netcents

Management's Discussion and Analysis

For The Six Months Ended 30 April 2018

Stated in Canadian Funds

Dated: 29 June 2018

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Canadian Funds

REPORT TO SHAREHOLDERS AND MANAGEMENT DISCUSSION AND ANALYSIS

TO OUR SHAREHOLDERS

This management's discussion and analysis of the financial condition and results of operation ("MD&A") of NetCents Technology Inc. ("NetCents" or the "Company") should be read in conjunction with NetCents' condensed interim consolidated financial statements and notes thereto as at and for the six months period ended 30 April 2018 and the annual audited consolidated financial statements for the year ended 31 October 2017.

Except as otherwise indicated, all financial data in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The Company's functional and reporting currency is the Canadian dollar and all dollar amounts are in Canadian dollars, unless otherwise indicated.

Discussion of the Company, its operations and associated risks is further described in the Company's filings, available for viewing at www.sedar.com. A copy of this MD&A will be provided to any applicant upon request.

FORWARD LOOKING STATEMENTS

Certain statements contained in the following MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. 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 in light of the risks set forth in the Company's filings and herein. Additional information regarding the Company, including copies of the Company's continuous disclosure materials is available through the SEDAR website at www.sedar.com.

The table below sets forth the significant forward-looking information included in this MD&A:

Forward-Looking Information	Key Assumptions	Most Relevant Risk Factors
The ability to raise capital in the future to continue on-going operations	Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future.	The ability of the Company to continue as a going concern is dependent upon obtaining ongoing financing and there can be no assurance that the Company will be able to raise any capital through any type of offering or similar financial arrangement.

GENERAL

The Company is an electronic digital Payment Service Provider. The Company's processing platform allows clients and merchants to manage electronic payments through a variety of devices and currencies.

The Company has developed its own proprietary payment processing software. The Company holds intellectual property which consists of copyright in the development of its technology, as well as trade secrets and marks associated with the company. The Company protects its intellectual property using confidentiality provisions in its agreements with employees and contractors, and the assignment of all work products created by the employees and contractors to the Company.

After reviewing the competitive environment and operational results throughout Q2 2017 and Q3 2017, the Company made the decision to discontinue "traditional payment" processing and focus exclusively on the processing of digitally based transactions. By making this strategic decision, the company is being able to operate without third party processors thereby substantially reduces the Company's operating overhead.

Based on above decision is dedicating significant resources to the further development and enhancement of the processing platform, to allow for the settlement of cryptocurrencies between consumers and merchants.

The platform has been designed to deal with issues of the "here and now" as well as bridge the gap to the "future" of cybercurrency based transactions. The Company is no longer a credit card-based Payment Service Provider (PSP) platform, therefore it's eliminating and avoiding the inherent shortcomings of credit card processing. The Company's transaction platform utilizes the clearing services and runs on the Banking Platform. The Company's transaction platform architecture is designed to minimize risk on a number of levels and is subject to Anti-Money Laundering and Anti-Terrorism regulations, with respect to the activities of its Internet payment gateway and as such compartmentalizes or segments the transaction process.

Platform upgrades were ongoing at year end. Subsequent to the year end, the Company started working on the functionality that would enable the platform to accept multiple forms of fiat currency for purchase of cryptocurrency, and utilization of cryptocurrency for settlement of merchant transactions.

Currently, the platform is functional, and users are able to:

- set up their own NetCents wallet,
- transfer monies (Fiat money) from their bank account to their user account,
- transfer cryptocurrency from an external wallet to NetCents Wallet
- choose to either buy products and/or services online or in store,
- transfer monies to other parties, and,
- purchase or sell cryptocurrencies.

The platform provides merchants and consumers a secure way to purchase, sell, transfer, and transact in stores, online or mobile devices with a variety of currencies. Although the Company currently provides its products and services (its payment platform) to consumers and merchants, the Company as of April 9th, 2018 started to generate revenue from processing cryptocurrency transactions.

The NetCents platform allows users to view and transact through multiple accounts. Users can see their fiat balances in as well as the balances in their various crypto-currency accounts. This allows users not having to access other sites or platforms to complete their intended transaction(s). Users can use the cash in their account to purchase additional cryptocurrencies or sell their cryptocurrencies and transfer the cash back to their accounts in real time.

The NetCents platform is divided into three interrelated components: the user portal, the merchant **p**ortal and the company's proprietary digital exchange platform. The user portal allows end users to load funds into their account using either traditional fiat, cryptocurrency and flexepin vouchers. The merchant platform allows merchants to accept cryptocurrency payment on their e-commerce platform, through phone/email, on the road and in their store. The NetCents Exchange allows the company to offer near instant settlement with merchants and also allow users to purchase digital currency such as Bitcoin, Ethereum and Litecoin.

As a digital payment processor, the Company' application software is currently able to facilitate the following types of transactions:

- transfer funds from their bank account to their account,
- allows account holders to transfer funds to another account holder(s),
- allows account holders to purchase goods and services online from merchants,
- transfer cash from their account to purchase crypto-currencies,
- sell crypto-currencies (Bitcoins) and transfer the cash back in their account or bank account, and
- integrate with existing merchant processing systems.

The Company is currently developing further platform functionality. Integration with a company enabling account holders to pay for products and service using either Loyalty/Rewards points or coupons.

NETCENTS CURRENCY

In the fourth quarter of 2017, NetCents determined to establish a NetCents cryptocurrency and an exchange for that currency.

Introduction and Prelaunch

Since 2006 when the company was incorporated, the Company's core business had been in the processing of credit card-based transactions. The execution of the Company's business plan for the processing of credit card-based transactions was slow and traction had stalled. In the fourth quarter of 2017, management began investigating the possibility of adding the use of crypto currency and blockchain technology as a method of settling payment transactions.

The Company's management team believes that cryptocurrency and blockchain technology could reduce merchant transaction costs by eliminating some of the links in the payment processing chain.

In managements view, certain shortcomings associated with transacting with cryptocurrency made it less attractive as a processing medium. For crypto-currency to be widely accepted as a transactional medium, a number of specific factors had to be addressed. In particular:,(i) delays in processing time resulting from the block chain solution made it possible that merchants would see substantial fluctuations in the price of the crypto-currency. In addition, high transaction fees also affected the willingness of market participants to readily use crypto-currencies as a mode of payment. NetCents management felt that these shortcomings presented an opportunity for NetCents to develop its own cryptocurrency for transaction through the NetCents payment processing platform.

In or around the middle of September 2017, the Company introduced the concept of the NetCents cryptocurrency (referred to as the “NetCents Currency” or “NCCO”) to the public. The currency was designed to be a transactional currency that was more stable in value (price) than other cryptocurrencies which were currently available in the marketplace. To address the aforementioned issues, the currency was to be designed with a number of attributes. Firstly, the coin was to be cash backed with a reserve requirement. Secondly, an automated release mechanism was to be implemented. Both the reserve requirement and release mechanism were set up to provide the stability in price which is required to create a functioning transactional cryptocurrency.

The Company was not to receive for its own benefit any funds from the sale of the NCCO. Proceeds were to be placed in trust as a reserve for the NCCO, much like a central bank would do. NetCents management believes that this is unique, as other crypto currency providers were using proceeds derived from the sale of tokens and coins as a means of providing operating capital for their companies. Proceeds from the sale of the NCCO were to be deposited into accounts managed by an independent third-party trust or foundation. Financing initiatives for the Company are separate and are not related to the sale of the coin.

On September 22, 2017 the Company started selling the currency in a prelaunch offering to shareholders a 25% discount from the $1 price of the initial release of the NCCO.

Whitepaper

The whitepaper for the NetCents Currency was released on October 10, 2017 (the “Whitepaper”). The Whitepaper includes the outline of the currency release mechanism. It also detailed the anticipated reserve fund account balances after each tranche had been sold.

The details in the Whitepaper were as follows:

Tranche	Number of Coins	Price Per Coin	Anticipated Reserve Fund Account
1	5,000,000	$1	$5,000,000
2	5,000,000	$2	$15,000,000
3	5,000,000	$4	$35,000,000
4	5,000,000	$8	$75,000,000
5	5,000,000	$16	$155,000,000
6	7,500,000	$28	$365,000,000
7	11,300,000	$49	$916,000,000
8	16,900,000	$85.75	$2,363,000,000
9	25,300,000	$150.06	$6,162,000,000
10	38,000,000	$262.61	$16,133,000,000
11	57,000,000	$459.57	$42,306,000,000
12	85,400,000	$804.24	$111,013,000,000
13	128,100,000	$1,407.42	$291,366,000,000
14	192,200,000	$2,462.99	$764,794,000,000

The Whitepaper release mechanism focused on the stability of price in times of high demand. Since the NCCO was to be used as a transactional medium, demand is a function of the number of transactions. The greater the volume of transactions with a set supply results in a rise in the value (price) of the coin. To counteract this, the release mechanism releases a predetermined number of coins at pre-specified intervals. As the price of the NCCO increased to the next release price, based on market supply and demand principals, the next tranche of coins would be available to be purchased from treasury reserve at the set price. This was intended to stabilize the price of the coin to the set price until the treasury supply of coins in that released tranche were depleted from treasury. Buyers of the NCCO would be able to purchase from treasury at the set price or from the NetCents Exchange (described below). With supply available from treasury at the set price, any sale of the coin on the exchanges would not exceed the treasury set price.

Active market supply and demand would dictate whether the next tranche of coins would be released from the treasury account. Higher demand (more transactions) for the coin would have the consequence of higher prices for the coin until the next price threshold was reached. The underlying principal(s) of the release mechanism and reserve was to remove the speculative nature out of the coin value by focusing on the demand derived by transactions.

The increase in treasury supply of coins, 5,000,000 available treasury coins in tranche 5 versus 11,300,000 available treasury coins in tranche 7 up to 128,100,000 treasury coins available in tranche 12 was intended to add stability of the price. The intent of the large increase in the number of treasury coins available in tranches after the fifth allows the currency to remain in a price range for long periods of time. Key criteria for a transactional currency.

Though the company has contemplated changes to the release mechanism as outlined in the filed Q1 MD&A, a final decision in regard to this matter will not be the responsibility of the company and will rest solely with the Board of Directors of the independent foundation/trust and will be made in conjunction after discussion with their legal counsel and an analysis of the market demand for the coin. No decision has been made at this time with respect to this matter and cannot be done until the structure of the foundation/trust is finalized, and Board of Directors is established.

Presale Numbers

From presale initiation to the end of October 2017 the company sold 95,888 coins for cash proceeds of $78,306.

From presale initiation to the end of January 2016 the company sold 3,381,036 coins for cash proceeds of $3,341,041.

The breakdown of the coin sale are as follows:

Details	$0.75 CDN	$0.75USD	$1.00CDN	$1.00USD	$2.00USD	$4.00USD	Totals
# of Coins	2,382,007	394,964	155,694	125,946	311,605	10,820	3,381,036
Proceeds							
$CDN	$1,760,191	$0	$155,694	$128	$631,517	$23,767	$2,571,229
$USD	$0	$72,967	$0	$43	$3,626	$412	$77,047
€Euro	€6,785	€2,348	€0	€16,945	€6,056	€648	€32,782
BTC	1.071566	22.891411	0	10.177831	11.693130	2.215686	48.04
ETH	2.363082	1.685433	0	14.964219	6.190316	1.979814	27.18

The company has coins committed in the presale and succeeding tranches 2 & 3 but they had not been released as the company had not received payment for them. The investors are waiting for the Trust/Foundation to be set up prior to forwarding the monies to the company. The company also has committed coins for the marketing campaign and the plan is to use these coins for loyalty reward incentives for merchants and users for using the Company's PSP platform

NetCents Exchange

The NetCents Exchange is a proprietary platform that allows users to buy, sell crypto-currencies in real time. The NC Exchange runs entirely on the blockchain technology and will handle all payments, settlements and tracking distribution metrics for the NetCents coin. The NetCents coin can also be bought and sold on the exchange. The NetCents Exchange is added to NetCents existing PSP, and as at the year-end was under development.

Foundation/Trust Set Up

On October 23, 2017, the Company announced that the foundation/trust had been set up. This was incorrect. The Company had made the decision to set up an unrelated non-profit entity, expected to be either a trust or foundation, to manage the release mechanism and the reserve account for the coin. The final structure had been determined at the end of the fiscal year. The delays are due to the complex tax and legal issues surrounding the appropriate structure of the trust/foundation dictated by the chosen domicile in the foundation/trust., The Company is working diligently to complete the establishment of the trust and devolve the management of the NCCO to it.

The monies received for the coin have not been used by the Company and are presently being held in a third party trust account. The funds will be released to the newly formed trust/foundation as soon as it is established and has set up a bank account.

It is expected that the trust/foundation will be governed by an independent board of trustees that will oversee the functioning of the trust/foundation No member of management of NetCents will have an active board or management position in the trust/foundation.

Next Steps

Once the correct legal structure for the trust or foundation finalized and set up, the funds from the pre-sale, which are currently held in trust, will be transferred to the entity's trust bank. The foundation/trust will have responsibility over any future releases of the coin from treasury as well as management of the reserve account.

The Company will have a management agreement with the trust for services the company will provide to the trust related to technology management. The Company will maintain the software and blockchain for the foundation only and will do so for a pre-negotiated fee yet to be determined. The NCCO will be available for processing of transactions through NetCents Exchange.

NetCents System Control Fundamentals

The Company platform facilitates the movement of funds between parties, the storing of funds in a NetCents wallet and interaction with user and merchant bank accounts. To this end the Company has in place the following security protocols:

The Platform protects the account holders from fraud and ID Theft. When using the platform, the consumer's bank account number/credit card numbers or any personal information are not transmitted over the Internet.

No Transmission of Personal Data - When a transaction occurs, there is no personal ID or account information attached to the transaction. This lack of personal information prevents online fraud and ID theft.

All customer data (personal and/or account related) remains protected and secure behind multiple firewall and encryption. Mail fraud is also eliminated as no paper statements are issued.

The Company platform logs all transaction activity and the system maintains a complete audit trail of all transactions, financial and otherwise.

There is a daily reconciliation of all consumer and merchant activity is conducted at the close of each business day.

The Company is also able to place thresholds on user's accounts so as to monitor transactions by type, location and volume so as to ensure compliance with, Know Your Customer (KYC) Anti-money Laundering (AML) and Anti-terrorism guidelines.

Digital Authorization Required - Users are further protected as the Company cannot reach into a user's bank account without the user's authorization. The user's account is a separate and secure entity to which the user deposits funds for payment. Payments made to a merchant after completion of a transaction is authorized by the account holder for that amount and that amount only. Additional funds cannot be removed from the user's account without the account holder's digital authorization.

The Company holds users and merchant funds in external exchanges and with a major Canadian Bank. The system and processes are required to safeguard these assets for both parties. To that end the Company has in place the following:

Holding of User and Merchant Assets

The Company holds both user and merchant cash and cryptocurrency balances. At this time the risk of any fluctuations in currency balances held for these parties is the sole risk of the user or merchant. The Company does not have a risk on the holding of these accounts for a currency risk fluctuation. The Company has the obligation of stewardship of both user and merchant accounts, and as such access to these accounts is restricted. Funds reside within and behind the security protocols of a major Canadian Bank.

Risk Overview

The Company is aware of the risks associated with operating in the payment space and in particular the digital payment/currency space. Wherever possible, the Company has taken the prerequisite steps to implement the appropriate guidelines and processes to mitigate these risks. Some of the risks may include:

Cybersecurity Risk

The Company is aware of the potential for cyber security risks herein defined as threats or vulnerabilities in networks, computers, programs and data, flowing from or enabled by connection to digital infrastructure, information systems, or industrial control systems, including but not limited to, information. The Company has worked to mitigate these risks by using industry best practices for server deployment and firewall protection.

Operational Risks

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Resulting Issuer's business, operating results or financial condition.

Crypto Currency Risks

The crypto currency market is unregulated and in its infancy. Accordingly, there are certain risks related to crypto currencies, including the risk of regulation reforms which may prohibit payment processing transactions related to the business of the Resulting Issuer. Additionally, financial institutions may impose restrictions on persons that engage in business that is based on crypto currency transactions. Risks related to the acceptance and use of crypto currencies will have a significant impact on the volume of crypto currency transactions. Such acceptance or lack thereof, and reforms in regulation could adversely affect the Company's assets, liabilities, business, financial condition, prospects and results of operations.

Regulatory Environment

From time-to-time, governments and regulatory bodies may review the legislation and regulations applied to the crypto currency financial services industry and the payment processing industry in which the Resulting Issuer operates. Such reviews could result in the enactment of new laws and/or the adoption of new regulations in Canada, the United States of America, Europe or elsewhere, which might adversely impact the business. The Company has mitigated much of this risk to the extent it is a fully reporting public company and reports to the Canadian Stock Exchange (CSE), British Columbia Securities exchange (BCSC), Alberta Securities Exchange (ASC), Ontario Securities Commission (OSC), as well as Fintrac.

AML/KYC

The Company has implemented internal proprietary AML/KYC protocols as well as utilizing third party identification authentication to meet current regulations regarding this matter. Though regulation is extensive and designed to protect consumers and the public, are complex and sometimes ambiguous, at this time the Company believes that at this time it is in compliance with all current laws and regulations.

HIGHLIGHTS, SIGNIFICANT EVENTS AND TRANSACTIONS

1) Historical Development of the Business

NetCents was incorporated in 2006 and spent the first few years developing several beta versions of its transaction processing platform. In early 2010, a final version was developed that was robust enough to simultaneously handle multiple transactions from multiple merchants and be able to scale. Subsequent to this, an agreement with the Royal Bank of Canada was signed in April 2010. This agreement enables NetCents' transaction platform to integrate into and run on the Banking Platform. This integration provides NetCents with the market reach and transaction capabilities to work with every major Bank and Credit Union in Canada. The Company works to ensure it meets the standards of all compliance and regulatory bodies such as, but not limited to; the Canadian Payment Association ("the CPA"), NACHA as well as the rules and standards which govern "know-your-customer" requirements, anti-money laundering laws and anti-terrorism.

From 2010 until 2012, the Company began to integrate their software with a number of small local merchants and/or charities. From 2013 until the present, NetCents has continued to evolve and implement changes to its business model including a comprehensive redevelopment and upgrade of the Company platform which was completed in early 2015 to ensure that the platform was compliant with recently improved and updated protocols associated with the Banking Platform provider.

The Company had previously sought to enter into a transaction with On4 Communications Inc. ("On4"), however the transaction was never completed. The Company entered into a non-binding letter of intent with On4 on or about November 3, 2011. As a condition of the transaction, On4 was required to restructure their debt that On4 had accumulated in a manner and amount acceptable to NetCents and its shareholders. This restructuring could not be finalized, and the parties mutually agreed to terminate the binding letter of intent on or about November 11, 2014. A termination agreement was executed, which released the Company of any and all financial or legal obligations to On4. The Company and On4 no longer have any business relationship, and no transaction is contemplated.

On February 10, 2016, the Company completed an amalgamation between the NetCents Systems Ltd. (Privco), UWO Consulting Ltd. ("UWO"), 1018758 B.C. Ltd. ("Pubco") and 1887217 Alberta Ltd. ("SubCo"). SubCo is a wholly-owned subsidiary of Pubco and Pubco was a wholly-owned subsidiary of UWO. Pursuant to the amalgamation agreement, the following took place:

- Pubco applied to have its shares listed in the Canadian Securities Exchange ("CSE");
- Pubco and SubCo amalgamated to form an amalgamated corporate entity continuing on as NetCents Technology Inc. and continue as one corporation under the Business Corporations Act of Alberta;
- the issued and outstanding common shares and share purchase warrants of the Company was exchanged for common shares and warrants of PubCo on the basis of one share or warrant of the Company for 0.706 shares or warrants of PubCo; and

NetCents Technology Inc. issued 1,010,549 common shares to UWO's shareholders.

2) Recent Developments

On April 30th, 2018, the Company secured a loan from a director of the Company for $1,000,000

On April 9th, 2018, the Company started processing Cryptocurrency transactions for merchants.

On 30 March 2018, the Company cancelled 703,470 of the common shares common shares which were originally issued as consideration for services on 7 December 2017.

On 27 March 2018, the Company launched a new website bringing the eWallet, merchant portal, NC Exchange, NCCO, and front-end design into one seamless user and merchant experience.

On 21 March 2018, the Company added Guy Lepage to the Board of Advisors.

On 13 March 2018, the company announced the upcoming launch of a referral and loyalty program.

On 6 March 2018, the Company appointed Clarity PR its PR Agency of Record

On 1 March 2018, the Company hired Edison Investment Research Group.

On 21 February 2018, the Company announced the completion of integration with Aliant Payment Systems and the onboarding of merchants.

On 13 February 2018, the Company granted 60,000 stock options to employees. Each option entitles the holder to purchase one common share at $1.95 per share at any time before 13 February 2022. Subsequent to 31 January 2018, the Company issued 62,360 common shares of the Company in connection with the exercise of warrants.

On 13 February 2018 the Company entered into a premises lease agreement for a period of seven years and four months commencing on February 1, 2018 and expiring on July 30, 2025. The annual base rent will be $254,880 per annum, plus the Company's proportionate share of property taxes and operating expenses, which are estimated to be $174,434 per annum for 2018.

On 1 February 2018, the Company added Litecoin to the NC Exchange.

On 23 January 2018, the Company completed integration into Poynt Smart Terminals

On 9 January 2018, the Company announced the appointment of Michael Laitinen as Chief Financial Officer.

On 8 January 2018, the Company granted 500,000 stock options to the CFO as a signing bonus. Each option entitles the holder to purchase one common of the Company at $2.87 per share at any time before 19 December 2021.

On 19 December 2017, the Company granted 750,000 stock options to directors. Each option entitles the holder to purchase one common share of the Company at an exercise price of $3.20 per share until 19 December 2021.

On 19 December 2017, the Company closed the first tranche of its previously announced private placement for an aggregate of 1,116,071 units of the Company ("Units") for gross proceeds of $500,000. Each Unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share of the Company at an exercise price of $0.70.

On 18 December 2018, the Company announced the first phase of integration with Aliant Payment Systems was completed

On 14 December 2018, the Company announced the development of a proprietary cryptocurrency platform

On 6 December 2017, the Company announced that the NC Exchange was live

On 5 December 2017, the Company announced the conversion of warrants realizing $2,100,000

On 30 November 2017 and 7 December 2017, the Company issued 180,000 and 1,003,470 common shares of the Company, respectively, as consideration for services. On 30 March 2018, the Company cancelled 703,470 of the common shares common shares which were originally issued as consideration for services on 7 December 2017.

On 29 November 2017, the Company announced that it accepts Interac e-Transfer

On 28 November 2017, the Company announced that Jean Marc Bougie was appointed to the Company's board of directors.

On 23 November 2017, the Company announced that it had signed a five-year exclusive cryptocurrency processing contract with Aliant Payment Systems

On 20 November 2017, the Company announced that Flexepin will accept the NetCents Coin in its network of 7,000 retail locations

On 17 November 2017, the Company granted 1,090,000 stock options to officers and consultants. Each option entitles the holder to purchase one common share at an exercise price of $0.82 per share until 21 November 2021.

On 16 November 2017, the Company announced the appointment of Mehdi Mehrtash to the position of Chief Technical Officer.

On 14 November 2017, the Company announced the conversion of warrants realizing $500,000

On 7 November 2017, the Company announced the appointment of Ms. Jennifer Lowther to the Board of Directors effective immediately.

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SIGNIFICANT EVENTS AND TRANSACTIONS SUBSEQUENT TO THE PERIOD

On June 26th, 2018, the Company and Aliant Payment Systems, Inc. mutually agreed to terminate the Reseller Agreement.

On May 23, 2018, the Company announced that the frequency of settlements for merchants was increasing.

On May 2, 2018, the Company signed an exclusive white label deal with Wild Bunch Gaming

RESULTS OF OPERATIONS

The comprehensive loss for the six months ended 30 April 2018 was $9,032,710 which compared to a comprehensive loss of $2,637,098 incurred in the comparative period. The main fluctuations in costs are as follows:

Revenue (Rounded '000)	**6 months 2018**	6 months 2017	**3 months 2018**	3 months 2017
	$ 59,000	$ 35,000	**$ 8,000**	$ 3,000
Variance increase	**24,000**		**$ 5,000**	

During the six months period ended 30 April 2018, the volume of customer and merchant processing transactions exceeded that of the comparative quarter, resulting in an increase in revenue recognized during the period.

By April 9th, 2018, the Company started processing live cryptocurrency transactions with merchants. The total processed for the period from the 9th to the 30th was approximately $68,000 on approximately 500 transactions.

Share based payments (Rounded '000)	**6 months 2018**	6 months 2017	**3 months 2018**	3 months 2017
	$ 4,957,000	$ -	**$ 1,355,000**	$ -
Variance increase	**4,957,000**		**$ 1,355,000**	

Share based payments are comprised of options granted and shares issued to officers, directors, and consultants of the Company. Management measures the fair value of stock options granted using the Black-Scholes option pricing model, which was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's stock options have characteristics significantly different from those of traded options, and changes in the highly subjective input assumptions can materially affect the calculated values. The fair value of stock options granted using Black-Scholes do not necessarily provide a reliable measure of the fair value of the Company's stock options awards.

The measurement and recognition of share based payments occurs during the period in which the Company grants, or issues share based awards. During the six month period ended 30 April 2018, the Company granted 3,105,000 (2017 – nil) options to directors, officers, and consultants of the Company, and issued 450,000 (2017 – nil) common shares of the Company for services.

The Company has been utilizing share options and share based payments as a recruitment tool for filling key positions (directors, employees and consultants) in the company.

Loss on settlement of debt (Rounded '000)	**6 months 2018**	6 months 2017	**3 months 2018**	3 months 2017
	$ 1,965,000	$ -	**$ -**	$ -
Variance increase	**1,965,000**		**$ -**	

During the six month period ended 30 April 2018, the Company issued an aggregate of 280,000 common shares and 300,000 warrants in connection with the settlement of debt and recognized a loss on settlement of debt in the amount of $1,965,000.

Marketing and investor relations (Rounded '000)	**6 months 2018**	6 months 2017	**3 months 2018**	3 months 2017

	$ 620,000	$ 34,000	**$ 400,000**	$ 7,000
Variance increase	**$ 586,000**		**$ 393,000**	

During the six month period ended 30 April 2018, the Company retained the services of marketing and investor relations consultants to facilitate management's strategic decision to transition from traditional payment processing to developing and enhancing the processing platform. The Company has also launched specific ad campaigns for brand awareness in the marketplace. The increase in spend is the result of the Company becoming operational in the cryptocurrency payment space.

Professional fees (Rounded '000)	**6 months** **2018**	6 months 2017	**3 months** **2018**	3 months 2017
	$ 384,000	$ 53,000	**$ 198,000**	$ 15,000
Variance increase	**$ 331,000**		**$ 183,000**	

During the six months period ended 30 April 2018, the Company incurred increased legal and professional fees in connection with regulatory matters, the settlement of debt and increased operations.

In the comparative period, professional fees consist only of audit accruals and legal fees for general corporate matters.

Amortization of intangible assets (Rounded '000)	**6 months** **2018**	6 months 2017	**3 months** **2018**	3 months 2017
	$ 44,000	$ 22,000	**$ 9,000**	$ 13,000
Variance increase (decrease)	**$ 22,000**		**$ (4,000)**	

During the year ended 31 October 2017 and the six month period ended 30 April 2018, the Company capitalized a total of $373,891 in connection with software development costs on the processing platform. Capitalized software development costs are amortized on a straight-line basis over their estimated useful lives; accordingly, amortization expense increased during the six month period ended 30 April 2018 as a result of additions to the Company's capitalized intangible asset balance.

Travel (Rounded '000)	**6 months** **2018**	6 months 2017	**3 months** **2018**	3 months 2017
	$ 228,000	$ 5,000	**$ 131,000**	$ 5,000
Variance increase	**$ 223,000**		**$ 126,000**	

During the six month period ended 30 April 2018 key management personnel have travelled to promote the Company and focus on building relationships with existing and prospective merchants. The increase in travel expense is consistent with the expectations of management.

Salaries and wages (Rounded '000)	**6 months** **2018**	6 months 2017	**3 months** **2018**	3 months 2017
	$ 194,000	$ -	**$ 194,000**	$ -
Variance increase	**$ 194,000**		**$ 194,000**	

During the period ended 30 April 2018 the Company transitioned the status of existing subcontractors to employees. As a result of growth in the current period the Company also hired additional personnel as employees which resulted in an increase in salaries and wages. At the present time the Company has 16 employees. In prior years all work for the Company was performed by consultants

Rent (Rounded '000)	**6 months 2018**	6 months 2017	**3 months 2018**	3 months 2017
	$ 175,000	$ 39,000	**$ 149,000**	$ 18,000
Variance increase	**$ 136,000**		**$ 131,000**	

As a result of the Company's personnel and operational growth in the current period, the Company entered into premises lease for a larger head office. Rental expense increased as a result of the larger office space.

Transaction expense (Rounded '000)	**6 months 2018**	6 months 2017	**3 months 2018**	3 months 2017
	$ 135,000	$ -	**$ -**	$ -
Variance increase	**$ 135,000**		**$ -**	

The transaction expense recognized during the six month period ended 30 April 2018 results from the Company incurring exchange differences on the conversion on the coin transactions, conversion of clients funds submitted into NetCents Wallets, and bank fees associated with these transactions. The Company has provided for the transactional expenses in the financial statements although the Company anticipates that these costs will be recovered from the NCCO once it has been established.

Office (Rounded '000)	**6 months 2018**	6 months 2017	**3 months 2018**	3 months 2017
	$ 61,000	$ 42,000	**$ 32,000**	$ 38,000
Variance increase (decrease)	**$ 19,000**		**$ (6,000)**	

The increase in office expense during the six month period ended 30 April 2018 is consistent with management's expectations given the growth of the Company's operations in the current period.

Website costs (Rounded '000)	**6 months 2018**	6 months 2017	**3 months 2018**	3 months 2017
	$ 23,000	$ -	**$ 15,000**	$ -
Variance increase	**$ 23,000**		**$ 15,000**	

The increase in website costs results from the cost of maintaining the NetCents platform that was operational in this fiscal year. The increase is within expectations.

FINANCIAL DATA FOR LAST EIGHT QUARTERS

The following table sets out selected quarterly financial information of the Company and is derived from the unaudited condensed interim consolidated financial statements prepared by management. The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards and are expressed in Canadian dollars.

Three Months Ended	Apr 18	Jan 18	Oct 17	Jul 17	Apr 17	Jan 17	Oct 16	Jul 16
Total Revenues	7,546	51,176	39,580	39,580	19,408	2,774	32,298	-
Loss from continuing operations	(2,523,794)	(4,453,704)	(812,229)	(812,229)	(488,838)	(227,552)	(172,987)	(1,349,682)
Loss for the period	(2,637,098)	(6,426,743)	(896,249)	(896,249)	(466,727)	(284,379)	(163,938)	(461,946)
Loss per share (Basic and diluted)	(0.09)	(0.16)	(0.03)	(0.03)	(0.02)	(0.01)	(0.01)	(0.00)

The loss during the three month period ended 30 April 2018 increased when compared to previous periods as a result of share based payments totalling $1,355,457. Share based payments are comprised of 250,000 common shares of the Company issued for consulting services, and 765,000 options granted to officers and employees of the Company.

The loss during the three month period ended 31 January 2018 increased as a result of share based payments and loss on settlement of debt totalling $3,601,905 and $1,964,625, respectively. Share based payments are comprised of 2,340,000 options granted to directors, officers, and consultants of the Company, as well as 200,000 common shares issued for services. The loss on settlement of debt is comprised of the issuance of 280,000 common shares of the Company and 300,000 warrants.

The loss during the three month period ended 31 October 2017 increased as a result of the following activities:

- The Company recognized a loss on settlement of debt in the amount of $509,191 in connection with the issuance of 892,766 units of the Company to settle a liability of $267,830.
- The Company recognized a bad debt expense of $379,406 due to uncertainty of collecting funds owed from one payment processor.

During the three month period ended 31 July 2017 the Company granted 600,000 stock options which resulted in the recognition of stock based compensation expense totalling $187,000.

In the 2016 annual financial statements, stock based compensation and listing fees were presented as operating expenses rather than other expenses as recorded in the interim statements for the period ended 30 April 2016. This presentation change results in an increase in loss from operations and a corresponding decrease loss for the period during the three months ended 31 October 2016.

During the six month period ended 30 April 2016 the Company granted 2,080,000 stock options and recognized a corresponding stock based compensation expense of $494,745. During the same period, the Company recognized a listing expense of $353,692 in connection with the reverse takeover that occurred on 10 February 2016.

OUTSTANDING SHARES

As at 30 April 2018 and the date of this report, the Company had 42,445,467 common shares issued and outstanding. As at 30 April 2018, the fully diluted amount of 49,619,267 includes common share purchase warrants of 1,778,740 and options of 5,395,060.

LIQUIDITY AND CAPITAL RESOURCES

The consolidated financial statements were prepared on a "going concern" basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Cash used in operating activities during the six month period ended 30 April 2018 totalled $3,038,737 (comparative period $5,598).

Cash used in investing activities during the six month period ended 30 April 2018 totalled $554,157 (comparative period $38,310).

Cash raised from financing activities during the six month period ended 30 April 2018 totalled $4,205,162 (comparative period $47,452).

The Company had a working capital deficiency of $820,817 as of 30 April 2018 compared to working capital deficiency of $1,551,409 as of 31 October 2017.

The Company maintained unrestricted cash of $639,517 as of 30 April 2018 (31 October 2017 - $27,249) to meet short-term business requirements. At 30 April 2018, the Company had financial obligations to unrelated parties as follows:

- Accounts payable and accrued liabilities of $537,685 (31 October 2017 - $513,852);
- Loans payable of $98,579 (31 October 2017 - $104,043);
- Convertible loan of $898,738 (31 October 2017 - $nil);
- Funds due to merchants of $392,722 (31 October 2017 - $835,251);
- Client deposits of $2,737,225 (31 October 2017 - $198,777); and
- Due to related parties of $280,270 (31 October 2017 - $305,761).

FINANCIAL INSTRUMENTS

a) Financial instrument classification and measurement

Financial instruments of the Company carried on the statement of financial position are carried at amortized cost. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at 30 April 2018 and 31 October 2017. There have been no changes in levels during the period.

The Company classifies the fair value of these transactions according to the following hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

b) Fair values of financial assets and liabilities

The Company's financial instruments include cash, restricted cash, assets held for clients, funds due from payment processors, amounts due from related parties, accounts payable and accrued liabilities, client deposits, loans payable, funds due to merchants, and loans payable and amounts due to related parties. As at 30 April 2018 and 31 October 2017, the carrying value of cash is at fair value. The remaining financial instruments approximate their fair value due to their short-term nature.

c) Market risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company is not exposed to significant market risk.

d) 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 amounts due from payment processors. During the year ended 30 April 2018, the Company recorded an allowance of $392,722 due from a payment processor where collection is uncertain. The Company's secondary exposure to credit risk is on its cash. Substantially all of the Company's cash are deposited in bank accounts held with major banks in Canada. As the majority of the Company's cash is held by the same bank there is a concentration of credit risk. This risk is managed by using major Canadian banks that are high credit quality financial institutions as determined by rating agencies.

e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's liabilities are either non-interest bearing or pay interest at fixed rates. Therefore, interest rate risk is not considered significant.

f) Foreign currency risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. The Company manages liquidity risk by restricting cash reserves to offset client deposits and funds due to merchants. As at 30 April 2018, the Company had an unrestricted cash balance of $639,517 to settle current liabilities, other than client deposits, provision for coin sale, and funds due to merchants for which cash reserves have been restricted, totalling $1,848,004 which are due within one year. Accordingly, the Company is significantly exposed to liquidity risk.

g) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. The Company manages liquidity risk by restricting cash reserves to offset client deposits and funds due to merchants. As at 30 April 2018, the Company had an unrestricted cash balance of $639,517 to settle current liabilities, other than client deposits and funds due to merchants for which cash reserves have been restricted, totalling $1,848,004 which are due within one year. Accordingly, the Company is significantly exposed to liquidity risk.

PROPOSED TRANSACTIONS

The Company does not have any new or proposed transactions contemplated as of the date of this report.

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as at 30 April 2018 and as at the date hereof.

RELATED PARTY TRANSACTIONS

1) Related party transactions

Transactions with related parties for the three months period ended 30 April 2018 and 2017 are as follows:

KEY MANAGEMENT COMPENSATION

Principal Position	Fiscal Period(i)		Remuneration or Fees(ii)		Share based payments
Clayton Moore, CEO and director – consulting fees	**2018**	**$**	**100,500**	**$**	**912,480**
	2017	$	45,000	$	**-**
Gord Jessop, President and director – consulting fees	**2018**	**$**	**75,500**	**$**	**912,480**
	2017	$	26,500	$	-
Michael Laitinen, CFO – consulting fees	**2018**	**$**	**33,000**	**$**	**294,500**
	2017	$	-	$	-
Jennifer Lowther, director – consulting fees	**2018**	**$**	**72,000**	**$**	**706,333**
	2017	$	-	$	**-**
Midland Management, a company controlled by the former CFO – consulting fees	**2018**	**$**	**-**	**$**	-
	2017	$	15,750	$	-

(i) For the six month periods ended 30 April 2018 and 2017.
(ii) Remuneration or fees were paid or accrued to the related party.

2) Related party balances

Included in due to related parties as at 30 April 2018 is $3,883 (31 October 2017: $2,111) to a director and the CEO of the Company. Amounts are due for expenses incurred on behalf of the company and not paid at the period end and are unsecured, non-interest bearing repaid prior to the end of the second quarter.

Included in due to related parties as at 30 April 2018 is $269,388(31 October 2017: $296,650) to a director and the President of the Company. These amounts are unsecured, non-interest bearing with no fixed terms of repayment. The loan was for general operating funds at the time of the loan.

Included in due to related parties as at 30 April 2018 is $7,000 (31 October 2017: $7,000) due to a relative of a director and the CEO of the Company. This amount is unsecured, non-interest bearing with no fixed terms of repayment. The loan was for general operating funds at the time of the loan.

Included in loans payable as at 30 April 2018 is $54,500 (31 October 2017: $54,500) plus accrued interest of $16,270 (31 October 2017: $16,270) owing to the President of the Company. The loan is not secured. $60,000 of the loan bears interest at 10% per year and was repayable on 14 May 2013. Effective 1 July 2015, the Company's president agreed that interest would stop accruing on the loan. The remainder of the loan is non-interest bearing with no fixed terms of repayment. The loan was for general operating funds at the time of the loan.

Included in due from related parties as at 30 April 2018 is $40,625 (31 October 2017: $nil) owing from the CEO of the Company. These amounts are non-interest bearing with repayment expected before the end of the fourth quarter. The loan was for moving expenses and a deposit on building.

3) Commitments

a) Commitments with related parties

Pursuant to the employment agreement, effective 1 January 2018, the Company will remunerate the President of the Company $16,500 per month. In the event that the president is terminated without cause, the Company must continue paying the salary of the President for a period of 18 months.

Pursuant to the employment agreement, effective 1 January 2018, the Company will remunerate the Chief Executive Officer of the Company $18,500 per month. In the event that the CEO is terminated without cause, the Company must continue paying the salary for a period of 18 months.

Pursuant to the employment agreement, effective 1 January 2018, the Company will remunerate the Chief Financial Officer of the Company $11,500 for the first three months, and $13,000 per month thereafter.

b) Other commitments

On 1 March 2018, the Company entered into a premises lease agreement for a period of seven years, expiring on 28 February 2025. Minimum annual lease payments for the term of the lease is as follows:

LEASE PERIOD		Amount
1 March 2018 to 31 October 2018	$	142,934
1 November 2018 to 31 October 2019		434,811
1 November 2019 to 31 October 2020		434,811
1 November 2020 to 31 October 2021		434,811
1 November 2021 to 31 October 2022		434,811
1 November 2022 to 31 October 2023		434,811
1 November 2023 to 31 October 2024		434,811
1 November 2024 to 28 February 2025		141,760
	$	2,893,562

CAPITAL MANAGEMENT

The Company's capital structure consists of all components of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the current operations and the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity and debt financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

APPROVAL

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

FORWARD LOOKING INFORMATION

This document contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Corporation, its subsidiaries and its projects, the future supply, demand, inventory, production and price of minerals, the estimation of reserves and resources, the realization of reserve estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters.

Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of resources; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the resource industry; political instability, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Respectfully submitted

On Behalf of the Board of Directors

"Clayton Moore"

Clayton Moore, CEO