

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

This Management's Discussion & Analysis ("MD&A") is intended to provide readers with the information that management ("Management") of Quantum Blockchain Technologies Ltd. ("Quantum" or the "Company") believes is required to gain an understanding of the financial results of the Company for the period ended September 30, 2019, and to assess the Company's future prospects. Accordingly, certain sections of this report contain forward-looking statements and forward-looking information (collectively, "Forward-Looking Information" as defined under applicable Canadian securities laws), which are based on current plans and expectations. See under the heading "Special Note Regarding Forward-Looking Information".

This MD&A, presented and dated as of November 22, 2019, should be read in conjunction with the Company's unaudited interim financial statements as at and for the period ended September 30, 2019 and the audited financial statements and related notes of the Company for the period ended December 31, 2018. All currency amounts in the accompanying financial statements and this MD&A are in Canadian dollars unless otherwise noted.

### **Special Note Regarding Forward Looking Information**

Certain statements in this MD&A, other than statements of historical fact, may include Forward-Looking Information that involves various risks and uncertainties. These can include, without limitation, statements based on current expectations involving a number of risks and uncertainties. These risks and uncertainties may have a material impact on future prospects and may cause actual results to differ from information contained herein. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. These forward-looking statements are based on the estimates and opinions of Management on the dates they are made and are expressly qualified in their entirety by this notice. Since actual events and results could differ materially, the reader is cautioned not to place undue reliance on any Forward-Looking Information. The Company assumes no obligation to update Forward-Looking Information should circumstances or Management's estimates or opinions change, except as required by law. See "Caution Regarding Forward-Looking Information" and "Risk Factors".

## **DESCRIPTION OF THE BUSINESS**

Quantum was incorporated on February 5, 2018 by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta). The Company is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules.

On August 29, 2018, the Company announced the completion of its initial public offering (the "IPO") of 3,000,000 common shares at a price of \$0.10 per common share and filed for listing as a Capital Pool Company on the TSX Venture Exchange. The common shares commenced trading on September 4, 2018 under the trading symbol QBC.P.

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Prior to the IPO, the Company issued seed stock of 2,500,000 common shares at a price of \$0.05 per share to the founders of the Company.

The head office and registered office of the Company is located at 1250, 639 – 5<sup>th</sup> Avenue SW Calgary, Alberta, T2P 0M9.

## **LETTER OF INTENT**

On July 9, 2019 the Company signed a letter of intent (“LOI”) with Ordotek Incorporated (“Ordotek”), a private corporation incorporated under the Business Corporations Act (Ontario). Ordotek is focused on acquiring profitable, long-established Small-Medium Enterprises with complimentary B2B technology and possessing proprietary competitive commercial advantages of application throughout North America.

The LOI outlines the general terms and conditions pursuant to which the Company and Ordotek propose to complete a transaction that will result in Ordotek becoming a wholly-owned subsidiary of the Company or otherwise merging with a newly created wholly-owned subsidiary of the Company (the “Transaction”). The Transaction, if approved, will constitute the Company’s Qualifying Transaction and a Reverse Takeover under the policies of the TSX Venture Exchange (the “Exchange”).

The LOI provides that, pursuant to the Transaction, the Company will complete a private placement of securities at a price per security to be determined in the context of the market and for minimum gross proceeds of \$3,500,000 (the “Private Placement”). Upon closing of the Transaction, it is estimated that the current common shareholders of the Company will own 7% of the shares of the Company, that the former shareholders or Ordotek will own 81.66% and that the subscribers under the Private Placement will own 11.34%.

The LOI provides that completion of the Transaction will be subject to a number of conditions, including completion of the Private Placement, approval from the Company’s shareholders of a proposed name change, approval from the Ordotek shareholders of the Transaction and approvals from the Exchange, securities regulators and third parties as may be required.

The LOI may be terminated if a definitive agreement with respect to the Transaction is not executed and delivered by the Company and Ordotek by August 9, 2019 or if the Transaction is not completed by September 30, 2019 (unless such dates are extended by the parties).

## **RISKS AND UNCERTAINTIES**

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company's shares from trading.

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**SELECTED FINANCIAL INFORMATION**

The Company was incorporated on February 5, 2018 and was not yet a “Reporting Issuer” pursuant to applicable securities legislation until June 15, 2018, the date of the final receipt for the Prospectus was issued by the Alberta and British Columbia Securities Commissions, thereby becoming a “Reporting Issuer” in each of the provinces of Alberta and British Columbia.

For the interim nine-month period ended September 30, 2019, the Company reported no discontinued operations and declared no cash dividends.

**SUMMARY OF QUARTERLY RESULTS**

The following table presents selected unaudited financial data for the last six quarters up to September 30, 2019.

<b>CAD (\$)</b>	<b>Three Months Ended September 30, 2019 (\$)</b>	<b>Three Months Ended June 30, 2019 (\$)</b>	<b>Three Months Ended March 31, 2019 (\$)</b>	<b>Three Months Ended December 31, 2018 (\$)</b>	<b>Three Months Ended September 30, 2018 (\$)</b>	<b>Three Months Ended June 30, 2018 (\$)</b>
Total assets	271,839	278,753	296,160	301,376	309,765	116,699
Total liabilities	7,589	4,121	15,165	13,427	2,174	3,560
Net working capital	264,250	274,632	280,995	287,949	307,591	113,139
Revenue	-	-	-	-	-	-
Net Loss	(10,382)	(6,363)	(6,954)	(22,059)	(42,038)	(1,902)
Basic/fully diluted loss per share	-	-	-	(0.01)	(0.04)	-
Weighted average shares outstanding (basic and diluted)	3,000,000	3,000,000	3,000,000	3,000,000	1,076,087	-

**RESULTS OF OPERATIONS**

For the three and nine-month periods ended September 30, 2019, the Company incurred a loss of \$10,382 and \$23,699 respectively, which relates primarily to professional fees, transfer agent fees and consulting fees. For the three and nine-month periods ended September 30, 2018, the Company incurred losses of \$42,038 and \$53,899 respectively, consisting primarily of share-based compensation and filing and exchange fees related to the IPO.

**OUTSTANDING SHARE DATA**

Common shares

As at September 30, 2019, the Company had 2,500,000 common shares outstanding that were issued to the founders of the Company at a price of \$0.05 per share.

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On August 29, 2018, the Company issued 3,000,000 common shares at the price of \$0.10 per common share pursuant to the IPO for gross proceeds of \$300,000.

The Company has 5,500,000 total shares outstanding at September 30, 2019 (2,500,000 of which are subject to escrow restrictions). In addition, the Company has 300,000 common shares reserved for issuance upon the exercise of agent's options granted upon completion of the IPO (the "Agent's Options") and 375,000 common shares reserved for issuance upon the exercise of stock options.

**Stock options**

The Company's stock options are summarized as follows:

Description	Number outstanding	Exercise Price	Expiry Date
Agent Options	300,000	\$0.10	August 29, 2020
Officer and Director options	375,000	\$0.10	August 29, 2023
Total	<b>675,000</b>		

**LIQUIDITY AND CAPITAL RESOURCES**

On August 29, 2018, the Company completed an initial public offering ("IPO") as a Capital Pool Company pursuant to Policy 2.4 of the TSX Venture Exchange. At closing, the Company received gross proceeds of \$300,000, representing the issuance of 3,000,000 common shares of the Company at an issuance price of \$0.10, less expenses retained by the agent of \$44,005, for net proceeds of \$255,995.

After considering seed share investment of \$125,000 (2.5 million shares at \$0.05), cash IPO related expenses of approximately \$48,000, cumulative cash operating costs since incorporation of approximately \$69,000, and accounts payable of \$8,000, the Company has net working capital of \$264,000 at September 30, 2019 as follows:

	\$
Founder investments	125,000
IPO – gross proceeds	300,000
Agent, legal and other cash costs of the IPO	<u>(92,000)</u>
Net proceeds after IPO costs	333,000
Cash operating costs to December 31, 2018	<u>(45,000)</u>
Net working capital at December 31, 2018	<b>288,000</b>
Cash operating costs January 1 - September 30, 2019	<u>(24,000)</u>
Net working capital at September 30, 2019	<b><u>264,000</u></b>

Management considers the September 30, 2019 cash balance of approximately \$264,000 to be sufficient for the Company to meet its ongoing obligations.

**OFF-BALANCE SHEET ARRANGEMENTS**

As at the date of this report, the Company had no off-balance sheet arrangements.

## **TRANSACTIONS WITH RELATED PARTIES**

During the three and nine-months ended September 30, 2019, the Company received consulting services from a director in the amount of \$900 and \$4,687 respectively. There was a \$750 balance due to directors and officers at September 30, 2019.

## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company is exposed to various risks in relation to financial instruments. These risks can include credit risk, interest rate risk, custody risk, currency risk, and liquidity risk. The Company's risk management function is performed by Management, with input from the Board of Directors. The Company seeks to minimize the effects of the identified risks by focusing on actively securing short to medium-term cash flows and minimizing exposures to capital markets. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

### **Fair value of financial instruments.**

The estimated fair value of the Company's financial instruments approximates the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair value because of the near term to maturity of these instruments.

### **Credit risk**

Credit risk arises from the possibility that the entities to which the Company provides services may experience financial difficulty and be unable to fulfill their obligations. The Company is currently in a pre-production phase and has no active accounts receivable or revenue from sales of product. The Company intends to manage its credit risk through a credit assessment process and through extensive credit monitoring and collections processes.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date and presented in the statement of financial position.

### **Interest rate risk**

The Company does not have any bank indebtedness or long-term debt financing available to it as at September 30, 2019. As such, the Company does not have significant exposure to interest rate risk from variable interest rates.

### **Custody risk**

Custody risk is the risk of loss of cash and cash equivalents held in custody caused by the insolvency or negligence of the custodian. To mitigate this risk, the Company uses a Tier 1 Canadian Chartered Bank as its custodian.

### **Currency risk**

The Company may be subject to foreign currency risk due to some of its cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities potentially being denominated in foreign currencies. Therefore, there is a small risk of earnings fluctuations arising from changes in and the degree of volatility of foreign exchange rates arising on foreign monetary assets and liabilities.

As at September 30, 2019, the Company's cash and cash equivalents were all denominated in Canadian currency, and all its' accounts payable and accrued liabilities were denominated in Canadian currency.

### **Liquidity risk**

Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they become due. The Company actively monitors its financing obligations, as well as its cash and cash equivalents, to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost.

### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the accompanying financial statements requires Management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The accompanying financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **Critical Judgements**

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments.

### **Key Sources of Estimation Uncertainty**

Due to the limited nature of the Company's operations since incorporation on February 5, 2018, Management has not yet been required to make significant assumptions about the future that could result in a material adjustment to the carrying amounts of assets and liabilities of the Company in the event that actual results differ from assumptions made.

## **CAPITAL RISK MANAGEMENT**

The Company's capital currently consists of common shares. The Company defines capital as total equity which was \$264,250 at September 30, 2019. Its' principal source of cash is from the issuance of common shares.

The Company's capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

Subsequent to the IPO, proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or business for future investment, with the exception that not more than 30% of the gross proceeds from the issuance of shares issued in the IPO may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until the completion of a Qualifying Transaction.

## **SUBSEQUENT EVENT**

Subsequent to the period ended September 30, 2019, the Letter of Intent between the Company and Ordotek expired and has therefore been terminated.