of \$117,067 compared to a loss of \$10,682 for the year ended July 31, 2016. The increase in net loss is due to an increased professional fees as a result of the Company's attempt to implement new business strategies.

In 2016, the Company recorded a non-cash transaction fees of \$6,932 related to the Plan of Arrangement.

Selected Quarterly Information

The following selected financial data has been prepared in accordance with IFRS and should be read in conjunction with the Company's financial statements. All dollar amounts are in Canadian dollars.

Quarter Ended	Loss for the period	Loss per Share (Basic & Diluted)	Total Assets	Interest Income
July 31, 2017	\$116,684	\$0.30	\$226,452	\$Nil
April 30, 2017	\$83	\$0.00	\$101,849	\$Nil
January 31, 2017	\$150	\$0.00	\$Nil	\$Nil
October 31, 2016	\$150	\$0.00	\$Nil	\$Nil
July 31, 2016	\$1,700	\$0.01	\$Nil	\$Nil
April 30, 2016	\$450	\$0.00	\$Nil	\$Nil
January 31, 2016	\$450	\$0.00	\$Nil	\$Nil
October 31, 2015	\$8,082	\$0.98	\$Nil	\$Nil
July 31, 2015	\$Nil	\$0.00	\$1	\$Nil

Financial Condition, Liquidity and Capital Resources

The Company's working capital deficiency position at July 31, 2017 was \$119,817 including cash of \$3,572. The Company does not currently have an active business

generating positive cash flows. The Company is reliant on equity or debt financing or shareholder loans to provide the necessary cash to acquire or participate in an active business. There can be no assurance that equity or debt financings will be available to the Company in the future that will be obtained on terms satisfactory to the Company.

During the year ended July 31, 2017, the Company provided a loan of \$220,000 to an arm's length party. The loan is unsecured, non-interest bearing and due on demand.

During the year ended July 31, 2017, the Company received loans in aggregate of \$324,679 from various arm's length parties. The loans are unsecured, non-interest bearing and due on demand.

The Company has not entered into any off-balance sheet arrangements.

Related Party Transactions

During the year ended July 31, 2017, the Company paid and/or accrued accounting and management fees of \$5,450 (2016 - \$Nil) to a company controlled by a director of the Company.

Included in accounts payable and accrued liabilities at July 31, 2017 is \$15,410 (2016 - \$Nil) owed to directors and companies controlled by directors of the Company.

During the year ended July 31, 2017, the Company received loans of \$108,179 from various directors and officers (Note 6). The loans are unsecured, non-interest bearing and due on demand.

Financial Instruments and Risk Management

Fair Values

The fair values of cash and equivalents, receivables and trade payables approximate their book values because of the short-term nature of these instruments.

(a) *Financial Risk Management*

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

(b) *Financial Instrument Risk Exposure*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

Credit Risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Market risk

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

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency risk

The Company is not exposed to foreign currency risk on fluctuations in exchange rates.

(c) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Contingencies

The Company is not aware of any contingencies or pending legal proceedings as of October 16, 2017.

Additional share information

As at the date of this report, the Company has 38,365,601 common shares outstanding and 37,969,000 share purchase warrants exercisable at a price of \$0.05 per share until September 21, 2019.

Disclaimer

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company, which can be accessed at www.sedar.com. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Cautionary Statement on Forward Looking Information

Certain statements contained in this document constitute “forward-looking statements”. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements.