

## FORM 7

### **MONTHLY PROGRESS REPORT**

Name of Listed Issuer: **Kontrol Energy Corp. (the “Issuer”)**

Trading Symbol: **KNR**

Number of Outstanding Listed Securities: **27,358,433 common shares and 2,705,623 shares reserved for issuance**

Date: **September 5, 2018**

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer’s obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer’s ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

#### **General Instructions**

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term “Issuer” includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

#### **Report on Business**

1. Provide a general overview and discussion of the development of the Issuer’s business and operations over the previous month. Where the Issuer was inactive disclose this fact.

## **Kontrol Energy Announces Second Quarter 2018 Results with 59% revenue growth**

On August 28<sup>th</sup>, 2018, Kontrol Energy Corp. (the “Company”) reported its Q2 2018 financial statements for the six months ended June 30, 2018. Kontrol continues to execute on its growth plans with a focus on achieving cash flow positive operations.

### **Q2 2018 Highlights**

- 6-month revenues of \$4.3 million, up 59% over 6 months 2017
- Q2 2018 revenues of \$2.1 million, up 35% over Q1 2017
- Gross profit margin for Q2 2018 of 74%
- Adjusted EBITDA<sup>(1)</sup> of \$47,159
- On track for completion of Purchase and Sale Agreement to acquire an emission equipment and integration company with approximately \$6 Million of annual revenues and \$1 Million of normalized annual earnings based on the most recent acquiree’s unaudited financial statements for its fiscal year ended July 31, 2018. Approximately 30% of revenues are annual recurring and greater than 40% of revenues are generated from US customers. The anticipated closing of the acquisition is on or before September 30<sup>th</sup>, 2018 and the acquisition will be financed primarily through a non-convertible debt issuance
- Growing backlog of power generation projects in development to add to 2018 revenues
- Target anticipated 2018 revenues of approximately \$11 Million
- Following the acquisition Kontrol anticipates approximately \$16 Million in annual revenues on a 12-month run rate basis

### **Positive Adjusted EBITDA and Acceleration to Cash Flow Positive**

“We had a strong second quarter with revenues in line with expectations and much lower operating expenses were incurred as compared with Q1 2018,” says Paul Ghezzi, CEO of Kontrol Energy. “As we accelerate revenue growth into Q3 and Q4 and we close our next acquisition, Kontrol will be on course to be cash flow positive on a 12-month run rate basis. We remain focused on growing our top line revenues in excess of 50% per annum while being profitable and improving cash flow generation. Kontrol is very pleased that we continue to expand operations while maintaining less than 27 Million shares outstanding and less than 30 Million shares fully diluted.”

## Financial summary

(in Canadian dollars)	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenues	\$2,106,254	\$1,558,830	\$4,302,818	\$2,708,510
Gross profit	\$1,567,901	\$1,108,060	\$2,850,336	\$1,838,447
Net loss	\$(329,995)	\$(467,185)	\$(1,330,930)	\$(724,828)
<b>Add for adjusted EBITDA reconciliation:</b>				
Amortization and depreciation	\$237,589	\$103,691	\$504,277	\$155,964
Finance expense	\$120,620	\$169,302	\$241,348	\$274,739
Share based compensation	\$18,945	\$200,000	\$189,345	\$200,000
Adjusted EBITDA[1]	\$47,159	\$5,808	\$(395,960)	\$(94,125)

[1] Adjusted EBITDA is a non-IRFS financial measure. The Company defines Adjusted EBITDA as net income or loss before interest, income taxes, amortization and depreciation, and share based compensation

A complete set of Financial Statements and Management's Discussion & Analysis has been filed [www.sedar.com](http://www.sedar.com).

## Kontrol Energy Corp. becomes a member of the 8020 community

On August 16<sup>th</sup>, 2018 - Kontrol Energy Corp. (the "Company") announced that it recently became a member of the 8020 Connect investor community (8020). Join Kontrol Energy Corp. shareholders on 8020 Connect <http://bit.ly/2MxeGXA>. Through the 8020 platform, Kontrol can open the lines of communication to ensure each shareholder and interested investor can stay up to date with corporate developments and be engaged through social media. The social interactive structure of the platform provides an opportunity to shareholders to become a part of the communication process and support the development of the corporation's investor audience. "In addition to expanding our platform, 8020 has been successfully increasing our investor community. This expanding investor community provides Kontrol, and other companies on our platform, with an opportunity to cost effectively grow their investor audience", stated, Mr. D'Arcy Funfer, President of 8020 Connect. "We are looking forward to working with the 8020 platform as an opportunity to further engage with stakeholders and investors", stated Mr. Paul Ghezzi, CEO Kontrol Energy.

8020 Connect is a social and interactive investment community which expands the way shareholders and interested investors access and gather information from public

corporations. Built as a hybrid social media and shareholder and management engagement platform, corporations can direct the flow of information to prospective and existing investors through both static and dynamic content. This will allow public companies to build their investment brand and investor awareness while maintaining digital media compliance in a growing online investment community.

### **Closing of Debenture Offering**

In the month of August 2018, the Company completed 2 closings under its previously announced private placement offering (the "Debenture Offering") of units (the "Debenture Units") for gross proceeds of \$50,000 (50 Units). Units at a price of \$1,000 per unit, each unit to be comprised of one \$750, 7% unsecured, non-convertible debenture (each, a "Debenture") and 384 common shares (each, a "Common Share") of the Company, priced at \$0.65 per share, common share purchase Warrant, exercisable at a price of \$1.10 and a term of 30 months from the closing date.

The Debentures will bear interest at a rate of 7% per annum, payable quarterly in arrears and will mature on April 25, 2021 (the "Maturity Date"). The Debentures are non-convertible and non-redeemable. The Debentures partially comprising the Units are not listed on any stock exchange or market. The Common Shares of the Corporation are listed on the Canadian Securities Exchange ("CSE") and trade under the symbol "KNR". The Debentures and Common Shares comprising the Units will be subject to a resale restriction for four months and one day from their date of issuance.

The Company may pay to an Agent or sub-agent, subject to the President's List, a cash fee in an amount not exceeding 8% of the aggregate Gross Proceeds of the sale of Units attributable to the Agent or sub-agent, and/or the issuance of share purchase warrants of the Corporation (the "Finder's Warrants") not exceeding 10% of the Gross Proceeds in respect to such sales. Each Finder's Warrant will be exercisable to purchase one additional common shares of the Corporation (the "Finder's Warrant Shares") at a price per share determined by the Company, and/or to the provisions of the Canadian Securities Exchange Policy 6 – Distributions, for a period of 30 months from the closing date.

The use of the proceeds is to finance acquisitions of operating businesses and technologies in the Energy Efficiency sector as part of the Issuer's overall growth strategy.

2. Provide a general overview and discussion of the activities of management.

**The Company has the following directors and officers:**

**Paul Ghezzi – CEO and Director**  
**Claudio Del Vasto – CFO and Director**  
**Kristian Lavereau – COO and Director**  
**Andrew Bowerbank – Director**  
**Steve Smith – Director**  
**Geoff LaFleur - Director**

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

**Kontrol Energy creates solutions and Internet of Things (IoT) enabled technologies leader in energy efficiency through IOT, Cloud and Blockchain technology, designed to lower the energy consumption of buildings and optimize energy management while providing a corresponding reduction in Green House Gas (GHG) emissions.**

**Through a disciplined mergers and acquisitions strategy, combined with organic growth, Kontrol Energy Corp. intends to provide market-based energy solutions to our customers designed to reduce their overall cost of energy and their GHG emissions.**

**Kontrol's service offerings include deep energy retrofits, implementation of distributed generation systems, energy analytics and carbon reduction.**

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

**None.**

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

**None.**

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

**None.**

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

**None.**

8. Describe the acquisition of new customers or loss of customers.

**The Issuer Company continues to carry on business in the energy efficiency sector with a growing new customer base that is mainly comprised of commercial energy consumers.**

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

**None.**

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

**None.**

11. Report on any labour disputes and resolutions of those disputes if applicable.

**None.**

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

None.

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

**8% Unsecured Debenture balance as at August 31, 2018 is \$5,264,000. The debenture will bear interest at a rate of 8% per annum, payable monthly in arrears and will mature on October 31, 2019.**

**7% Unsecured Debenture balance as at August 31, 2018 is \$600,000. This balance represents 75% of aggregate proceeds raised as per private placement terms and conditions The debenture will bear interest at a rate of 7% per annum, payable monthly in arrears and will mature on April 25, 2021.**

14. Provide details of any securities issued and options or warrants granted.

None.

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>
Units (Units of bundled securities)	50	\$1,000 (Units, each Unit consisting of an \$750 Unsecured Debenture, 384 Common Shares and 150 common share purchase Warrants)	\$50,000  Proceeds will be used to fund the acquisition of operating businesses, and technologies in the energy efficiency sector
Common Shares	19,231	See above details of issuance	See above use of proceeds
Common Shares	62,558	Retroactive Issuance of common shares to shareholders due to price change of form	See above use of proceeds

		\$0.83 to \$0.65 The above mentioned private placement	
Warrants	7,500	See above Debenture offering details of issuance	Value of \$8,250  Proceeds will be used to fund the acquisition of operating businesses, and technologies in the energy efficiency sector; and working capital
Warrants	5,000	The issuance of share purchase warrants of the Company (the Finder's Warrants") to the Finder equal up to 10% of the aggregate subscription amount subscribed for by person introduced to the Company by the Finder. Each whole warrant will be Exercisable at a price between \$1.10	Value of \$5,500  Working capital
Common Shares	600,000	Performance Milestone Shares issued in connection to Share Purchase Agreement dated June 4, 2016, Article 5 Performance Consideration	Not applicable

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Options	30,000	The issuance of stock options plans of the Company (the "Options") to consultants, directors and employees of the Company. Each whole option will be exercisable at a price of \$0.68	Value of \$20,400 Proceeds will be used for working capital
Cancelled Options	-1,045,000	Options cancelled as per CSE Policy 6 – Distributions Incentive stock options	Not applicable

*(1) State aggregate proceeds and intended allocation of proceeds.*

15. Provide details of any loans to or by Related Persons.

**None.**

16. Provide details of any changes in directors, officers or committee members.

**None.**

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

**Cost of electricity has risen substantially across North America over the last decade. In addition, following the COP21 Paris Accord numerous states in the US and Provinces in Canada have either imposed a carbon tax policy or are in the late stages of creating such policies. Kontrol Energy Corp. intends to provide market based energy solutions to our customers designed to reduce their overall cost of energy while providing a corresponding reduction in Greenhouse Gas (GHG) emissions.**



## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated September 5, 2018.

Claudio Del Vasto  
Name of Director or Senior  
Officer



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Signature

Chief Financial Officer  
Official Capacity

<b>Issuer Details</b> Name of Issuer	For Month End	Date of Report YY/MM/DD
Kontrol Energy Corp.	August 2018	18/09/05
Issuer Address 180 Jardin Drive, Unit#9, Vaughan, ON L4K 1X8		
City/Province/Postal Code Mississauga, Ontario	Issuer Fax No. ( )	Issuer Telephone No. (905) 766.0400
Contact Name Claudio Del Vasto	Contact Position CFO	Contact Telephone No. (905) 766.0400 x1002

Contact Email Address <a href="mailto:admin@kontrolenergy.com">admin@kontrolenergy.com</a>	Web Site Address <a href="http://www.kontrolenergy.com">www.kontrolenergy.com</a>
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