**NEPTUNE DASH TECHNOLOGIES CORP.**

# MANAGEMENT DISCUSSION AND ANALYSIS

**For the year ended August 31, 2019**

**Containing information up to and including December 20, 2019**

**Form 51-102F1**
**Management's Discussion & Analysis for**
**NEPTUNE DASH TECHNOLOGIES CORP.**
**(the "Company")**
**<u>Containing information up to and including December 20, 2019</u>**

## NOTICE

This Management Discussion and Analysis ("**MD&A**") is intended to help the reader understand the consolidated financial statements of Neptune Dash Technologies Corp. (formerly known as Neptune Dash Nodes Corp.) and includes its wholly owned subsidiary Neptune Stake Technologies Corp. The information provided herein should be read in conjunction with the Company's consolidated audited financial statements for the year ended August 31, 2019 (the "**Financial Statements**"). The following comments may contain estimates of anticipated future trends, activities or results made by management of the Company ("**Management**"). These are not a guarantee of future performance, since actual results could change based on other factors and variables beyond the control of Management.

Management is responsible for the preparation and integrity of the Financial Statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the Financial Statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders.

All currency amounts are expressed in Canadian dollars unless otherwise noted.

Additional information related to the Company is available for view on SEDAR and on the Company's website at www.neptunedash.com.

## CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and forward-looking information (collectively, "**forward-looking statements**") within the meaning of applicable Canadian securities legislation. These statements relate to future events or the future activities or performance of the Company. All statements, other than statements of historical fact are forward-looking statements. Forward-looking statements are typically identified by words such as: "believe", "expect", "anticipate", "intend", "estimate", "postulate" and similar expressions, or which by their nature refer to future events. These forward-looking statements include, but are not limited to, statements concerning:

- the Company's strategies and objectives, both generally and in respect of its Dash masternode assets;
- the Company's future cash requirements;

general business and economic conditions;

- the Company's ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations;
- the timing and pricing of proposed financings, if applicable;
- the anticipated completion of financings;
- the anticipated receipt of regulatory approval or acceptance of financings;
- the anticipated use of the proceeds from the financings;

Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Inherent in forward-looking statements are risks and uncertainties beyond the Company's ability to predict or control, including, but not limited to, risks related to the Company's inability to predict future cryptocurrency asset pricing, the ability to determine the results of voting decisions made by cryptocurrency networks to determine how these blockchains perform network upgrades over time, and other variables that are disclosed under "Risk Factors".

The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results are likely to differ, and may differ materially, from those expressed or implied by forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove incorrect, including, but not limited to, assumptions about:

- the level and volatility of the prices for cryptocurrencies, specifically the Dash and Cosmos ATOM blockchains;
- general business and economic conditions;
- the timing and amount of Dash masternode and ATOM delegated revenue earned over time;
- conditions in the financial and cryptocurrency markets generally, and with respect to the prospects for the supply and demand of the Dash and ATOM cryptocurrency specifically;
- the hashing power and general integrity of the Dash and ATOM blockchains with respect to vulnerability from a malicious third party, or 51% Attack;
- the number of Dash masternodes that are operational at any given time;
- regulatory developments within Canada and internationally that affect cryptocurrencies as an asset class both directly and indirectly;
- tax developments directed at cryptocurrency assets that may be enacted into legislation over time;
- governance decisions made by the Dash masternode operators and Cosmos ATOM community that affect the rewards payout allocation;

These forward-looking statements are made as of the date hereof and the Company does not intend and does not assume any obligation, to update these forward-looking statements, except as required by applicable law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. In particular, the current state of the cryptocurrency markets and global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations. See "Risk Factors – Insufficient Financial Resources/Share Price Volatility".

## BUSINESS SUMMARY

Neptune Dash Technologies Corp is an early stage technology company, listed on the TSX Venture Exchange ("**TSXV**"), trading under the symbol DASH, the Company was incorporated on October 30, 2017 and invests exclusively in and operates blockchain infrastructure assets and related technologies. The Company's primary objective is to construct and operate masternodes that assist the Dash blockchain to facilitate payment processing on the Dash blockchain network and take part in the Cosmos ATOM community through delegation of ATOM tokens. The Company also plans to actively evaluate technology companies that are currently operating within the blockchain ecosystem, with the intention of acquiring or building blockchain infrastructure technologies.

### Reverse Take-Over

On December 1, 2017, the Company and Neptune Dash Nodes Corp. ("**Neptune**"), entered into an Amalgamation Agreement whereby the Company acquired all of the outstanding shares of Neptune, being 31,700,000 shares, in consideration for securities of the Company on a 1 for 1 basis. After completion of the Amalgamation Agreement, the shareholders of Neptune held approximately 81.72% of the Company. Accordingly, Neptune is considered to have acquired the Company with the transaction being accounted as a reverse takeover of the Company by Neptune shareholders (the "**RTO**").

As Neptune is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on October 30, 2017 are included in the consolidated financial statements at their historical carrying value. The Company's results of operations are included from incorporation on October 30, 2017 onwards in both the financial statements and this MD&A, the closing date. Concurrent with the RTO, Refer to Note 3 of the financial statements for additional information regarding the RTO, including the fair value of the shares issued. The transaction closed on January 16, 2018.

## SELECTED ANNUAL INFORMATION

The following is a brief summary of the financial operations for the year ended August 31, 2019 and the comparative period from incorporation on October 31, 2017 to August 31, 2018, for more detailed information please refer to the financial statements.

| | Year ended August 31, 2019 | Period from incorporation on October 31, 2017 to August 31, 2018 |
|---|---|---|
| Total Revenue | 202,311 | 423,416 |
| Net loss before other expenditures | (831,419) | (8,442,197) |
| Revaluation of digital currencies | (3,456,729) | (13,641,421) |
| Net loss and comprehensive loss | (4,361,277) | (22,077,103) |
| Earnings (loss) per share | (0.05) | (0.33) |
| Total assets | 2,814,916 | 6,768,599 |
| Working capital | 500,043 | 1,152,113 |
| Long term liabilities | Nil | Nil |
| Cash dividends | Nil | Nil |

## OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

### Highlights for the year ended August 31, 2019 and up to December 20, 2019

- On October 10, 2018, the Company announced Neptune Dash Pooling, a pooled masternode service where the Company would collect Dash tokens on behalf of third parties, and operate masternodes in exchange for an 18% fee. The first masternode was successfully constructed and operated on October 10, 2018.

- On January 19, 2019 certain Officers & Directors of the Company received a total of 516,666 restricted share units that had fully vested and were granted one year earlier as part of the Company's equity compensation plan.

- On May 28, 2019 the Company announced its intent to add a Cosmos Validator node to its inventory of node assets. The Company executed this transaction through dismantling a single Dash masternode and used the proceeds of disposition to purchase sufficient ATOM in order to setup a Cosmos Validator node. On June 3, 2019, the Company successfully launched its Cosmos Validator node and within seven days of launching had sufficient delegated ATOM from the Cosmos community to reach the 47th spot on the exclusive list of 100 validators. As part of the Company's intent to generate additional revenue streams, the Company purchased 40,000 ATOM at an average price of $USD 4.88 and self delegated those ATOM. The Company disposed of an additional 2,681 Dash in exchange for 87,134 ATOM (the exchange occurred at 32.7 ATOM per each Dash). The above transaction resulted in the dismantling of an additional two Dash masternodes resulting the Company operating 16 Dash masternodes as at August 31, 2019. As result of delegating to the Cosmos Validator Node, the Company earned 2,858 ATOM in rewards during the year ended August 31, 2019.

- From the date that Neptune Pooling was announced on October 10, 2018 until August 31, 2019 the Company built it's Neptune Pooling service from a single pooled masternode to four fully operational pooled Dash masternodes. As at August 31, 2019, the Company has discontinued its Neptune Pooling service and all pooled Dash were withdrawn. The Company earned a total of 104 Dash (from inception to August 31, 2019) from Neptune Pooling. As of August 31, 2019 the Company owned 16,382 Dash across its ownership of Dash masternodes.

- During the year and subsequent to August 31, 2019 Troy Wong, director and CFO resigned from the Company and was replaced with Kalle Radage as director and interim CFO. Guy Halford-Thompson and Jackson Warren were replaced with Carmen To, CA, CPA, as audit committee chair and independent director.

- On November 10, 2019, 800,000 warrants expired unexercised.

## SUMMARY OF QUARTERLY RESULTS

The table below sets out the quarterly results since the inception of the Company.

| Financial Results | Quarter Ended August 31, 2019 $ | Quarter Ended May 31, 2019 $ | Quarter Ended February 28, 2019 $ | Quarter Ended November 30, 2018 $ |
|---|---|---|---|---|
| Revenue | 51,956 | 48,077 | 32,459 | 69,819 |
| Operating Expenses | (178,662) | (242,977) | (288,216) | (313,668) |
| Net comprehensive income (loss) for the period | (2,527,836) | 2,203,469 | (561,417) | (3,475,493) |
| Net income (loss) per share (basic and diluted) | $(0.03) | $0.03 | $(0.01) | $(0.04) |
| Total Assets | 2,814,916 | 5,384,065 | 3,021,328 | 3,426,905 |
| Total Long-term Liabilities | - | - | - | - |
| Weighted average shares outstanding for the period | 80,709,995 | 80,709,995 | 80,405,736 | 80,193,329 |
| Cash dividends declared | - | - | - | - |

| Financial Results | Quarter Ended August 31, 2018 $ | Quarter Ended May 31, 2018 $ | Quarter Ended February 28, 2018 $ | Period Ended November 30, 2017** $ |
|---|---|---|---|---|
| Revenue | 97,089 | 165,445 | 156,535 | 4,338 |
| Operating Expenses | (1,147,053) | (548,529) | (6,349,031) | (821,000) |
| Net comprehensive income (loss) for the period | (3,266,444) | (6,790,881) | (12,479,564) | 459,786 |
| Net income (loss) per share (basic and diluted) | $(0.34) | ($0.10) | $(0.23) | $0.02 |
| Total Assets | 6,768,599 | 9,311,233 | 16,112,274 | 4,026,646 |
| Total Long-term Liabilities | - | - | - | - |
| Weighted average shares outstanding for the period | 80,193,329 | 67,137,433 | 53,791,405 | 27,028,120 |
| Cash dividends declared | - | - | - | - |

**The company was incorporated on October 30, 2017 and therefore is only reporting periods from the date of incorporation.

| Operating Results | Quarter Ended August 31, 2019 $ | Quarter Ended May 31, 2019 $ | Quarter Ended February 28, 2019 $ | Quarter Ended November 30, 2018 $ |
|---|---|---|---|---|
| Opening Dash Token Balance: | 18,790 | 19,453 | 19,144 | 18,825 |
| Dash Token Purchases: | - | - | - | - |
| Dash Production Earned from Masternodes: | 233 | 278 | 288 | 310 |
| Dash Earned from Neptune Pooling Fees & Rewards | 40 | 34 | 21 | 9 |
| Cash Dispositions | (2,681) | (975) | - | - |
| Closing Dash Token Balance: | 16,382 | 18,790 | 19,453 | 19,144 |
| $CAD Dash Price* | $106 | $223 | $108 | $123 |
| $CAD Dash Tokens Owned: | $1,741,120 | $4,204,706 | $2,099,937 | $2,357,850 |

*Rates obtained from the $CAD closing price on www.cryptocompare.com

| Operating Results | Quarter Ended August 31, 2018 $ | Quarter Ended May 31, 2018 $ | Quarter Ended February 28, 2018 $ | Period Ended November 30, 2017** $ |
|---|---|---|---|---|
| Opening Dash Token Balance: | 18,493 | 18,175 | 3,678 | - |
| Dash Token Purchases: | - | - | 14,327 | 3,673 |
| Dash Production Earned from Masternodes: | 332 | 318 | 170 | 5 |
| Dash Earned from Neptune Pooling Fees & Rewards | - | - | - | - |
| Cash Dispositions | - | - | - | - |
| Closing Dash Token Balance: | 18,825 | 18,493 | 18,175 | 3,678 |
| $CAD Dash Price* | $290 | $409 | $758 | $1,014 |
| $CAD Dash Tokens Owned: | $5,458,379 | $7,567,348 | $13,788,723 | $3,730,174 |

## DISCUSSION OF RESULTS

Results for the year ended August 31, 2019:

The following analysis discusses the Company's operating results. Due to the Company's limited operating history (incorporated on October 30, 2017), the Company does not have comparative figures.

- Inclusive of Neptune Dash and Neptune Pooling operations, the Company earned a total of 1,213 Dash and gross revenues of $189,618.

- The Company had an average of 14 masternodes that were operational during the year ended August 31, 2019, resulting in 1,213 Dash tokens produced, monthly Dash production of 92 Dash per month, with each masternode producing an average of 6.60 Dash per month, and gross revenues of $189,618.

- The Company constructed 4 Shared Dash masternodes through its Neptune Pooling Service. The Company earned a total of 104 Dash and gross revenues of $5,744 since launching the service in October 2018. The company terminated this service during the year.

- The Company owned a total 16,382 Dash tokens as at August 31, 2019 inclusive of fees earned from Neptune Pooling and exclusive of third party deposits which were zero at August 31, 2019.

- During the period the fair market value of the digital tokens held declined below the book value as at August 31, 2019 resulting in an additional unrealized loss of $3,456,729, associated with the Company's digital currency owned.

- The Company diversified its masternode ownership inventory through the dismantling of a single Dash masternode and corresponding sale of 975 Dash in exchange for 40,000 ATOM to setup a Cosmos Validator Node. This brought the Company's Dash masternode assets to 16 Dash Masternodes and 1 Cosmos Validator Node as at August 31, 2019. The 975 Dash tokens had an original cost of $920,762 and were exchanged at a fair value of $213,822 of ATOM. The Company disposed of an additional 2,681 Dash in exchange for 87,234 ATOM (the exchange occurred at 32.7 ATOM per each Dash). As result of operating the Cosmos Validator Node and self delegating, the Company earned 2,858 ATOM in rewards during the year ended August 31, 2019.

- The Company materially reduced operating expenses to the lowest in the Company's history to $1,023,523 ($557,310 cash expenses) which is due to a reduction in marketing costs, professional fees, office costs and travel. Operating expenses are also lower than previous periods due to reduced stock based compensation expense being recognized, which is due to lower recognition of stock based compensation expense across appropriate vesting periods.

- During the period the Company did not rebalance the existing cryptocurrency staking assets within Neptune Stake Technologies Corp. ("Neptune Stake"). Neptune Stake added 120,394 ATOM to it's inventory of assets in connection with the installation and setup of the Cosmos Validator Node described above. Exclusive of the ATOM purchase described earlier, Neptune Stake's portfolio of digital currencies had a fair value of $167,309 which is an increase in fair value of $19,027 when compared to the August 31, 2018 balance of $148,282. The Company's 123,252 ATOM assets resulted in an unrealized gain of $375,594 as at August 31, 2019, resulting in a net cryptocurrency balance within Neptune Stake of $497,495.

Three months ended August 31, 2019 compared with three months ended August 31, 2018:

- The Company had 16 Dash masternodes that were operational during the period ended August 31, 2019 (2018 – 18 masternodes) resulting in 233 Dash tokens produced (2018 – 332 Dash tokens produced), monthly Dash production of 78 Dash per month (2018 – 110 Dash per month), with each masternode producing an average of 5.54 Dash per month (2018 – 6.14 Dash per month), and gross masternode revenue of $45,421 (2018 - $97,098). The Dash blockchain network had a scheduled block reward deduction for all Dash masternode operators in early April 2019, resulting in a 7% decline in the net Dash block reward paid out to all Dash masternode operators. The decline in Dash block reward payments made to Dash masternode owners has been known to the Dash community and is detailed in the Dash protocol.

- The Company's Neptune Pooling service operated 4 pooled Dash masternodes during the quarter ended August 31, 2019. The Company earned a total of 40 Dash (2018 – 0 Dash) and gross revenues of $1,951. As at August 31, 2019, all Dash within the Neptune Pooling service had been withdrawn.

- Inclusive of Neptune Dash and Neptune Pooling operations, the Company earned a total of 273 Dash (2018 – 318 Dash) and gross revenues of $39,263 (2018 - $97,089). The primary driver behind lower revenue is lower Dash prices.

- The Company owned a total 16,382 Dash tokens as at August 31, 2019 (2018 – 18,825) inclusive of fees earned from Neptune Pooling.

- During the three months ended August 31, 2019 the fair market value of Dash digital tokens decreased in value versus August 31, 2018 resulting in an unrealized loss of $2,273,681 (2018 – unrealized loss $2,018,969) associated with the Company's Dash digital currency owned.

- The Company's operating expenses for the three months ended August 31, 2019 were $178,662 (2018 - $1,147,053) which is due to a reduction in consulting fees, share based payments and travel related expenditures.

## LIQUIDITY AND CAPITAL RESOURCES

As at August 31, 2019 the Company held 16 masternodes which earn Dash revenues and has delegated 123,252 ATOM which also earns rewards. The Company commenced earning revenues during November 2017, however it has limited history and no assurances that historical performance will be indicative of future performance. The Company has positive working capital, but may be reliant on external financing to take advantage of growth opportunities. The Company's ability to continue as a going concern is dependent on the Company's ability to earn digital tokens, and if necessary, liquidate digital tokens, or on its ability to raise external financing.

As at August 31, 2019 the Company had a working capital balance of $500,043. Significant items included cash and cash equivalents of $509,996 and digital tokens of $167,309. The Company currently has sufficient cash and cash equivalents to meet its current operating and administrative costs.

The net change and use of proceeds for the Company during the year ended August 31, 2019 is as follows:

- Cash used in operating activities during the year ended August, 31 2019 was $557,310. The majority of this was used to fund head office costs, salaries, setup of IT infrastructure, and marketing costs connected with the company's launch.
- From financing activities, the Company did not generate or use any cash.
- The Company incurred cash flows from investing activities of $5,000 from the disposal of equipment.

The Company has no commitments for capital expenditures at the date of this report.

## OUTSTANDING SHARE DATA

As at December 20, 2019, the Company's share capital was $24,611,377 representing 80,709,995 common shares without par value. The comprehensive loss for the year ended August 31, 2019 was $4,361,277 and total shareholders equity was $2,585,623.

As at December 20, 2019 the Company's equity structure is disclosed below:

| | # of Shares | Exercise Price | Expiry Date (Vest Date) |
|---|---|---|---|
| Issued and Outstanding Common Shares | 80,709,995 | | |
| Stock Options | 6,075,000 | $0.50 | January 20, 2028 |
| Restricted Share Units | 526,666<br>526,666 | | (January 19, 2020)<br>(January 19, 2021) |
| Warrants | 3,239,360 | $0.50 | January 20, 2020 |
| Fully Diluted as at December 20, 2019 | 91,077,687 | | |

Share-split:

During the period ended February 28, 2018 the Board of Directors authorized a 20-for-1 share split. The number of issued and outstanding shares has been retrospectively restated for all periods unless otherwise stated.

## RISK FACTORS

The Company is in the business of the construction and operation of blockchain infrastructure assets. Due to the high growth of, and maturing marketplace around, blockchain technologies and cryptocurrency markets in general, and the nature of the Company's proposed business plan, the following risk factors, among others, will apply:

***Cryptocurrency Assets Are Highly Volatile And Speculative In Nature:*** Masternodes are paid by the Dash blockchain network in exchange for the capital and operating costs associated with their construction and operation. Given the highly volatile nature of cryptocurrencies with respect to pricing, hashing power, and block reward, the Company cannot guarantee that the net asset value of a Dash blockchain masternode, or the block reward associated with Dash or ATOM will remain at current levels or rise in the future.

***Fluctuation of Cryptocurrency Prices:*** Cryptocurrency market technology is a development stage technology and cryptocurrency assets are a class of assets that not widely held, difficult to purchase and store securely and not fully regulated. As result of these variables, the pricing of cryptocurrency assets is highly volatile which will affect the value of Dash masternodes and block reward payouts over time.

***Dash blockchain Technology:*** The Dash and Cosmos blockchain network is a development stage ecosystem with many stakeholders including miners, investors, nodes and/or masternodes, and other ecosystem participants. Due to the decentralised and development stage nature of blockchains, the Company cannot forecast what changes will occur to the structure of these blockchains over time, and how protocol upgrades will affect the valuation of the Company's hardware infrastructure assets and underlying crypto currencies.

***Collusion and Third Party Attacks:*** By its very nature blockchain technologies are decentralized and subject to possible manipulation. This includes the risk of a 51% attack on a blockchain's mining network hashing power, where a malicious third party is able to reverse transactions on the blockchain through centralised control of an entire blockchain's mining power. Although considered remote, a 51% attack, and other malicious attempts to control, attack, or manipulate a particular blockchain is outside of the Management's control.

***Security Risks:*** As result of the Company's business model to operate masternodes on the Dash network, the Company is required to stake 1,000 Dash tokens on the Dash network for each Dash masternode. Given the immutable nature of blockchain technologies, a risk exists that a malicious third party could attempt to hack or steal the Company's Dash tokens and the Company may unable to recover them.

***Financing Risks***: The Company has limited financial resources, has no source of operating cashflow and has no assurance that additional funding will be available for it to invest and purchase blockchain infrastructure assets. Failure to raise additional financing could result in a delay or indefinite postponement of further technological investment in the blockchain ecosystem.

***Insufficient Financial Resources***: The Company may not have sufficient financial resources or crypto revenues to pay operating expenses.

***Dilution to the Company's existing shareholders***: The Company may require additional equity financing to be raised in the future. The Company may issue securities at less than favorable terms to raise sufficient capital to fund its business plan. Any transaction involving the issuance of Common Shares or securities convertible into Common Shares would result in dilution, possibly substantial, to present and prospective holders of Common Shares.

***Increased costs***: Management anticipates the costs to setup and operate Dash masternodes could increase over time if demand for Dash tokens increases. This will result in increased capital costs to purchase sufficient Dash tokens.

***Government Regulation:*** Blockchain technology assets are a new and emerging asset class of which the regulatory and taxation policies related to the purchase, sale, trading, and ownership of digital tokens may change over time, and as result may have a direct impact on the Company's assets and operating cashflows.

***No Assurance of Profitability:*** The Company has no history of positive operating earnings and, due to the nature of its business there can be no assurance that the Company will ever be profitable. The Company has not paid dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is from the sale of its Common

Shares or, possibly, from the sale of its cryptocurrency assets. The Company is highly dependent on Dash, ATOM and other tokens maintaining their price at current levels and not materially declining over time.

***Uninsured or Uninsurable Risks:*** The Company's blockchain assets are uninsured and are susceptible to total loss in the event of a theft, security breach, employee error or IT malfunction. The Company takes every available precaution to reduce the risk of blockchain asset losses due to theft, security breach, employee error or IT malfunction.

## OFF-BALANCE SHEET ARRANGEMENTS

As at August 31, 2019 and as at the date of this report the Company does not have any off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

The Company has entered into certain transactions with related parties during the period ended August 31, 2019. All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

A description of the transactions with Key Management Personnel are:

| **Name** | **Name** | **Relationship** | **Purpose of Transaction** | **Amount** |
|---|---|---|---|---|
| Spartan Pacific Financial Ltd. | Cale Moodie | CEO & Director | Consulting Fees(1) | $160,000 |
| Moon Shot Operating Corp. | Troy Wong | Former CFO & Director | Consulting Fees(2) | $99,333 |
| Major Big Consulting Corp. | Kalle Radage | COO & interim CFO | Consulting Fees(3) | $125,004 |

1) The Company has a consulting agreement (the "**Spartan Agreement**") with Spartan Pacific Financial Ltd. ("**Spartan**"), a company owned by Cale Moodie, the Chief Executive Officer, pursuant to which Spartan agreed to provide management consulting services to the Company. The Company will pay Spartan a monthly fee of $13,333 per month. The Company has the right to terminate the Spartan Agreement by providing 24 months' notice or paying the equivalent of 24 months in fees. Since January 1, 2019 the Company has chosen to preserve its working capital through paying fifty percent of Spartan's monthly fee, the remaining amounts remained as an accrued liability.

2) The Company had a consulting agreement (the "**Moon Shot Agreement**") with Moon Shot Operating Corp. ("**Moon Shot**"), a company owned by Troy Wong, the Company's former Chief Financial Officer, pursuant to which Moon Shot agreed to provide management consulting services to the Company. The Company will pay Moon Shot a monthly fee of $11,667 per month. In order to preserve the Company's working capital the actual amount paid to Moon Shot had been reduced by 50% since January 1, 2019. The Moon Shot Agreement has since been terminated.

3) The Company has a consulting agreement (the "**Major Big Agreement**" with Major Big Consulting Corp.("**Major Big**"), a company owned by Kalle Radage, the Chief Operating Officer, pursuant to which Major Big agreed to provide consulting services to the Company The Company will pay Major Big $10,417 per month. The Company has the right to terminate the Major Big Agreement by providing 12 months notice or paying the equivalent of 12 months in fees. In order to preserve the Company's working capital the actual amount paid to Major Big has been reduced by 50% since January 1, 2019, the remaining amounts remained as an accrued liability.

In addition to the transactions above:

- The Company paid or accrued director's fees of $51,000 (2018 - $36,000) to independent directors.
- The Company purchased 40,000 units of Cosmos Atom digital tokens from two directors of the Company the year ended August 31, 2019 (the transaction occurred at fair market value).

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

### Significant accounting judgments and estimates

The preparation of the financial statements in conformity with International Financial Reporting Standards ("**IFRS**") requires management to make judgements, estimates and assumptions that are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

Significant judgements:

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the evaluation of the Company's ability to continue as a going concern.

Functional currency:

The functional currency of the Company has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company's digital currencies, production and operating costs, financing and related transactions. Specifically, the Company considers the currencies in which digital currencies are most commonly denominated and expenses are settled by each entity as well as the currency in which each entity receives or raises financing. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency

Digital currency valuation:

The Company's Dash masternode cryptocurrency assets are included in long term assets. The Company has evaluated it's use of cryptocurrency assets and determined that its Dash masternode assets be treated as intangible assets under IAS 38. The Company's Dash masternode assets are recognized at the lower of cost and fair market value (determined by the spot rate based on the hourly volume weighted average from www.cryptocompare.com). The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position. The Company has a portfolio of cryptocurrency assets which it holds within Neptune Stake Technologies Corp., these cryptocurrency assets are recognized as current assets and are valued at fair market value.

Share based compensation:

The Company utilizes the Black-Scholes Option Pricing Model ("**Black-Scholes**") to estimate the fair value of stock options granted to directors, employees, and consultants. The use of Black Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the share based compensation calculation value, however the most significant estimate is the volatility. Expected future volatility can be difficult to estimate as the Company has had limited history and is in a unique industry, and historical volatility is not necessarily indicative of future volatility.

**Significant accounting policies**

Revenue recognition:

The Company recognizes revenue from the provision of masternode server operations within digital currency networks, commonly termed "masternode hosting". As consideration for these services, the Company receives digital currency from each specific network in which it participates. Revenue is measured based on the fair value of the Dash received. The fair value is determined using the spot price of Dash on the date of receipt. A Dash is considered earned on the completion and addition of a block to the blockchain, at which time the economic benefit is received and can be reliably measured. Digital tokens

Digital tokens are recorded on the statement of financial position as digital currencies at their fair value and re-measured at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of any Digital tokens for traditional currencies are included in profit and loss.

Shared-based payments:

Share-based payments include option and stock grants granted to directors, employees and consultants. The Company accounts for share-based compensation using a fair value based method with respect to all share-based payments measured and recognized, to directors, employees and consultants. For directors and employees, the fair value of the options and stock grants is measured at the date of grant. For consultants, the fair value of the options and stock are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. For directors, employees and consultants, the fair value of the options and stock grants is accrued and charged to operations, with the offsetting credit to share based payment reserve for options, and commitment to issue shares for stock grants over the vesting period. If and when the stock options are exercised, the applicable amounts are transferred from share-based payment reserve to share capital. When the stock grants are issued, the applicable fair value is transferred from commitment to issue shares to share capital. Option based compensation awards are calculated using the Black-Scholes while stock grants are valued at the fair value on the date of grant.

The Company has granted certain directors and consultants restricted share units ("**RSUs**") to be settled in shares of the Corporation. The fair value of the estimated number of RSUs that will eventually vest, determined at the date of grant, is recognized as share-based compensation expense over the vesting period, with a corresponding amount recorded as equity. The fair value of the RSUs is estimated using the market value of the underlying shares as well as assumptions related to the market and non-market conditions at the grant date

Financial instruments:

*Financial assets*

Financial assets are classified as either financial assets at affair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

*Fair value through profit or loss ("FVTPL")* - financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Changes in fair value are recognized in profit and loss.

*Amortized cost* – financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as FVTPL: 1) The objective of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the assets contractual cash flow represents solely payments of principal and interest.

*Financial liabilities*

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit and loss.

*Amortized cost:* This category includes accounts payables and accrued liabilities, which are recognized at amortized cost.

## NEW STANDARDS ADOPTED AND NOT YET ADOPTED

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board ("**IASB**") with interpretations by the International Financial Reporting Interpretations Committee ("**IFRIC**"). The following has not yet been adopted by the Company and is being evaluated to determine its impact.

- IFRS 16, which replaces previous lease accounting guidance, effective for annual periods beginning on or after January 1, 2019. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The Company does not expect the adoption of this standard to significantly affect the Company's Financial Statements.

## NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED

On May 1, 2018, the Company adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting. The Company adopted the standard retrospectively. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities.

The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The change did not impact the carrying amounts of any of the Company's financial assets on the transition date. Prior periods were not restated, and no material changes resulted from adopting this new standard.

- The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of our financial assets on the transition date given the Company transacts exclusively with large international financial institutions and other organizations with strong credit ratings.

- On September 1, 2018 the Company adopted IFRS 15 - Revenue from Contracts with Customers ("IFRS 9") which replaced IAS 18 - Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers, and SIC 31 - Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The Company's preliminary assessment is that the standard is not expected to have a significant impact on the recognition or measurement of revenue. IFRS 15 did not impact the classification, recognition or measurement of revenue.

## FINANCIAL INSTRUMENTS AND MANAGEMENT OF CAPITAL

***Fair values in the consolidated financial statements***

The carrying amounts reported in the condensed consolidated interim balance sheet for the current financial assets and liabilities, which includes accounts payable and accrued liabilities approximate fair values due to the immediate or short-term maturities of these financial instruments.

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| | $ | $ | $ |
| **Financial assets** | | | |
| Cash | 509,996 | - | - |
| **Total financial assets** | 509,996 | - | - |

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The carrying values of cash and accounts payable approximates their fair values due to their short terms to maturity.

***Credit risk***

Credit risk arises from the possibility that counterparties may be unable to fulfill their commitments to the Company. The Company's credit risk is primarily attributable to its liquid financial assets of cash. The carrying value of these instruments represents the Company's maximum exposure to credit risk. The Company manages and limits exposure to credit risk by maintaining its cash with high-credit quality financial institutions.

***Liquidity risk***

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company manages liquidity risk through the management of its capital structure.

***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's interest-bearing financial assets are comprised of cash. The Company is not exposed to material interest rate risk.

***Foreign currency risk***

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign currency rates. The Company's functional and reporting currency is the Canadian dollar. The Company incurs foreign currency risk on purchases that are denominated in a currency other than the functional currency of the Company, which will have an impact on the profitability of the Company and may also affect the value of the Company's assets, liabilities and the amount of shareholders' equity. The Company's main risks are associated with fluctuations in the US dollar and assets and liabilities are translated based on the foreign currency translated method described in the Financial Statements. The Company does not enter into any foreign exchange hedging contracts. In order to mitigate this risk, the Company maintains a portion of its cash in US dollar-denominated bank accounts.

***Digital Currency Valuation***

The Company measures its' digital currencies holdings at level one fair value determined by taking the closing rate of each day from www.cryptocompare.com.

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange listings, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of Dash; in addition, the Company may not be able to liquidate all of its inventory of digital currency at its desired price if required. A decline in the market prices for Dash could negatively impact the Company's future operations.

Dash Coin Holdings:

| | | August 31, 2019 |
|---|---|---|
| Dash Digital Currency Tokens held | | 16,382 |
| Closing Dash Price ($CAD) | $ | 106 |
| Digital Currency Value | $ | 1,741,120 |

Atom and Other Coin Holdings:

| | Holdings, August 31, 2019 | | Fair Value, August 31, 2019 | Holdings, August 31, 2018 | | Fair Value, August 31, 2018 |
|---|---|---|---|---|---|---|
| ATOM | 123,252 | $ | 330,186 | - | $ | - |
| Bitcoin | 11 | | 146,136 | 11 | | 110,414 |
| Ethereum | 67 | | 15,410 | 67 | | 26,695 |
| Litecoin | 38 | | 3,300 | 38 | | 3,432 |
| Stellar | 12,784 | | 1,075 | 12,784 | | 3,965 |
| NEO | 44 | | 513 | 44 | | 1,326 |
| Dash | 6 | | 617 | 5 | | 1,630 |
| Omisego | 77 | | 113 | 77 | | 472 |
| QTUM | 52 | | 145 | 52 | | 348 |
| Balance | | $ | 497,495 | | $ | 148,282 |

## RECENT DEVELOPMENTS AND OUTLOOK

The Company expects to obtain financing in the future primarily through further equity and/or debt financing, and to receive payments from the Dash blockchain network in exchange for providing Dash masternode services. During the current year the Company acquired Cosmos Validator nodes for which to receive payments from the Cosmos blockchain network in exchange for providing Cosmos ATOM node services.

## PROPOSED TRANSACTION:

Except as disclosed elsewhere in this document there were no proposed transactions as at August 31, 2019 or at the date of this report.

## APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

**HEAD OFFICE**

**Neptune Dash Technologies Corp.**
#310 – 36 Water Street
Vancouver, British Columbia
V6B 0B7

**DIRECTORS & OFFICERS**

Cale J. Moodie, BSF, CPA, CA
*Chief Executive Officer, Chairman and Director*

Guy Halford-Thompson
*Chairman and Director (resigned subsequent to August 31, 2019)*

Jackson Warren
*Director (resigned subsequent to August 31, 2019)*

Dario Meli
*Director*

Carmen To, CPA, CA
*Director*

Kalle Radage
*Chief Operating Officer, Director and Interim Chief Financial Officer*

**CAPITALIZATION**
(as at December 20, 2019)

Shares Authorized: Unlimited Number of Common Shares

Shares Issued: 80,709,995

**REGISTRAR & TRANSFER AGENT**

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