

CRYPTOSTAR CORP.
Management Discussion and Analysis
For the three months ended September 30, 2019
(Expressed in U.S. dollars)

November 15, 2019

The following management discussion and analysis (“**MD&A**”) of the results of the operations and financial position of CryptoStar Corp. and its predecessor entities and operations (“**Cryptostar**”, the “**Company**”, “**we**”, “**us**”, and “**our**”) prepared for the three months ended March 31, 2019 and 2018 should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for the three months ended September 30, 2019 and 2018. All figures contained in this MD&A are presented in United States dollars.

This MD&A contains information up to and including September 30, 2019.

All amounts are expressed in United States dollars (\$) unless otherwise stated.

Company Profile

The Company operates in the distributed ledger technology space, utilizing specialized equipment (“**Miners**”) to perform computationally intensive cryptographic operations to validate transactions on the Blockchain (a process known as “**Mining**”), receiving digital currencies (primarily Bitcoin). The Company currently Mines in Utah, United States, Newfoundland and Labrador, Canada, and Reykjanes, Iceland. The Company is dedicated to further expansion into low cost energy regions in North America and around the globe and has identified a number of new opportunities in locations with lower power costs.

The Company was incorporated under the Business Corporations Act (Ontario) on January 6, 2017. The registered and head office of the Company is located at 181 Bay Street, Suite 4400, Toronto, Ontario, Canada M5J 2T3. The Company’s common shares are listed on the TSX Venture Exchange under the trading symbol under the trading symbol “**CSTR**”.

Q3 Highlights

- Achieved Revenue of \$3.2 million.
- 309 Bitcoin were mined.
- The average price at which Bitcoin was exchanged (sold) during the period was USD\$10,386.
- Cryptostar Corp. was awarded the “Top 10 Mining Farms Loved by Miners” award conferred at the World Digital Mining Summit (WDMS) on October 8, 2019 held in Frankfurt, Germany.

Non-GAAP Measures

This MD&A presents certain non-GAAP (“GAAP” refers to Generally Accepted Accounting Principles) financial measures to assist readers in understanding the Company’s performance. These non-GAAP measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Management uses these non-GAAP measures to supplement the analysis and evaluation of operating performance.

The following terms are used, which are not found in the Chartered Professional Accountants of Canada Handbook and do not have a standardized meaning under GAAP.

EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization)

- “EBITDA” represents net income or loss excluding net finance income or expense, income tax or recovery, depreciation, and amortization.
- “Adjusted EBITDA” represents EBITDA adjusted to exclude share-based compensation, fair value loss or gain on remeasurement of digital assets, and costs associated with one-time transactions (such as listing fees).
- “Adjusted EBITDA margin” represents Adjusted EBITDA as a percentage of revenue.

Selected Q3 Information

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
INCOME FROM MINING OF DIGITAL CURRENCY				
Income from mining of digital currency	3,209,122	3,877,994	8,518,695	13,018,503
Realized gain (loss) of digital currency	150,535	(84,672)	(11,699)	(700,052)
Direct operating and maintenance costs	(2,339,066)	(2,209,008)	(6,721,326)	(4,674,001)
Mining profit/loss	1,020,591	1,584,314	1,785,670	7,644,450
Mining profit margin	32%	41%	21%	59%
Other Operating Expenses	(471,496)	(499,308)	(1,431,887)	(1,767,531)
Gross profit/loss	549,095	1,085,006	353,783	5,876,919
Depreciation	(1,266,009)	(2,766,920)	(3,749,073)	(6,232,090)
Foreign exchange (gain)	(17)	—	(9,963)	51,364
Recognition and change in fair value of warrant	—	200,482	—	(2,651,760)
IFRS 16 Right-of-Use Adjustment	(63,467)	—	(190,193)	—
Reversal (Impairment) of mining and digital currency	(422,341)	1,960	2,906,833	(499,280)
Net income (loss) before income taxes	(1,202,739)	(1,479,472)	(688,613)	(3,454,847)
Income taxes	—	(362,338)	—	(120,842)
Net income (loss) and comprehensive income (loss)	(1,202,739)	(1,117,134)	(688,613)	(3,334,005)
Adjusted EBITDA	549,095	1,085,006	353,783	5,876,919
Adjusted EBITDA margin	17%	28%	4%	45%
(Loss) earnings per share, basic and diluted	(0.006)	(0.005)	(0.003)	(0.016)
Weighted average shares, basic and diluted	208,752,800	205,500,000	208,752,800	205,500,000
Bitcoin mined	309	580	1,299	1,582
Average Bitcoin price when exchanged (sold) during the period	10,907	6,508	6,514	7,805

Financial and Operational Results

\$'000	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Three Months Ended September 30, 2018
Revenue	3,209	3,878	8,519	13,019
Cost of sales	(2,189)	(2,294)	(6,733)	(5,374)
Operating expenses	(471)	(499)	(1,432)	(1,768)
Operating profit	549	1,085	354	5,877

Depreciation of equipment	(1,266)	(2,767)	(3,749)	(6,232)
Foreign exchange	(0)	-	(10)	51
Recognition and change in fair value of warrant liability	-	200	-	(2,652)
Impairment	(422)	2	2,907	(499)
Net income (loss) before taxes	(1,203)	(1,479)	(689)	(3,455)

The Company recorded a net loss before taxes of \$1,202,739 during the three months ended September 30, 2019 and net loss before taxes of \$1,479,472 during the three months ended September 30, 2018.

The Company's revenue from operations was \$3,209,122 during the three months ended September 30, 2019 and \$3,877,994 during the three months ended September 30, 2018.

The Company's cost of sales was \$2,188,531 during the three months ended September 30, 2019 and \$2,293,680 during the three months ended September 30, 2018. Depreciation of equipment was \$1,266,009 during the three months ended September 30, 2019 and \$2,766,920 during the three months ended September 30, 2018. Cost of sales consisted of operating and maintenance costs and realized loss of digital currency.

The Company's operating expenses during the three months ended September 30, 2019 totaled \$471,496, compared to \$499,308 during the three months ended September 30, 2018. Operating expenses were comprised of:

Operating Expenses:

\$	For the Three Months Ended September 30, 2019	For the Three months ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Interest and bank charges	2,578	2,181	6,765	3,584
Rent Expense	73,650	113,400	224,046	311,141
Stock based compensation	—	—	—	271,592
Management fees, salaries and wages	175,541	157,450	518,272	590,596
Office and administration	140,309	59,032	315,799	118,283
Professional fees	79,418	167,245	367,005	472,335
Total	471,496	499,308	1,431,887	1,767,531

The Company's revenue from mining digital currencies is highly dependent upon the market price of digital currencies and the Company's ability to transact with, and convert digital currencies. Management monitors the legal and regulatory environment surrounding digital currencies on an ongoing basis.

The Company's total assets at September 30, 2019 were \$12,124,239 (September 30, 2018: \$28,557,948). These are comprised of:

\$	September 30, 2019	September 30, 2018
Cash	273,398	793,454
Deposits and prepaid expenses	1,084,606	1,080,662
Digital currencies	10,271	611,124
Property and equipment	8,043,668	25,403,660
Right-of-use assets	2,332,662	—
Deposits	379,634	364,634
Deferred tax asset	—	304,414
Total	12,124,239	28,557,948

Material Current Liabilities and Payable to Related Party:

\$	September 30, 2019	September 30, 2018
Trade payable and accrued liabilities	868,367	1,339,967
Income tax payables	-	65,239
Payable to related party	2,931,365	2,051,327

Outstanding share data

As of the date of this MD&A, 208,752,800 common shares are issued and outstanding.

Summary of Quarterly Results

	3 months ended September 30, 2019	3 months ended June 30, 2019	3 months ended March 31, 2019	3 months ended December 31, 2018
Total revenue	\$3,209,122	\$3,376,458	\$1,933,115	\$1,992,171
Total profit (loss) for the period	\$(1,202,739)	\$2,565,319	\$(2,051,193)	\$(16,744,815)
Profit (loss) for the period per share – basic	\$(0.006)	\$0.012	\$(0.010)	\$(0.081)
Profit (loss) for the period per share – diluted	\$(0.006)	\$0.012	\$(0.010)	\$(0.081)

	3 months ended September 30, 2018	3 months ended June 30, 2018	3 months ended March 31, 2018	3 months ended December 31, 2017
Total revenue	\$3,877,994	\$3,701,222	\$5,439,288	\$6,327,038
Total profit (loss) for the period	\$(1,117,134)	\$551,893	\$(2,768,662)	\$1,481,221
Profit (loss) for the period per share – basic	\$(0.005)	\$0.003	\$(0.014)	\$0.009
Profit (loss) for the period per share – diluted	\$(0.005)	\$0.003	\$(0.014)	\$0.009

Segmented information

The Company operates in three distinct geographical segments namely, United States, Canada, and Iceland. The disclosures with regards to the Company's aforementioned locations as at September 30, 2019 are listed below:

Period Ended: September 30, 2019	USA	Canada	Iceland	Head Office	Total
Income from mining of digital currency					
Income from mining of digital currency	7,328,216	618,610	571,869	—	8,518,695
Operating and maintenance cost	(5,782,027)	(488,089)	(451,210)	—	(6,721,326)
Reversal of Impairment of digital assets	—	—	—	2,906,833	2,906,833
Depreciation	(3,193,969)	(134,407)	(420,697)	—	(3,749,073)
Net mining income	(1,647,780)	(3,886)	(300,038)	2,906,833	955,129
Operating expenses					
Interest and bank charges	6,765	—	—	—	6,765
Depreciation - right-to-use assets	247,631	—	—	—	247,631
Interest expense - lease obligation	166,608	—	—	—	166,608
Management fees, salaries and wages	196,943	10,365	10,365	300,599	518,272
Office and administration	—	—	—	315,799	315,799
Professional fees	124,782	—	51,381	190,842	367,005
Realized loss on digital currency	10,064	850	785	—	11,699
Foreign exchange gain	—	—	—	9,963	9,963
Net (loss) income before undernoted items	(2,400,573)	(15,101)	(362,569)	2,089,630	(688,613)
Income taxes expense	—	—	—	—	—
Net (loss) income	(2,400,573)	(15,101)	(362,569)	2,089,630	(688,613)
Total assets	10,126,579	760,010	1,107,060	130,590	12,124,239
Total liabilities	6,133,957	—	105,776	176,567	6,416,300

Compared to September 30, 2018 below:

Period ended September 30, 2018	USA	Canada	Iceland	Head office	Total
Income from mining of digital currency	9,777,150	1,681,761	1,559,592	—	13,018,503
Impairment on digital currency	(374,969)	(64,498)	(59,813)	—	(499,280)
Operating and maintenance cost	(3,510,266)	(603,799)	(559,936)	—	(4,674,001)
Depreciation	(5,121,550)	(711,907)	(398,633)	—	(6,232,090)
Net mining income	770,365	301,557	541,210	—	1,613,132
Operating expenses					
Interest and bank charges	3,584	—	—	—	3,584
Stock based compensation	—	—	—	271,592	271,592
Management fees, salaries and wages	224,426	11,812	11,812	342,546	590,596
Office and administration	429,424	—	—	—	429,424
Professional fees	160,594	—	66,127	245,614	472,335
Realized loss on digital currency	525,753	90,434	83,865	—	700,052
Foreign exchange gain	—	—	—	(51,364)	(51,364)
Net income before income (loss) taxes	(573,416)	199,311	379,406	(808,388)	(803,087)
Recognition and change in fair value of warrant liability	—	—	—	2,014,603	2,014,603
listing expenses	—	—	—	637,157	637,157
Net income (loss) before income taxes	(573,416)	199,311	379,406	(3,460,148)	(3,454,847)
Income tax expenses	(144,787)	132,783	(108,838)	—	(120,842)
Net income (loss)	(428,629)	66,528	488,244	(3,460,148)	(3,334,005)
Total assets	22,560,719	1,999,051	3,426,945	571,157	28,557,872
Total liabilities	1,750,701	5,471	5,471	3,709,299	5,470,942

Liquidity and capital resources

\$'000	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Cash provided by/(used in) operating activities	276	2,153	(271)	6,732
Cash used in investing activities	(19)	(2,368)	(149)	(21,711)
Cash provided by financing activities	(59)	921	617	13,855

As at September 30, 2019, the Company had current liabilities of \$1,113,650 (September 30, 2018 – \$3,419,809 including warrant liabilities).

Off-balance sheet arrangements

The Company does not have any off-balance sheet arrangements from the date of its incorporation to the date of this MD&A.

Related party transactions

During the period ended September 30, 2019, any additional expenses were paid on the Company's behalf by A.C.N. 117 402 838 PTY LTD (formerly Adrenaline Pty Ltd), which is a related party by virtue of its shareholdings in the Company and common control.

The balance of \$2,931,365 (September 30 2018 - \$2,051,327) payable to related party as at September 30, 2019 represents the amount advanced under a line of credit provided by A.C.N. 117 402 838 PTY LTD on December 22, 2018. The available line of credit totals \$4,000,000 is unsecured, bears interest at 12% per annum and is repayable on December 22, 2022. If the balance on the line of credit is paid prior to September 22, 2018, interest is waived and interest may be waived at any point at the sole discretion of A.C.N. 117 402 838 PTY LTD. A.C.N. 117 402 838 PTY LTD has waived the interest charge on the line of credit for the year.

Financial instruments and other instruments

The Company's financial instruments, consisting of cash, restricted cash, amounts receivable and current liabilities. Management has disclosed the impact of credit, liquidity, foreign currency, and digital currency risk in the audited consolidated financial statements.

Key management remuneration

Management fees, salaries and wages comprise amounts paid to Key management personnel, including officers and directors, of A.C.N. 117 402 838 PTY LTD for services provided.

The remuneration of key management personnel paid by A.C.N. 117 402 838 PTY LTD on the Company's behalf during the quarter was as follows:

\$	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018
Management fees, salaries and wages to key management personnel	70,807	83,261

Engagement of Hybrid Financial Ltd.

On July 18, 2019, CryptoStar Corp. entered into a letter agreement with Hybrid Financial Ltd. ("Hybrid") to provide marketing services.

Hybrid continues to be engaged to heighten market and brand awareness for CryptoStar and to broaden the Company's reach within the investment community through various channels including, but not limited to, direct telephone and e-mail communication.

The Agreement is for an initial period of six months starting July 15, 2019 and then shall be renewed automatically for successive three month periods thereafter, unless terminated by the Company in accordance with the Agreement.

Business Risks and Uncertainties

There are a number of risk factors that could impact the Company's ability to successfully execute its key strategies and may materially affect future events, performance or results. The risks and uncertainties described herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, could have a material adverse effect on the Company. If any of the following or other risks occurs, the Company's business, prospects, financial condition, results of

operations and cash flows could be materially adversely impacted. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks. Risk factors relating to the Company include, but are not limited to, the factors set out below.

Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, restricted cash and amounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company scaling to become profitable or raising additional equity in excess of anticipated cash needs.

Foreign currency risk

As at September 30, 2019, a portion of the Company’s financial assets are held in CAD. The Company’s objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in Canadian dollars. The Company does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows as management has determined that this risk is not significant at this point in time. The following CAD amounts are presented in USD to demonstrate the effect of changes in foreign exchange rates:

	September 30, 2019
Cash	<u>273,398</u>
Restricted cash	<u>-</u>
	<u>273,398</u>
Effect of +/- 10% change in exchange rate	<u>19,138</u>

Digital currency and risk management

Digital currencies are measured using level one fair values, determined by taking the rate from www.cryptocompare.com. Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, 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 coins; in addition, the Company may not be able liquidate its inventory of digital currency at its desired price if required. A decline in the market prices for coins could

negatively impact the Company's future operations. The Company has not hedged the conversion of any of its coin sales.

Capital management

The Company's objectives when managing its capital are:

1. to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk while providing an appropriate return to its shareholders;
2. to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
3. to safeguard the Company's ability to obtain financing should the need arise; and
4. to maintain financial flexibility in order to have access to capital in the event of future capital acquisitions.

The Company manages its capital structure and makes adjustments to it in accordance with the objectives stated above, as well as responds to changes in economic conditions and the risk characteristics of the underlying assets. The Company monitors the return on capital, which is defined as total shareholders' equity. The Company is not subject to externally imposed capital requirements.

Current Market Conditions

The Bitcoin price decreased over the quarter with a price range of \$10,577.43 (July 1, 2019) - \$8,298.45 (September 30, 2019). (Source <https://bitcoincharts.com/charts/bitstampUSD>).



The weighted price of Bitcoin has moved above and below the \$8,298.45 (September 30, 2019) price between September 30, 2019 and November 15, 2019 and the company is currently cash flow positive. Orders for 360 of the latest generation miners were placed during the third quarter. End of life miners are slowly being retired and sold and latest generation miners are being deployed as they are delivered. Should the price of Bitcoin remain stable or above current levels, the Company anticipates being able to generate sufficient revenue to fund its planned growth activities.

Bitcoin difficulty has increased significantly over the quarter.



Critical accounting policies and estimates

The Company has prepared the accompanying audited consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”). Significant accounting policies and estimates are described in Notes 2 and 3, respectively, of the Company’s consolidated financial statements as at and for the periods ended September 30, 2019 and 2018.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Significant accounting estimates and judgment include the following:

Functional currency

The functional currency of the Company and its subsidiaries 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. The application of the Company's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements.

Revenue recognition

The Company derives its income from digital currency received for providing "mining" services to a digital currency blockchain. Mining is the Company's principal business activity and is the process by which transactions are verified and added to the blockchain. A miner is only able to validate transactions once their computer equipment has solved a computationally difficult mathematical problem. Revenue is measured based on the fair value of the digital currency received. The fair value is determined using the daily weighted close price for the digital currency on <https://bitcoincharts.com>. There is currently no specific definitive guidance in IFRS or alternative accounting framework for the accounting for the production and mining of digital currencies and management has exercised significant judgment in determining appropriate accounting treatment for the recognition of revenue. In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies which may significantly impact the amounts reported in its consolidated financial statements.

Cost and impairment of digital currencies

Digital currencies are recorded on the statement of financial position at cost, equal to their fair value on the date received. Digital currencies are evaluated for impairment at each reporting date and the Company records the losses resulting from impairment and gains reversal of impairment, in profit and loss. For evaluation of impairment, fair value is determined using the spot price of the coin on the date of evaluation, based on the hourly volume weighted average from the daily weighted close price for the digital currency on <https://bitcoincharts.com>.

Impairment of computing equipment and leasehold improvements

The Company evaluates each asset or cash generating unit every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as the relationship between mining rewards and the required computing power, digital currency prices, the periodic contribution margin of digital currency mining activities, changes in underlying costs, such as electricity, and technological changes.

When required, the determination of fair value and value in use requires management to make estimates and assumptions about digital currency prices, required computing power, technological changes and operating costs, such as electricity. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the statement of comprehensive income.

Depreciation

Depreciation of computing equipment requires an estimate of its expected useful life. In order to determine the useful life of computing equipment, assumptions are required about a range of computing industry market and economic factors, including required hashrates, technological changes, availability of hardware and other inputs, and production costs.

Deferred taxes

The determination of the Company's tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgment by management. In determining these amounts, management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities, the deferral and deductibility of certain items and interpretation of the treatment for tax purposes of digital currencies by taxation authorities. Management may also make estimates of future earnings, which affect the extent to which potential future tax benefits may be used. The Company is subject to assessments by various taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payment of taxes.

The Company provides for such differences where known based on management's best estimate of the probable outcome of these matters.

Standards, interpretations and amendments to published standards adopted with an effect on the interim condensed consolidated financial statements

IFRS 15 - Revenue from contracts with customers

IFRS 15 was issued in May 2014 and replaces prior guidance, including IAS 18, Revenue. In April 2016, the IASB issued amendments to the standard that clarified specific guidance and provided additional transitional relief. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and can be applied on a retrospective basis or using a modified retrospective approach.

The new guidance includes a five-step, principles-based recognition and measurement approach, as well as requirements for accounting for contract costs, and enhanced quantitative and qualitative disclosure requirements. IFRS 15 excludes from its scope revenue related to lease contracts, insurance contracts and financial instruments.

The Company derives its income from digital currency received for providing "mining" services to a digital currency blockchain. Mining is the Company's principal business activity and is the process by which transactions are verified and added to the blockchain. A miner is only able to validate transactions once their computer equipment has solved a computationally difficult mathematical problem. Newly mined digital currency continues to represent an inflow to the Company due to the economic benefit in the form of an increase in assets therefore should be recognized as income from mining digital currency on completion of the transaction verification services. The adoption of IFRS 15 resulted in presentation changes which were applied retrospectively, specifically revenue is now referred to as income from digital currency mining. As a result of the adoption of IFRS 15 there was no impact on the Company's consolidated financial statements.

IFRS 9 - Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments. IFRS 9 replaces the requirements in IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the classification and measurement of financial assets and liabilities, impairment for financial assets and general hedge accounting. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial asset is set out below. The Company has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as at January 1, 2018. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 but rather those of IAS 39. The adoption of IFRS 9 did not have any significant impact on the consolidated financial statements of the Company.

The classification and measurement of financial assets is determined on the basis of the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Future changes in accounting policies including initial adoption

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – Leases (“IFRS 16”), which replaces IAS 17 – Leases, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15.

Effective in the first quarter of 2019, the Company adopted IFRS 16 issued in January 2016 and related consequential amendments. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company transitioned to IFRS 16 in accordance with the modified retrospective approach, with the cumulative effect of initially applying the new standard recognized in retained earnings on January 1, 2019. The prior year figures were not adjusted.

Forward-looking statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

Some of the important factors, but certainly not all, that could cause actual results to differ materially from those indicated by such forward-looking statements are:

- i. that the information is of a preliminary nature and may be subject to further adjustment,
- ii. the possible unavailability of financing,
- iii. start-up risks,
- iv. general operating risks,
- v. dependence on third parties,
- vi. changes in government regulation,
- vii. the effects of competition,
- viii. dependence on senior management,
- ix. impact of global economic conditions,
- x. fluctuations in currency exchange rates and interest rates, and
- xi. fluctuations in cryptocurrency prices.

Additional information relating to the Company is available on SEDAR at www.sedar.com.