CRYPTANITE

CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

(Formerly Westbay Ventures Inc.)

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2018

1.1 Date

This restated Management Discussion and Analysis (“MD&A”) of Cryptanite Blockchain Technologies Corp. (formerly Westbay Ventures Inc.) (the “Company” or “Cryptanite”) has been prepared by management as of April 25, 2022 and should be read in conjunction with the restated audited consolidated financial statements and related notes thereto of the Company for the year ended December 31, 2018, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) and are reported in United States (“US”) dollars unless otherwise stated.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that may constitute “forward-looking statements”. Forward-looking statements include but are not limited to, statements regarding future anticipated business developments and the timing thereof, regulatory compliance, sufficiency of working capital, and business and financing plans. Forward-looking statements are based on the beliefs, estimates and opinions of the Company’s management on the date the statements are made and they involve a number of material risks and uncertainties. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. 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. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company’s ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

The Company has based the forward-looking statements largely on the Company's current expectations, estimates, assumptions, and projections about future events and financial and other trends that the Company believes, as of the date of such statements, may affect its business, financial condition and results of operations. Such expectations, estimates, assumptions, and projections, many of which are beyond the Company’s control, include, but are not limited to: management’s expectations regarding the future business, objectives and operations of the Company; the Company’s anticipated cash needs and the need for additional financing; the Company’s ability to successfully complete future financings; the acceptance by the marketplace of new technologies and solutions; the Company’s expectations regarding its competitive position; the Company’s expectations regarding regulatory developments and the impact of the regulatory environment in which the Company operates; the Company’s ability to attract and retain qualified management personnel and key employees; and anticipated trends and challenges in the Company’s business and the markets in which it operates. Assumptions underlying the Company's working capital requirements are based on management's experience with other public companies. Forward-looking statements pertaining to the Company's need for and ability to raise capital in the future are based on the projected costs of operating a cryptocurrency company and management's experience with raising funds in current market circumstances. Forward-looking statements regarding treatment by governmental authorities assumes no material change in regulations, policies, or the application of the same by such authorities. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements with the risks set forth.

1.2 Overall Performance

Cryptanite Blockchain Technologies Corp. (the “Company” or “Cryptanite”, formerly Westbay Ventures Inc.) was incorporated on June 24, 1986 under the laws of British Columbia.

On March 7, 2018, the Company completed a reverse takeover transaction (the “RTO”), which was effected pursuant to a merger agreement between Westbay Ventures Inc. and ChargaCard Inc. (“ChargaCard”), a private corporation existing under the laws of Delaware with its head office in Boulder, Colorado.

As part of the transaction, the Company voluntarily delisted its common shares from the TSX Venture Exchange effective February 28, 2018, changed its name to Cryptanite Blockchain Technologies Corp. and commenced trading its shares on the Canadian Securities Exchange ("CSE") on March 12, 2018, under the symbol NITE.

Pursuant to the RTO, the Company issued an aggregate of 39,558,733 common shares of the Company in exchange for all of the issued and outstanding shares of ChargaCard and 2,000,000 share purchase warrants to warrant holders of ChargaCard. Upon closing of the transaction, the shareholders of ChargaCard owned 70% of the common shares of the Company and, as a result, the transaction is considered a reverse acquisition of the Company by ChargaCard. The Company changed its year end from May 31st to December 31st in order to align the fiscal year periods to that of ChargaCard.

In conjunction with the RTO, the Company raised capital through an equity financing consisting of 8,189,442 common shares of the Company at a price of CAD $0.45 per share for gross proceeds of CAD $3,685,249.

On August 7, 2018, ChargaCard incorporated a wholly owned subsidiary in Ukraine, Intellabridge LLC, for provision of the back-office operations of the Issuer in Ukraine.

On October 9, 2018, the Company incorporated a wholly owned subsidiary in Malta, Cryptanite Ltd. to expand its business to the European market.

General Description of the Business

The Company is in the business of offering its clients a full-service blockchain and cryptocurrency application ecosystem including end-to-end cryptocurrency solutions and software for buying, spending, sending and exchanging cryptocurrencies. The ecosystem also includes a payment processing and recurring billing software platform, and client-to-client financing by allowing customers to pay for goods and services in monthly installments.

Products

Cryptanite's platform currently offers three core products and services designed to leverage blockchain technologies:

1. Cryptanite Mobile App

The Cryptanite app is a peer-to-peer cryptocurrency marketplace, making it easy for users to purchase, trade, send and receive cryptocurrencies and tokens. The app is available in the Apple and Google Play stores. The Cryptanite App also includes a variety of pre-configured cryptocurrency bundles such as the "HODL" bundle, and "SIZE" bundle making it easy for users to build a diversified portfolio of cryptocurrencies. The App is designed to provide a secure, easy-to-use and frictionless process to buy, exhange and store a diversified collection of several dozen crypto tokens, including Bitcoin, Ethereum, Ripple, Stellar and Dash.

Additional features which are currently in R&D phase include:

The Cryptanite "Chat" feature: is an instant messaging "chat" which allows users to communicate on the platform, share ideas, further enhancing the Cryptanite ecosystem.

The Cryptanite expert network which ranks the top performing cryptocurrency traders and Twitter influencers and allows users to track their tweets and benefit from their expertise. The web version of the product went live in Q2 2018 and plans to integrate into the Cryptanite app in 2019.

DollaCoin: is a stable coin which will be linked to the US Dollar and will allow users to store tokens in their decentralized DollaBank account. The target market is primarily mobile underbanked people globally. The coin is currently in development and scheduled for alpha release in 2019.

Cryptanite Payments (CryptaPay)
Cryptanite has developed a payments app that makes it easy for users to spend their cryptocurrencies at retail locations. The app is currently in beta. Cryptanite is exploring integration of the core features into the Cryptanite app.

Third-Party Applications

The Cryptanite App Marketplace, is currently in stealth mode, and designed to enhance the Crypanite ecosystem by adding third-party applications. Cryptanite is working with existing and potential partners to add several apps every month to the marketplace. The marketplace is currently in the final stages of testing and scheduled for release in December 2019. Third-party apps will be added in the marketplace in 2019.

2. *Blockchain Consulting & Professional Development Services*

The Company provides small and medium businesses with the technological support to build blockchain mobile and web applications.

In December 2018, the Company entered into an agreement with One Feather Mobile Technologies Ltd (“OneFeather”), a British Columbia-based technology and consulting service provider focused on First Nations communities, to develop a comprehensive suite of blockchain-based software products including Smart Status Cards, vote management systems, member registrar management systems, digital wallets, and financial management and accounting solutions. This consists of a digital solution for First Nation sovereign identity and status card renewal, a government requirement that often remains incomplete due to the nature of the current renewal process. The Company will provide a development solution utilizing blockchain technologies to enable more efficient status card renewal and status verification.

Cryptanite will develop and deploy OneFeather’s Smart Status Cards. These cards will bring a number of banking benefits to users deriving revenue from monthly client card fees and typical banking transaction fees.

Additionally, Cryptanite will create OneFeather’s digital wallet, a solution designed to address a number of issues faced by First Nations communities in Canada. Users will be able to register their sovereign identity on the wallet and easily integrate their Smart Status Card. Product features include full support of an inaugural First Nation cryptocurrency and token rewards, along with the ability to verify claims and transactions, issue GST rebate entitlements, and even allow for peer-to-peer transfers with other First Nations.

Furthermore, Cryptanite has been contracted to further develop existing financial management and accounting software for OneFeather. This easy-to-use, cloud-based software is being designed specifically for Canadian First Nations. Featuring Smart Status Card and digital wallet integration, the suite will intend to produce an integrated application programming interface (API) compatible with the Canadian Federal Government, allowing for streamlined reporting, auditing, and money transfers.

The Company is in discussions with several other potential clients to provide software technology resources and build applications on a fee-based business model.

3. ***ChargaCard***

ChargaCard is a P2P payment processing platform for the informal credit markets. The platform makes it easy for individuals to pay their bills in installments and for service sector businesses to get paid on time and in full. The platform helps improve the receivables turnover ratio of service sector businesses and obviates the need for collection agents.

Significant events and operating highlights for the year ended December 31, 2018:

- The Company completed its business combination with ChargaCard and commenced trading on the CSE on March 12, 2018 under the symbol "NITE".
- The Company teamed up with Dwolla, the white label e-commerce service utilizing ACH payment systems that is used by millions around the country. The combination of ChargaCard's and Dwolla's capacities means that merchants using the ChargaCard app will soon have the ability to pay a one percent payment processing fee, instead of the three percent plus fee typically associated with such transactions. For small businesses, these percentage points can add up to tens of thousands of dollars in savings. And Dwolla's built-in security measures provide additional security layers to protect user accounts.
- The Company changed its auditors to Dale Matheson Carr-Hilton Labonte LLP.
- The Company launched its Cryptanite App, now available on the App Store for Apple products and Google Play in Canada. The Cryptanite App includes two bundles for cryptocurrency buyers and traders — HODL and SIZE — as well as the option to create customized token bundles. The App is designed to provide a secure, easy-to-use and frictionless process to buy, trade and store a diversified collection of several dozen tokens, including Bitcoin, Ethereum, Ripple, Stellar and Dash.
- The Company launched CryptaKings.com, an expert network to help current and potential cryptocurrency investors navigate the oftentimes confusing and volatile cryptocurrency marketplace.
- The common shares are now DTC (Depository Trust Company) eligible. Cryptanite commenced trading on the OTCQB® Venture Market on June 26, 2018, in the United States under the OTCQB symbol: CRBTF.
- The Company is listed on the Frankfurt Stock Exchange and is trading under the symbol 98AA.
- The Company expanded its business to the European market by incorporating Cryptanite Ltd, a wholly owned subsidiary in Malta.

1.3 Selected Annual Information

		Year ended December 31, 2018 - Restated		August 29, 2017 (Date of incorporation) to December 31, 2017)
Total revenue	$	5,712	$	Nil
Profit from continuing operations	$	17,793	$	Nil
Net loss from continuing operations	$	(6,772,537)	$	(233,360)
Loss per share	$	(0.18)	$	(0.36)
Total assets	$	972,301	$	1,795,150
Total long term liabilities	$	Nil	$	Nil
Cash dividends declared per share for each class of share	$	Nil	$	Nil

The year ended December 31, 2018 was the second year of operations of the Company since its incorporation. The Company completed its RTO on March 7, 2018 and incurred a total of $3,211,128 in listing expenses, which comprises approximately 47 percent of the Company's net loss from continuing operations for 2018. Please also see 1.4 results of operations.

1.4 Results of Operations

Year ended December 31, 2018

During the year ended December 31, 2018, the Company recorded a net loss from continuing operations of $6,772,537 (2017 – $233,360). The results for the year ended December 31, 2018 are not comparable to the prior year given the Company's was incorporated on August 29, 2017 and started its operation in 2018.

Revenues and profit

During the year ended December 31, 2018, the Company earned $5,712 from continued operations, of which $5,387 was earned from contracting development and IT services and $325 from processing cryptocurrency transactions. Cost of sales totaled $4,208 resulting in gross profit from continuing operations of $1,504.

General and administrative expenses

The Company's general and administrative expenses for the year ended December 31, 2018 were $2,390,005 compared to $233,360 for the period from August 29, 2017 to December 31, 2017 and included the following:

- Advertising and marketing fees of $589,196 (2017 - $556) in relation to marketing programs carried out in North America and Europe to increase investor awareness of the Company's business activities, launch and branding of the Company's software application products;
- Amortization of $31,723 (2017 - $759) of office computer equipment and furniture;
- Application development expenses of $273,313 (2017 - $28,834) include software developers and contractors' fees for services provided in relation with development of Cryptanite App, ChargaCard App and CryptaKings applications and other developments in progress;
- Bank service charges and fees of $29,504 (2017 - $2,352) include monthly service charges for 6 bank accounts of the Company and its subsidiaries and international wire fees;
- Consulting fees of $34,015 (2017 - $110,000) were primarily related to RTO consulting services;
- Management fees and salaries of $377,752 (2017 - $21,000) include head office and overseas management fees. Please also see 1.9 Related Parties Transactions;
- Office and administration expenses of $428,954 (2017 - $28,089) related to general corporate expenditures for operating offices in Boulder, Colorado, and Kyiv, Ukraine, and the Company's corporate office located in Vancouver, British Columbia. Administration expenses include $76,650 paid to a related party (see section 1.9 Related Parties Transactions);
- Professional fees of $207,148 (2017 - $25,228) consist of legal fees of $150,302, accounting, tax and audit fees of $52,591 and other professional fees of $4,255. The increase in legal fees during the year was related to completion of the RTO, incorporation of two new subsidiaries in Ukraine and Malta, purchase of the property in Colorado, trademarks registration and other corporate advisory services;
- Regulatory and transfer agent services of $26,801 (2017 - $Nil) were associated with the issuance of common shares, transfer to Canadian Stock Exchange and listing on OTCQB Venture Exchange, registration of the stock options plan and escrow agreements;
- Rent and utilities of $92,127 (2017 - $5,235) paid for the Vancouver, BC, and Kyiv, Ukraine, offices;
- Share-based compensation of $211,022 (2017 - $Nil) was recognized on the vested portion of the 920,000 stock options granted during the year to a consultant and the President of the Company

(see section 1.9 Related Parties Transactions);
- Travel expenses of $94,366 (2017 - $11,307) were incurred by the CEO and other executive officers to visit various investor meetings, industry conferences and the operating office in Kyiv.

Other expenses

Other expenses included a listing fee expense of $3,211,128, loss on digital currency transactions of $118,484, gain on revaluation of digital currencies of $18,937, impairment of investments of $661,829, impairment of assets held-for-sale of $63,122 and impairment allowance on the security deposit of $348,729.

The listing fee expense of $3,211,128 (2017 - $Nil), which is approximately 47% of the net loss from continuing operations, was incurred in the first quarter ended March 31, 2018. The expense is comprised of the fair value of common shares of the Company retained by the former shareholders of the Company and fair value of the finder's fees shares issued in connection with the RTO less the net assets of the Company at March 7, 2018, as well as, other direct expenses of the RTO.

During the year ended December 31, 2018, the Company incurred a loss of $118,484 (2017 - $Nil) in relation to sales or exchanges of digital currencies with a cost base of $195,328. In addition, the Company recognized a revaluation gain of $18,937 as a result of marking to market the Company's digital currencies held in inventory to the December 31, 2018 prices.

In February 2018, ChargaCard acquired title to a facility located in Nederland, Colorado. The facility remained vacant and was not used in operations during the year. As of December 31, 2018, management made an assessment of the market value of the facility and recognized an impairment loss of $63,122 (2017 - $Nil) against its carrying value. As at December 31, 2018, the remaining combined carrying value of the property and building of $305,209 (2017 - $Nil) was reclassified to assets held-for-sale category following management's decision to offer the property and building for sale. The facility is currently advertised for sale through a major real estate agent in Colorado.

The Company paid a security deposit of $365,018 to a provider of telecom data services pursuant to a Data Service Agreement dated August 9, 2018, The Data Service Agreement was terminated subsequent to December 31, 2018, and $10,000 was refunded to the Company. The Company's management was not able to collect the deposit back by February 21, 2019 as per the terms of the Data Service Agreement and recognized an impairment allowance of $348,729, representing the balance of the security deposit net of $16,289 recovered on the security deposit, in the consolidated statement of loss. On April 18, 2019, the Company entered into an additional agreement with the telecom data service provider whereby the remaining balance of the deposit was to be repaid to the Company, in an installment basis, by June 30, 2019. Subsequent to December 31, 2018, the Company recovered a further $45,609.

The impairment loss on investments of $661,829 (2017 - $Nil) was based on management assessment of profitability and credit risk of the following investments:

(1) On July 10, 2018, the Company and ChargaCard signed an agreement ("JV Agreement") with BRC Blockchain Resources Corp. ("BRC"), a corporation existing under the laws of the Province of British Columbia, to create a joint venture company, BRC Cryptanite Mining Corp. ("JV Company"), for the purchase, assembly, siting and operation of mobile cryptocurrency mining equipment to be located in the United States.

    Under the terms of the agreement, the Company made a contribution of $55,000, representing a 20% initial capital in the JV Company. As at December 31, 2018, the Company paid $3,333 (2017 - $Nil), and the remaining balance of $51,667 was paid subsequent to year end.

Pursuant to the terms of the JV Agreement, the Company also issued a non-interest bearing loan of $520,000 (2017 - $Nil) to fund the purchase and assembly of cryptocurrency mining equipment.

As at December 31, 2018, JV Company did not generate any income from the crypto-mining operations and has not repaid any amounts of the loan. The Company's management determined the investment was impaired and expensed the investment of $575,000 in the consolidated statement of loss for 2018.

(2) On April 2, 2018, the Company signed a Revenue Participation Agreement ("RP Agreement") with Canyon Capital LLC ("Canyon Capital"), a corporation with directors in common, existing under the laws of the State of New Mexico, USA. Pursuant to the RP Agreement, the Company agreed to provide application development services for Halomoji project, and, in return, would earn a 10% royalty from the gross revenue from the project. As at December 31, 2018, the Company incurred a total of $86,829 in software development costs in connection with this project.

As at December 31, 2018, Canyon Capital did not generate any income from the project, and no royalties have been earned by the Company. The Company's management determined the investment was impaired and expensed the investment of $86,829 in the consolidated statement of loss for 2018.

On January 3, 2019, in consideration of the services provided and pursuant to the terms of the RP agreement, Canyon Capital issued Chargacard a Revenue Participation Note ("RPN") in the amount of $86,829.

Discontinued operations

During the year ended December 31, 2018, the Company recognized a loss of $225,306 (2017 - $Nil) on discontinued cryptocurrency mining operations. The loss included acquisition costs of the equipment of $225,056, which was purchased during 2018 to mine cryptocurrency using its "Unicorn" proprietary systems architecture, and the net loss from crypto-mining activities. The Company recognized income of $4,457 from the provision of transaction verification services, known as cryptocurrency mining, for which the Company received ZCash digital tokens and recorded them at their value on the date received. The Company conducted its crypto-mining activities of ZCash from April to July 2018. Direct costs of cryptocurrency mining activities were $4,706 and included electricity charges and rental costs. After relevant consideration, management decided to discontinue its crypto-mining operations and to sell the equipment. Subsequent to December 31, 2018, the Company sold 48 units of the equipment for total gross proceeds of $31,200.

Three months ended December 31, 2018

During the three months ended December 31, 2018, the Company incurred a net loss of $1,764,395 or $0.03 per share as compared to $199,702 or $0.01 per share during the fourth quarter last year. The Company earned revenues of $1,505 primarily from its telecommunication data services sales resulting in a gross profit of $193.

Significant contributions to the loss during the fourth quarter included advertising and marketing expenses of $151,036, application development costs of $144,365, management fees and salaries of $102,075, office and administration fees of $122,065, professional fees of $64,528, regulatory and transfer agent fees of $23,688 and travel of $14,394.

During the quarter ended December 31, 2018, the Company also recognized impairment losses on its investments of $661,829, impairment charge for its assets held-for-sale of $63,122, impairment allowance on the data service security deposit of $348,729 and loss of $225,306 on discontinued mining operations. All of these charges are explained in analysis of annual results of operations included in section 1.4 of this MD&A.

1.5. Summary of Quarterly Results

The following is a summary of certain unaudited financial information for each of the six quarters since inception on August 29, 2017:

Quarter ended	Revenues	Gross Profit	Net Loss from continuing operations	Loss per share
December 31, 2018	$ 1,505	$ 193	$ (1,764,395)	$ (0.03)
September 30, 2018	–	–	(704,645)	(0.02)
June 30, 2018	–	–	(420,641)	(0.01)
March 31, 2018	4,207	1,311	(3,882,856)	(0.12)
December 31, 2017	–	–	(199,702)	(0.01)
September 30, 2017	–	–	(33,658)	(0.00)

There is an increase in expenses in 2018 as a result of the increase in business activities of the Company.

March 31, 2018 –the quarter included listing expenses, share-based compensation on stock options granted, and increased operations following the completion of its RTO resulting in a significant loss.

June 30, 2018 – the Company's operational activities were consistent with Q1 before considering non-recurring items including share-based compensation and listing costs.

September 30, 2018 – the Company increased its advertising and marketing initiatives and utilized additional contracting services to develop the Company's business.

December 31, 2018 – At year end, the Company recognized impairment losses on the facility that is offered for sale, its investments in the JV Company and Canyon Capital's Halomoji project, impairment allowance on the data service security deposit and losses on discontinued crypto mining operations, which resulted in a significant increase in net loss. General operating expenses were consistent with the previous quarters.

1.6/1.7 Liquidity and Capital Resources

The Company reported working capital of $669,462 at December 31, 2018 compared to working capital of $1,677,296 at December 31, 2017, representing a decrease in working capital of $1,007,834.

As at December 31, 2018, the Company had net cash on hand of $360,405 compared to $1,788,001 as at December 31, 2017, representing a decrease of $1,427,596. During the period ended December 31, 2018, the Company used $2,837,574 (2017 - $121,896) of its cash in operating activities.

The Company's spent $1,440,689 (2017 - $7,613) in its investing activities, which included:

- Acquisition of digital currencies of $195,328 (2017 - $Nil);
- Acquisition of office equipment and furniture of $69,480 (2017 - $7,613);
- Acquisition of the property and building in Nederland, Colorado, of $368,331(2017 - $Nil), which are currently advertised for sale;
- Investment of $75,000 (2017 - $Nil) in two private entities through Simple Agreement for Future Equity ("SAFE"). The respective SAFE Agreements give the Company the right to invest in shares of the investee companies once a valuation cap of $1,000,000 and $2,000,000, respectively;
- Investment of $575,000 (2017 - $Nil) in JV Company, which includes a loan of $520,000 at no interest and no fixed terms of repayment. The impairment loss of $575,000 was recognised for this investment as at December 31, 2018; and
- Invested $86,829 (2017 - $Nil) in Canyon Capital's Halomoji project pursuant for a 10% royalty return from the future gross revenue from the project. The impairment loss of $86,829 was recognised for this investment as at December 31, 2018.

During the year ended December 31, 2018, the Company completed its equity financing in connection to the RTO for net proceeds of $4,642,964 (2017 - $206,297), of this amount, $1,711,213 was included in subscription receipts as at December 31, 2017.

Current assets excluding cash as at December 31, 2018 consisted of receivables of $16,865 (2017 - $295), which comprised of government sales tax credits of $10,761 (2017 - $Nil) and other receivables of $6,104 (2017 -$295), digital currencies at fair market value of $95,781 (2017 - $Nil), prepaid expenses and deposits of $74,430 (2017 - $Nil) and assets held for sale of $305,209 (2017 - $Nil).

Current liabilities as at December 31, 2018 consisted of trade payables of $175,510 (2017 - $111,000), due to related parties of $7,618 (2017 - $Nil) and deferred revenues of $100 (2017 - $Nil).

The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future. During the year ended December 31, 2018, the Company generated profit of $17,793 from its continuing operations and incurred a net loss from continuing operations of $6,772,537. As of December 31, 2018, the Company had an accumulated deficit of $7,231,203. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Although the Company has been successful in raising funds in the past, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future. The other sources of funds potentially available to the Company are through the exercise of outstanding stock options and share purchase warrants. See Item 1.15 – Other Requirements – Summary of Outstanding Share Data. There can be no assurance, whatsoever, that any or all of these outstanding exercisable securities will be exercised. The Company has and may continue to have capital requirements in excess of its currently available resources.

Risk Factors and Uncertainties

The Company can be exposed, in varying degrees, to a variety of financial related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts, which is mainly held with reputable US and Canadian banks. Therefore, credit risk on the Company's cash deposits is assessed as relatively low.

The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consist primarily of refundable Canadian government sales taxes of $10,761.

The Company is exposed to higher credit risks on its digital currencies that are held on different crypto exchange platforms. Management chooses reliable and legitimate platforms for its cryptocurrency transaction to minimize that risk.

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 manages liquidity risk by continuously monitoring cash requirements to ensure that it is able to meet its short term and long term obligations and operational plans.

As at December 31, 2018, the Company had working capital of $669,462 (2017 - $1,677,296).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) *Interest rate risk*
Interest rate risk is the risk that the value of a financial instrument will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account earns interest income at variable rates and is subject to the movement in interest rates. Management considers the interest rate to be minimal.

(b) *Foreign currency risk*
The Company and its subsidiaries operate internationally, and during the year were exposed to foreign exchange risk arising from currency fluctuations, primarily with respect to the USD/ CAD dollar rate.

Management regularly monitors exposure to foreign exchange risks, but does not have a current hedging policy in place.

As at December, 2018, the Company had cash of CAD $347,444. A 10% change in the US dollar versus the Canadian dollar would give rise to a gain/loss of approximately $25,448 within cash and cash equivalents.

(c) *Price risk*

The Company is exposed to digital currencies price risk due to the volatility of the industry.

The Company is not subject to any externally imposed capital requirements.

1.8 Off-Balance Sheet Arrangements

The Company did not enter into any off-balance sheet arrangements.

1.9 Related Party Transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Company and include executive and non-executive directors and officers.

During the year ended December 31, 2018, the remuneration of management fees to key personnel were as follows:

December 31,		2018		2017
Chief Executive Officer	$	95,311	$	13,500
Chief Operating Officer(1)		90,000		7,500
Chief Technology Officer(3)		114,205		-
President(2)		78,236		-
Total	$	377,752	$	21,000

(1) Pursuant to an Operations Management and Product Development Services contract between the Company and its Chief Operating Officer dated December 4, 2017. The contract is for a one year term with an extension to renewal for an additional year at the end of the original term.
(2) Pursuant to a consulting agreement between the Company and Katmando Holdings Inc., a company owned by Keith Turner, President of the Company, dated April 30, 2018. This agreement was terminated on January 31, 2019.
(3) Salary of the CTO of ChargaCard, who has been appointed to the Board of Directors of the Company subsequent to December 31, 2018.

<u>Other related party transactions and balances</u>

(a) On March 1, 2018, the Company entered into an administrative agreement with Varshney Capital Corp. ("VCC"), a company partially controlled by Praveen Varshney, director of the Company.

(b) Pursuant to this agreement for the year ended December 31, 2018, the Company paid $76,650 (2017 -$Nil) for administrative fees to VCC.

(c) As at December 31, 2018, $600 (2017 - $Nil) in cost recoveries was due from companies with a director in common. The amount was included in receivables, and $600 was collected subsequent to December 31, 2018.

(d) As at December 31, 2018, $7,037 (2017 - $Nil) was due to Katmando Holdings Inc. for management services, and $581 (2017 - $Nil) was due to a director of the Company for reimbursement of business expenses. The amounts were paid subsequent to December 31, 2018.

(e) In connection with the RTO and concurrent private placements, the Company issued 2,000,000 share purchase warrants to VCC exercisable at a price of CAD $0.10 per share expiring September 9, 2019. The warrants were recorded at a fair value of $599,528. ChargaCard also paid $29,000 to VCC for consulting and advisory services provided in connection with the RTO.

(f) During the year ended December 31, 2018, the Company issued three blocks of 100,000 stock options, for a total of 300,000, incentive stock options to the President of the Company for the purchase of up to 300,000 common shares of the Company at an exercise price of CAD $0.60 per share. Each block of stock options are subject to vesting provisions and expire between September 21, 2019 and 2021. The Company recognized $26,058 (CAD $33,996) in share-based compensation for the vested portion of these stock options.

(g) During the year ended December 31, 2018, ChargaCard engaged in a software application development project with Canyon Capital, a company controlled by Chief Operating Officer of the Company. As at December 31, 2018, the Company incurred software development costs of $86,829 in connection with this project.

1.10 Fourth Quarter and Subsequent Events

On October 9, 2018, the Company registered and established Cryptanite Ltd, a wholly owned subsidiary in Malta to establish blockchain technologies, decentralized systems and next generation applications.

During the fourth quarter ended December 31, 2018, the Company earned revenues of $1,505 resulting in a gross profit of $193.

On December 17, 2018, the Company entered into a research and development services contract with One Feather Mobile Technologies Ltd., pursuant to which the Company agreed to provide development services to its client utilizing blockchain technologies for a 6 month period. The total consideration of the contract is US $500,000 that will be billed monthly in arrears. Subsequent to the year ended December 31, 2018, $245,000 was billed under this contract for the development services provided by Intellabridge.

The Company entered into a Corporate Branding and Marketing Agreement with Serpentcoin Ltd and paid $66,000 with respect to this contract.

As at December 31, 2018, the Company accrued $40,000 for annual audit fees.

On February 1, 2019, the Company entered into a new Service Agreement with Katmando Holdings, a company owned by the President of the Company, to provide professional development services to the Company in exchange for a performance-based commission fee until January 31, 2021.

On February 28, 2019, as amended on March 21, 2019, ChargaCard entered into a Shareholders Agreement with a group of three individuals, for provision of an investment loan for a software development project and incorporation of a common legal entity in which ChargaCard will acquire a 3.35% interest of shares.

Pursuant to the terms of the Shareholders Agreement, ChargaCard agreed to provide an investment loan in the amount up to $60,000 to fund the development of the project and cover operating expenses, of which $10,000 was transferred on March 22, 2019. The investment loan has no interest and is returnable to ChargaCard from profits generated by the product after a one year hold period.

1.11 Proposed Transactions

None

1.12 Critical Accounting Estimates

Not applicable to venture issuers.

1.13 Changes in Accounting Policies including Initial Adoption

Our significant accounting policies are set out in Note 3 of the audited consolidated financial statements for the year ended December 31, 2018.

As at January 1, 2018, The Company adopted IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") on a retroactive basis in accordance with the transitional provisions. IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations on revenue.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The new standard requires companies to follow a five-step model to determine if revenue should be recognized:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the entity satisfies a performance obligation

The Company generates revenue by providing transaction processing services for digital currencies, telecommunication services, IT and other development services. Revenues from crypto mining activities is recognised at the fair value of the digital currencies received as consideration on the date of actual receipt. Revenues from telecommunication and IT and other development services are recognised when services are provided and billed.

As at January 1, 2018, the Company adopted all of the requirements of IFRS 9 *Financial Instruments*, which replaced IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and a new "expected credit loss model" for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is substantially unchanged. The accounting policies for financials assets are described in Note 3 of the audited consolidated financial statements for the year ended December 31, 2018. Adoption of IFRS 9 did not have a material impact on the Company's consolidated financial statements.

Effective January 1, 2019, the Company adopted the requirements of IFRS 16 “Leases”. IFRS 16 - Leases was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

The Company plans to apply IFRS 16 effective January 1, 2019 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize a lease obligation related to its lease commitment for its office lease. It will be measured at the present value of the remaining lease payments, discounted using the Company’s incremental borrowing rate as at January 1, 2019. The associated right of use asset will be measured at the lease obligation amount, less prepaid lease payments, resulting in no adjustment to the opening balance of deficit. The Company intends to apply the following practical expedients permitted under the new standard: leases of low dollar value will continue to be expensed as incurred; and the Company will not apply any grandfathering practical expedients.

As at January 1, 2019, the Company expects to recognize a right-of-use asset and corresponding liability for its office lease. Furthermore, the Company expects a decrease in administrative expenses, an increase in depreciation expense (as the right-of-use asset is depreciated) and an increase in finance costs (due to accretion of the lease liability).

1.14 Financial Instruments and Other Instruments

The Company’s financial instruments at December 31, 2018 are as follows:

		FVTPL		*Amortized cost*
Financial assets				
Cash	$	360,405	$	–
Receivables		6,104		–
Investments		75,000		–
Financial liabilities				
Accounts payables		–		137,813
Due to related parties		–		7,618
	$	441,509	$	145,431

The Company has classified its cash as financial assets at FVTPL. Receivables are classified as loans and receivables, and trade payables and due to related parties are classified as other financial liabilities, all of which are measured at amortized cost.

The Company has exposures to financial risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are liquidity risk and funding risk.

1.15 Restatement

The consolidated financial statements for the year ended December 31, 2018, have been restated. From August 2018 through November 2018, Cryptanite purchased telecom minutes from an entity Travel Data Solutions LLC. Those purchases totaled $1,084,360 and were recorded as part of Cryptanite's cost of sales. From August 2018 through November 2018, Cryptanite sold telecom minutes to an entity Success Zone Technology Limited. Those sales totaled $1,100,649 and were recorded as part of Cryptanite's sales of products and services. The difference between those sales and cost of sales is $16,289, which was included as part of Cryptanite's recorded profit.

It was recently determined from all available information that Travel Data Solutions LLC and Success Zone Technology Limited were both owned and controlled by the same individual. At that time, the individual in question did not disclose this information during the due diligence process. As a result of the restatement, the net profit of $16,289 was applied against the impairment of the security deposit previously recognized for the amount Cryptanite had paid in relation to the acquisition of this revenue stream.

Consequently, Cryptanite has revised its accounting for the purchase and sale of the telecom minutes, eliminating the recording of the sales, cost of sales, and resulting profit related to those telecom minutes. Telecom activity has not been a part of Cryptanite's activity for more than 3 years.

1.16 Other Requirements

Summary of Outstanding Share Data as at April 25, 2022:

Authorized - Unlimited common shares without par value

Issued – common shares: 72,507,476
Stock Options – nil options
Warrants – 11,169,355 warrants

Additional disclosures pertaining to the Company's management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

On behalf of the Board of Directors, thank you for your continued support.

"John Eagleton"
John Eagleton
Director& CEO