netcents

Management's Discussion and Analysis

For the Nine Months Ended 31 July 2020

Stated in Canadian Funds

Date: 29 September 2020

NETCENTS TECHNOLOGY INC.
FOR THE NINE MONTHS ENDED 31 JULY 2020
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' unaudited condensed interim consolidated financial statements and notes thereto for the nine months period ended 31 July 2020 and the annual audited consolidated financial statements for the year ended 31 October 2019.

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

About the Company

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.

During the year ended 31 October 2019, the Company has added a number of enhancements to the processing platform.

- The Company launched an Android and IOS version of a mobile app
- Improvements were made to the merchant gateway to address merchant's usability requests
- The Company added Bitcoin Cash and NEM to the portal and gateway to allow users to buy/sell/trade and merchants to accept Bitcoin Cash and NEM in their platforms
- Improvements were made to the "crypto nodes" to increase processing capabilities
- Company developed and launched its Crypto Banking Stack which will enable Financial Institutions to use their existing hardware and software to offer their clients access to a fully integrated cryptocurrency processing and transaction solution. The implementation will require only minor modifications to their legacy systems eliminating the need to develop and maintain their own in-house proprietary cryptocurrency processing technology. This allows for a low-cost crypto ready processing solution to be quickly implemented without the requirement for an extended and costly development cycle.

NetCents 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 cybersecurity 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 cryptocurrency market is unregulated and in its infancy. Accordingly, there are certain risks related to cryptocurrencies, including the risk of regulatory 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 cryptocurrency transactions. Risks related to the acceptance and use of cryptocurrencies will have a significant impact on the volume of cryptocurrency 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.

Pandemic Risks

The Company cautions that current global uncertainty with respect to the spread of the COVID-19 virus (the "COVID-19") and its effect on the broader global economy may have a significant negative effect on the Company. While the precise impact of the COVID-19 on the Company remain unknown, rapid spread of the COVID-19 may have a material adverse effect on global economic activity, and can result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Company.

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.

On 21 August 2018, the halt on the trading of the Company's shares was lifted and trading on the CSE resumed on 24 August 2018. The lifting of the halt has allowed the Company to raise funds through common share offerings and the Company has been in contact with all merchants (existing and prospective), customers and suppliers to discuss the halt lift and the steps the Company has put into place to reduce the risk of any future halts.

The Company has increased the staff levels in the accounting and information services departments to facilitate more timely and relevant data to the management team. The Company had previously outsourced the accounting and financial reporting to a third party. The Company has put additional compliance procedures in place to reduce the risk of any compliance issues.

On 20 April 2018 trading of the Company's shares on the CSE was halted. The Company was notified by the CSE that the halt was due to the Company not being compliant in regard to Continuous Disclosure Requirements. The British Columbia Securities Commission (BCSC) had notified the CSE that it had requested clarification and additional information regarding our Q4 31 October 2017 year end filings and our Q1 31 January 2018 filings, as well as information on the status of the not for profit organization to be established to manage the NetCents coin (NCCO), the status of the NCCO sales, and the proceeds of the sale of the NCCO.

The Company has experienced significant financial stress as a result of the halt due to prospective new merchants, customers, and suppliers being reluctant to enter into agreements while the halt is in place. The halt has also hindered the Company's ability to raise funds through the sale of common shares, leaving the Company with limited sources of capital to continue to advance and develop its business.

NetCents Currency

Introduction and Prelaunch

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 the stability of the coin would facilitate the use of the coin as a transactional medium. The whitepaper for the NetCents Currency was released on 10 October 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 intention was to have a foundation set up with independent directors at arms length to the Company. The foundation was not set up prior to the initial release of the coins.

The currency was made available in a prelaunch offering to shareholders of the Company at a 25% discount from the $1 price of the initial release of the NCCO.

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

From presale initiation to the end of January 2018, 3,381,036 coins were sold for cash proceeds of $3,341,041.

As at 31 July 2020, the Company has received proceeds of $3,341,041 (31 October 2019 - $3,341,041) in connection with the sale of NCCO coins.

For the coin sale transactions, the Company received funds from the client's user accounts in both fiat currencies (CAD, USD and Euro), and, cryptocurrencies (BTC and ETH). The Company converted the funds received into Canadian dollars using the spot closing rate of the currency from https://cryptocoincharts.info, and the closing exchange rate between Canadian dollars, US dollars and Euros as at period end.

The Company originally recorded the proceeds from the sale of the coin as a liability being the amount required to fulfil a constructive obligation to the coin holders to set up the NCCO Foundation and transfer all proceeds from the sale of the treasury coins the NCCO Foundation whereby the NCCO foundation will use the funds to back the value of the NCCO coin for the benefit of the coin holders.

During the year ended 31 October 2018, the Company transferred all proceeds from the coin sale from the Company bank account to a trust account managed by the Company's legal counsel.

As at 31 July 2020, the funds are being held in trust subject to an investigation by the British Columbia Securities Commission ("BCSC"). The outcome of this investigation is unknown and the funds are to remain in trust until the investigation by the BCSC is complete.

During the year ended 31 October 2018, the Company incurred expenses of $135,434 on the transfer of funds into the wallets and the related exchange differences were expensed by the Company. The Company also incurred expenses of $165,691 in connection with the set-up of the NCCO coin which the Company is entitled to be reimbursed by the NCCO Foundation. However, because there is uncertainty as to the collectability of this balance, the Company wrote down the receivable of $165,691 for the year ended 31 October 2018.

HIGHLIGHTS, SIGNIFICANT EVENTS AND TRANSACTIONS

Recent Developments

US$1.4 Billion (U.S.) Credit Facility

In June 2020, the Company received an institutional credit facility totaling $1.4-billion (U.S.) to power merchant settlements.

NetCents negotiated this facility to increase the potential of cryptocurrency as a means of exchange. To date, the major obstacle has been volatility. Merchants and consumers alike are reluctant to hold crypto positions because of the fluctuation of most currencies.

This credit facility will provide NetCents the capacity to eliminate volatility risk for all of its merchants. Furthermore, this financing structure will help many crypto exchanges by creating a deeper market for mainstream cryptocurrencies.

NetCents has partnered with a handful of institutions to use its merchant order flow as a supply for a short-term crypto portfolio. The credit line will enable NetCents to have money in the market over an extended period and to be able to profit from arbitrage opportunities. The profits from this arbitrage will ultimately allow NetCents to reduce fees to its client base.

The terms of the institutional credit line, totaling US$1.4-billion annually, is for an initial term of 15 months with auto-renewing one-year terms. There is no interest paid on this credit facility. For the first three months of the term, there are no fees associated with the credit facility. Upon the completion of the first three months of the contract term, fees will be negotiated as a percentage of revenue generated through the credit facility. provides NetCents the merchant settlement capital to further expand and offer speedier merchant payouts. Benefits include:

- Ability to front-load merchant settlements;
- Removing all limitations when providing merchant payouts;
- Eliminates merchant and partner concerns regarding NetCents' ability to handle significant order flow;
- Removes all obstacles for unlimited processing and all risk associated for merchant payouts;
- Facilitates continued merchant growth;
- Largest known credit line granted to a cryptocurrency payments company.

Boustead Engaged

The Company has engaged Boustead Securities LLC (“Boustead”) to help screen and negotiate potential strategic acquisitions for NetCents as well as identify institutional investment for the Company.

Boustead's team will be tasked with identifying potential revenue streams and technologies that may be combined with the NetCents platform. Boustead will also use its network to introduce potential institutional investors and business partners.

The Company looks forward to updating investors on the outcomes of the future collaboration with Boustead's excellent team.

This is not an offer to buy or solicit securities. Past performance is not indicative of future results. Investments may be speculative, illiquid and there is a risk of total loss. There is no guarantee that any specific outcome will be achieved.

European Operations

On 4 July 2020, the Company announce that it is forming a wholly owned subsidiary in Germany to support its growing European business. It has also set up its first European banking relationship to support its rapidly growing European client base.

NetCents will be forming a subsidiary in support of the businesses that it intends to operate in the European market. These businesses include:

- Merchant Processing;
- Invoicing for subscription based businesses; and the
- Crypto-Banking Stack/Solution as a white label offering for commercial banks.

SIGNIFICANT EVENTS AND TRANSACTIONS SUBSEQUENT TO THE PERIOD

Subsequent to 31 July 2020, the Company:

a) stock options to a consultant of the Company to purchase 500,000 common shares of the Company vesting immediately at an exercise price of $1.27 per share with an expiry date of 9 August 2025; and

b) granted stock options to a consultant of the Company to purchase 385,000 common shares of the Company vesting immediately at an exercise price of $1.16 per share with an expiry date of 20 August 2025.

RESULTS OF OPERATIONS

The comprehensive loss for the nine months period ended 31 July 2020 was $15,600,191 which compares to a comprehensive loss of $4,796,517 incurred in the comparative period. The main fluctuations in costs are as follows:

Revenue	**9 months 2020**	9 months 2019	**3 months 2020**	3 months 2019
	$ 171,813	$ 86,681	**$ 69,752**	$ 63,178
Variance increase	**$ 85,132**		**$ 6,574**	

During the nine months period ended 31 July 2020, the Company continued to enter into multiple merchant agreements and continued to generate revenue with its payment processing platform. The variance is attributable to timing of certain transactions.

Share based payments	**9 months 2020**	9 months 2019	**3 months 2020**	3 months 2019

	$ 10,725,064	$ 1,347,810	**$ 9,214,681**	$ 370,076
Variance increase	**$ 9,377,254**		**$ 8,844,605**	

During the nine months period ended 31 July 2020, the Company issued common shares for services and granted stock options to directors, consultants and employees of the Company. The variance is attributed to the increase in common shares for services issued by the Company.

Consulting fees	**9 months 2020**	9 months 2019	**3 months 2020**	3 months 2019
	$ 803,008	$ 377,740	**$ 259,129**	$ 99,528
Variance increase	**$ 425,268**		**$ 159,601**	

Salaries and wages	**9 months 2020**	9 months 2019	**3 months 2020**	3 months 2019
	$ 1,040,407	$ 956,744	**$ 232,227**	$ 311,938
Variance increase	**$ 83,663**		**$ (79,711)**	

During the nine months period ended 31 July 2020, the increase in payroll is a result of the Company's increase in market capitalization and operation.

Professional fees	**9 months 2020**	9 months 2019	**3 months 2020**	3 months 2019
	$ 156,930	$ 170,769	**$ 24,455**	$ 107,660
Variance increase	**$ (13,839)**		**$ (83,205)**	

During the nine months period ended 31 July 2020, the variance is attributed to an increase in audit costs accrual for fiscal 2020 based on the most recent audit costs.

Marketing	**9 months 2020**	9 months 2019	**3 months 2020**	3 months 2019
	$ 711,984	$ 498,313	**$ 156,815**	$ 122,414
Variance increase	**$ 213,671**		**$ 34,401**	

During the nine months period ended 31 July 2020, the Company has increased services related to marketing as a result of launching specific ad campaigns for brand awareness in the marketplace. In the previous year, the Company decreased marketing and investor relations expenditures to focus on merchant acquisition.

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	Jul 20	Apr 20	Jan 20	Oct 19	Jul 19	Apr 19	Jan 19	Oct 18
Total Revenues	69,752	53,485	44,576	2,401	63,178	12,677	10,826	52,933
Loss from continuing operations	(10,674,251)	(2,310,887)	(1,559,577)	(1,190,528)	(1,372,683)	(1,306,359)	(1,706,309)	(2,303,877)
Loss for the period	(10,674,251)	(3,141,309)	(1,784,601)	(1,869,185)	(1,518,122)	(1,577,377)	(1,701,018)	(2,791,198)
Basic loss per share	(0.15)	(0.05)	(0.03)	(0.03)	(0.03)	(0.03)	(0.04)	(0.04)
Diluted loss per share	(0.15)	(0.05)	(0.03)	(0.03)	(0.03)	(0.03)	(0.04)	(0.04)

OUTSTANDING SHARES

As at 31 July 2020, the Company had 80,969,896 common shares issued and outstanding. As at 31 July 2020, the fully diluted amount of 97,623,774 includes common share purchase warrants of 8,938,878 and 7,715,000 options outstanding.

As at 29 September 2020, the Company had 82,503,496 common shares issued and outstanding, 8,938,878 common share purchase warrants and 7,715,000 options outstanding.

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.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company's. This outbreak could decrease spending, adversely affect demand for the Company's product and harm the Company's business and results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

Cash used in operating activities during the nine months period ended 31 July 2020 totalled $3,908,082 (comparative period $2,495,155).

Cash used in investing activities during the nine months period ended 31 July 2020 totalled $8,337 (comparative period $Nil).

Cash provided by financing activities during the nine months period ended 31 July 2020 totalled $5,972,961 (comparative period $3,628,606).

The Company had a working capital deficiency $2,847,391 as of 31 July 2020 compared to working capital deficiency of $5,839,684 as of 31 October 2019.

The Company maintained unrestricted cash of $2,438,909 as of 31 July 2020 (31 October 2019 - $205,088) to meet short-term business requirements. At 31 July 2020, the Company had financial obligations to unrelated parties as follows:

- Accounts payable and accrued liabilities of $416,746 and $115,000 respectively (31 October 2019 - $1,141,537 and $180,752 respectively);
- Loans payable of $207,293 (31 October 2019 - $31,281); and
- Funds due to merchants of $207,293 (31 October 2019 - $292,499).

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 31 July 2020 and as at the date hereof.

Related Party Transactions

a) Related party transactions

Transactions with related parties for the six months period ended 31 July 2020 and 2019 are as follows:

Key Management Compensation

Principal Position	Fiscal Period		Remuneration or Fees		Share based payments
Clayton Moore, CEO and director – salary	**2020**	**$**	**80,000**	**$**	**-**
	2019	$	202,000	$	79,712
Gord Jessop, former President and director – salary	**2020**	**$**	**5,000**	**$**	**-**
	2019	$	148,500	$	79,712
Jennifer Lowther, CRO and director – consulting fees	**2020**	**$**	**113,400**	**$**	**495,798**
	2019	$	113,400	$	251,284
Christopher Cherry, CFO and director – consulting fees	**2020**	**$**	**87,248**	**$**	**-**
	2019	$	70,875	$	-

Patrick Albright, Senior Vice President – consulting fees	**2020**	**$**	**63,327**	**$**	**-**
	2019	$	-	$	-
Mehdi Mehrtash, CTO – salary	**2020**	**$**	**90,000**	**$**	**-**
	2019	$	90,000	$	78,747

b) Related party balances

Included in due from related parties as at 31 July 2020 is $174,614 (31 October 2019: $100,008) from a company controlled by the former President of the Company. The amount will be non-interest bearing for the first 12 months and 1.5% interest for the following 12 months with no fixed terms of repayment.

Included in accounts payable as at 31 July 2020 is $6,133 (31 October 2019: $233,248) owing to key management. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

Included in accrued liabilities as at 31 July 2020 is $nil (31 October 2019: $140,750) of salaries payable owing to key management. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

Commitments

a) Commitments with related parties

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.

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 of base rent for the term of the lease is as follows:

Lease Period		Amount
1 August 2020 to 31 October 2020	$	64,536
1 November 2020 to 31 October 2021		258,144
1 November 2021 to 31 October 2022		258,144
1 November 2022 to 31 October 2023		258,144
1 November 2023 to 31 October 2024		258,144
1 November 2024 to 28 February 2025		86,048
	$	1,183,160

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 31 July 2020 and 31 October 2019. 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 and funds due from processors, cash included in assets held for clients, due to related parties, accounts payable and accrued liabilities, client deposits, loans payable and funds due to merchants. As at 31 July 2020 and 31 October 2019, the carrying value of cash and certain assets held for clients and client deposits are 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 a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into, causing the other party to incur a financial loss. The Company's cash, digital currencies, due from related parties and proceeds of coin sale are exposed to credit risk. The Company limits its credit risk by placing its cash with high credit quality financial institutions and with cryptocurrency exchanges on which the Company has performed internal due diligence procedures. The Company deems these procedures necessary as some exchanges are unregulated and not subject to regulatory oversight. Furthermore, crypto-exchanges engage in the practice of commingling their clients' assets in exchange wallets. When crypto-assets are commingled, transactions are not recorded on the applicable blockchain ledger but are only recorded by the exchange. Therefore, there is risk around the occurrence of transactions or the existence of period end balances represented by exchanges. As at 31 July 2020, the Company held approximately $2,438,909

(31 October 2019 - $205,088) in cash and $191,193 (31 October 2019 - $100,221) in digital assets at exchanges that do not have system or organization control reporting available. As of each reporting period, the Company assesses if there may be expected credit losses requiring recognition of a loss allowance. As of 31 July 2020, the Company recorded an allowance of $NIL (31 October 2019 - $Nil). While the Company intends to only transact with counterparties or exchanges that it believes to be creditworthy, there can be no assurance that a counterparty will not default and that the Company will not sustain a material loss on a transaction as a result.

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

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. As at 31 July 2020, the Company held financial liabilities denominated in foreign currencies totalling $684,561 (31 October 2019 - $453,000), as well as financial assets denominated in foreign currencies totalling $216,596 (31 October 2019 - $175,000). A 5% shift in exchange rates would result in a foreign exchange gain or loss of approximately $23,400. Accordingly, the Company is moderately exposed to foreign currency 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 31 July 2020, the Company had an unrestricted cash balance of $2,2438,909 to settle current liabilities, other than provision for coin sale for which cash reserves have been restricted, totalling $3,021,496 which are due within one year. Accordingly, the Company is significantly exposed to liquidity risk.

h) Digital asset risk

Digital assets are measured at fair value less cost to sell. Digital currency or cryptocurrency prices are affected by various forces including global supply and demand, interest rates, exchanges rates, inflation or deflation and the political and economic conditions. Further, cryptocurrencies have no underlying backing or contracts to enforce recovery of invested amounts.

The Company may not be able to liquidate its inventory of cryptocurrencies at its desired price if necessary. Prices of cryptocurrencies are volatile and market movements are difficult to predict. Supply and demand for such currencies change rapidly and are affected by a variety of factors, including regulation and general economic trends.

Cryptocurrencies have a limited history, their fair values have historically been volatile and the value of cryptocurrencies held by the Company could decline rapidly. A decline in the market prices of cryptocurrencies could negatively impact the Company's future operations. Historical performance of cryptocurrencies is not indicative of their future performance.

Many cryptocurrency networks are online end-user-to-end-user networks that host a public transaction ledger (blockchain) and the source code that comprises the basis for the cryptographic and algorithmic protocols governing such networks. In many cryptocurrency transactions, the recipient or the buyer must provide its public key, which serves as an address for a digital wallet, to the seller. In the data packets distributed from cryptocurrency software programs to confirm transaction activity, each party to the transaction user must sign transactions with a data code derived from entering the private key into a hashing algorithm, which signature serves as validation that the transaction has been authorized by the owner of the cryptocurrency.

This process is vulnerable to hacking and malware, and could lead to theft of the Company’s digital wallets and the loss of the Company’s cryptocurrency.

Cryptocurrencies are loosely regulated and there is no central marketplace for exchange. Supply is determined by a computer code, not a central bank. Additionally, exchanges may suffer from operational issues, such as delayed execution, that could have an adverse effect on the Company.

The cryptocurrency exchanges on which the Company uses are relatively new and, in many cases, largely unregulated, and therefore may be more exposed to fraud and failure than regulated exchanges for other assets.

Any financial, security, or operational difficulties experienced by such exchanges may result in an inability of the Company to recover money or digital assets being held on the exchange. Further, the Company may be unable to recover digital assets awaiting transmission into or out of the Company, all of which could adversely affect an investment of the Company.

i) Loss of access risk

The loss of access to the private keys associated with the Company's cryptocurrency holdings may be irreversible and could adversely affect an investment. Cryptocurrencies are controllable only by an individual that possesses both the unique public key and private key or keys relating to the "digital wallet" in which the cryptocurrency is held. To the extent a private key is lost, destroyed or otherwise compromised and no backup is accessible the Company may be unable to access the cryptocurrency.

j) Irrevocability of transactions

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred cryptocurrencies may be irretrievable. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer or theft generally will not be reversible, and the Company may not be capable of seeking compensation.

k) Hard fork and air drop risks

Hard forks may occur for a variety of reasons including, but not limited to, disputes over proposed changes to the protocol, significant security breach, or an unanticipated software flaw in the multiple versions of otherwise compatible software. In the event of a hard fork in a cryptocurrency held by the Company, it is expected that the Company would hold an equivalent amount of the old and new cryptocurrency following the hard fork.

Air drops occur when the promoters of a new cryptocurrency send amounts of the new cryptocurrency to holders of another cryptocurrency that they will be able to claim a certain amount of the new cryptocurrency for free.

The Company may not be able to realize the economic benefit of a hard fork or air drop, either immediately or ever, for various reasons. For instance, the Company may not have any systems in place to monitor or participate in hard forks or airdrops. Therefore, the Company may not receive any new cryptocurrencies created as a result of a hard fork or airdrop, thus losing any potential value from such cryptocurrencies.

l) Regulatory oversight risk

Regulatory changes or actions may restrict the use of cryptocurrencies or the operation of cryptocurrency networks or exchanges in a manner that adversely affects investments held by the Company.

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.

A CAUTIONARY TALE

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