

FORM 9

NOTICE OF PROPOSED ISSUANCE OF LISTED SECURITIES **(or securities convertible or exchangeable into listed securities¹)**

Please complete the following:

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

Trading Symbol: **KNR**

Date: **February 2, 2018**

Is this an updating or amending Notice: ☐ Yes ☒ No

If yes provide date(s) of prior Notices: _____.

Issued and Outstanding Securities of Issuer Prior to Issuance: **25,250,441**

Date of News Release Announcing Private Placement: **February 2, 2018**

Closing Market Price on Day Preceding the Issuance of the News Release: **\$1.45**
(being the closing market price on February 1, 2018)

1. Private Placement (if shares are being issued in connection with an acquisition (either as consideration or to raise funds for a cash acquisition), proceed to Part 2 of this form)

Full Name & Residential Address of Placee	Number of Securities Purchased or to be Purchased	Purchase price per Security (CDN\$)	Conversion Price (if Applicable)	Prospectus Exemption	No. of Securities, directly or indirectly, Owned, Controlled or Directed	Payment Date(1)	Describe relations -hip to Issuer (2)
Not known at this time.							

(1) Indicate date each placee advanced or is expected to advance payment for securities. Provide details of expected payment date, conditions to release of funds etc. Indicate if the placement funds been placed in trust pending receipt of all necessary approvals.

(2) Indicate if Related Person.

¹An issuance of non-convertible debt does not have to be reported unless it is a significant transaction as defined in Policy 7, in which case it is to be reported on Form 10.

1. Total amount of funds to be raised: **Gross proceeds of up to \$10.0 million in subscription receipts ("Subscription Receipts") to be issued at an indicative price of \$1.35 per Subscription Receipt.**
2. Provide full details of the use of the proceeds. The disclosure should be sufficiently complete to enable a reader to appreciate the significance of the transaction without reference to any other material.

Kontrol Energy Corp. ("Kontrol" or the "Company"). February 1, 2018 the Kontrol Energy Corp. ("Kontrol" or the "Company") entered into a Letter of Intent ("LOI") to acquire a profitable and fast growing Blockchain software development firm (the "Target") operating a successful Software-as-a-Service ("SaaS") business. In addition to financing from this Offering, Kontrol currently has cash on hand of more than \$1.5 million, providing Kontrol with up to \$3.0 million in post-acquisition working capital. Kontrol will seek to use the cash to accelerate its blockchain platform and to pursue additional acquisitions and opportunities in the blockchain technology and cryptocurrency sector, as well as finance acquisitions of operating businesses and technologies in the Energy Efficiency sector as part of the Issuer's overall growth strategy.
3. Provide particulars of any proceeds which are to be paid to Related Persons of the Issuer: **Not applicable**
4. If securities are issued in forgiveness of indebtedness, provide details and attach the debt agreement(s) or other documentation evidencing the debt and the agreement to exchange the debt for securities.
5. Description of securities to be issued:
 - (a) Class **Common Shares**
 - (b) Number up to: **7,407,407**
 - (c) Price per security: **\$1.35**
 - (d) Voting rights **Yes**

6. Provide the following information if Warrants, (options) or other convertible securities are to be issued:

- (a) Number: up to 7,407,407
- (b) Number of securities eligible to be purchased on exercise of Warrants (or options): up to 7,407,407
- (c) Exercise price: \$1.93
- (d) Expiry date: The purchasers of the Subscription Receipts will automatically receive, for no additional consideration and without any action on their part, for every Subscription Receipt held, one unit of the Company (a "Unit") comprised of one common share (a "Common Share") and one common share purchase warrant (each a Warrant"). Each Warrant will entitle the holder to acquire one common share at an exercise price of \$1.93 per share for a period of 24 months following closing of the Financing

7. Provide the following information if debt securities are to be issued:

Not applicable

- (a) Aggregate principal amount _____ .
- (b) Maturity date _____ .
- (c) Interest rate _____ .
- (d) Conversion terms _____ .
- (e) Default provisions _____ .

8. Provide the following information for any agent's fee, commission, bonus or finder's fee, or other compensation paid or to be paid in connection with the placement (including warrants, options, etc.): **At Closing, the Company will pay the Agent a cash commission of 7.5% of the aggregate gross proceeds arising from the Offering;**

At Closing, and subject to regulatory approval (where any such approval is required), the Agent will receive options (the "Broker's Warrants") exercisable at any time up to 24 months following Closing to purchase Units of the Issuer in an amount equal to 6.5% of the number of Units sold in connection with the Offering. The Broker Warrants shall be exercisable at \$1.93.

Details of any dealer, agent, broker or other person receiving compensation in connection with the placement (name, address. If a corporation, identify persons owning or exercising voting control over 20% or more of the voting shares if known to the Issuer): **Kontrol has entered into an agreement with Mackie Research Capital Corporation ("MRCC" or, the "Agent") to act as lead agent and sole bookrunner on behalf of a syndicate of agents to raise, on a best-efforts private placement basis (the "Financing"), gross proceeds of up to \$10.0 million in subscription receipts ("Subscription Receipts")**

- (b) Cash: **Up to \$750,000**
- (c) Securities: **Up to 650,000 Broker Warrants**
- (d) Other
- (e) Expiry date of any options, warrants etc. **24 months from closing date.**
- (f) Exercise price of any options, warrants etc.: **The Broker Warrants are exercisable at a price of \$1.35, and the warrants partially comprising the units issuable on exercise of the Broker Warrants are exercisable at \$1.93**

9. State whether the sales agent, broker, dealer or other person receiving compensation in connection with the placement is Related Person or has any other relationship with the Issuer and provide details of the relationship

Not applicable

10. Describe any unusual particulars of the transaction (i.e. tax "flow through" shares, etc.).

Not applicable

State whether the private placement will result in a change of control.

No.

11. Where there is a change in the control of the Issuer resulting from the issuance of the private placement shares, indicate the names of the new controlling shareholders.

Not applicable

12. Each purchaser has been advised of the applicable securities legislation restricted or seasoning period. All certificates for securities issued which are subject to a hold period bear the appropriate legend restricting their transfer

until the expiry of the applicable hold period required by National Instrument 45-102.

Yes.

2. Acquisition

1. Provide details of the assets to be acquired by the Issuer (including the location of the assets, if applicable). The disclosure should be sufficiently complete to enable a reader to appreciate the significance of the transaction without reference to any other material:

On January 31, 2018 the Company entered into a binding Letter of Intent (“LOI”) to acquire a profitable and fast growing Blockchain software development firm (the “Target”) operating a successful Software-as-a-Service (“SaaS”) business. The LOI contemplates that Kontrol will acquire 100% of the outstanding shares of the Target.

2. Provide details of the acquisition including the date, parties to and type of agreement (eg: sale, option, license etc.) and relationship to the Issuer. The disclosure should be sufficiently complete to enable a reader to appreciate the significance of the acquisition without reference to any other material:

The LOI contemplates that Kontrol will acquire 100% of the outstanding shares of the Target. Over the past 2 years, the Target has averaged revenues of approximately \$6.0 million and generated normalized EBITDA of approximately \$1.2 million per year. The Target has an established operating history and entered the blockchain software development business in 2017, attracting a growing portfolio of institutional customers who are seeking to integrate Blockchain and Distributed Ledger Technology (“DLT”) solutions to better manage their energy consumption, reduce their carbon footprint and improve overall operating performance and efficiency through connected devices and the Internet of Things (“IoT”).

The aggregate purchase price for the Acquisition is \$14,250,000, subject to adjustments. The initial payment to the vendors of the Target (the “Vendors”) consists of \$8.5 million in cash (less applicable closing adjustments) and \$1.5 million payable in Kontrol common shares at a deemed price per share of \$1.50 per share. The parties have agreed to additional incentive payments of \$3.5 million in cash and \$0.75 million in Kontrol common shares, also at a deemed price of \$1.50

per share, to be paid in 2018 and 2019 subject to the achievement of various performance milestones.

On closing, the Vendors will also receive warrants entitling the Vendors to purchase up to 2 million common shares at an exercise price of \$1.50. An additional 2 million warrants are issuable on the same terms subject to certain events occurring. All warrants are to have a 3-year term and will be vested over a three year period.

3. Provide the following information in relation to the total consideration for the acquisition (including details of all cash, securities or other consideration) and any required work commitments:
- (a) Total aggregate consideration in Canadian dollars: **\$14,250,000 subject to adjustments.**
 - (b) Cash: **The initial payment to the vendors of the Target (the “Vendors”) consists of \$8.5 million in cash (less applicable closing adjustments)**
 - (c) Securities (including options, warrants etc.) and dollar value: **\$1.5 million payable in Kontrol common shares at a deemed price per share of \$1.50 per share. Additional incentive payments of \$3.5 million in cash and \$0.75 million in Kontrol common shares at \$1.50 or share to be paid in 2018 and 2019 subject to achieving performance milestones.**
 - (d) Expiry date of options, warrants, etc. if any:

On closing, the Vendors will also receive warrants entitling the Vendors to purchase up to 2 million common shares at an exercise price of \$1.50. An additional 2 million warrants are issuable on the same terms subject to certain events occurring.
 - (e) Exercise price of options, warrants, etc. if any: **All warrants are to have a 3-year term and will be vested over a three-year period. Exercise price is \$1.50**
 - (f) Work commitments:
4. State how the purchase or sale price was determined (e.g. arm’s-length negotiation, independent committee of the Board, third party valuation etc). **Arm’s-length negotiation**

5. Provide details of any appraisal or valuation of the subject of the acquisition known to management of the Issuer:

Based on historical and projected future net earnings before tax of the Target.

6. The names of parties receiving securities of the Issuer pursuant to the acquisition and the number of securities to be issued are described as follows:

Confidential

Name of Party (If not an individual, name all insiders of the Party)	Number and Type of Securities to be Issued	Dollar value per Security (CDN\$)	Conversion price (if applicable)	Prospectus Exemption	No. of Securities, directly or indirectly, Owned, Controlled or Directed by Party	Describe relationship to Issuer ⁽¹⁾

(1) Indicate if Related Person

7. Details of the steps taken by the Issuer to ensure that the vendor has good title to the assets being acquired:

To be determined as due diligence is conducted.

8. Provide the following information for any agent's fee, commission, bonus or finder's fee, or other compensation paid or to be paid in connection with the acquisition (including warrants, options, etc.):

Not applicable

- (a) Details of any dealer, agent, broker or other person receiving compensation in connection with the acquisition (name, address. If a corporation, identify persons owning or exercising voting control over 20% or more of the voting shares if known to the Issuer): _____.
- (b) Cash _____.
- (c) Securities _____.

- (d) Other _____ .
- (e) Expiry date of any options, warrants etc. _____
- (f) Exercise price of any options, warrants etc. _____ .

9. State whether the sales agent, broker or other person receiving compensation in connection with the acquisition is a Related Person or has any other relationship with the Issuer and provide details of the relationship.

Not applicable

10. If applicable, indicate whether the acquisition is the acquisition of an interest in property contiguous to or otherwise related to any other asset acquired in the last 12 months.

Not applicable

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 on behalf of the Issuer.
2. As of the date hereof there is not 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 CSE Policy 1).
4. All of the information in this Form 9 Notice of Issuance of Securities is true.

Dated: **February 2, 2018.**

Paul Ghezzi

Name of Director or Senior
Officer



Signature

CEO, Director

Official Capacity