

## **eXeBlock Technology Corporation**

### **For the quarter ended February 28, 2021**

#### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*This Management's Discussion and Analysis ("MD&A") provides a review of the performance of eXeBlock Technology Corporation (the "Company" or "eXeBlock") and should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company (the "Financial Statements") for the period ended February 28, 2021 and February 29, 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A should also be read in conjunction with the audited financial statements and accompanying notes of eXeBlock Technology Corporation for the year ended August 31, 2020 which have been prepared in accordance with IFRS for annual financial statements. The MD&A, financial statements and other information, including news releases and other disclosure items are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com) under the Company's profile. The common shares of eXeBlock Technology Corporation are traded on the Canadian Securities Exchange ("CSE") under the symbol "XBLK".*

*The information presented in this MD&A is as of April 27, 2021. The reporting currency for the Company is the Canadian dollar. All of the financial information presented herein is expressed in Canadian dollars, unless otherwise stated. United States dollars are indicated by the symbol "US\$". This MD&A contains forward-looking statements that are subject to risk factors set out in a cautionary note contained herein. The reader is cautioned not to place undue reliance on forward-looking statements.*

#### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION**

This MD&A contains "forward-looking information"; as such term is defined in applicable Canadian securities legislation. Forward-looking information is necessarily based on a number of estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies. All statements other than statements which are reporting results as well as statements of historical fact set forth or incorporated herein by reference, are forward looking information that may involve a number of known and unknown risks, uncertainties and other factors, many of which are beyond the Company's ability to control or predict. Forward-looking information can be identified by the use of words such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "intends", "continue", or the negative of such terms, or other comparable terminology.

This information includes, but is not limited to, comments regarding:

- the Company's business strategy;
- the Company's ability to obtain necessary funding on favorable terms or at all;
- the Company's plan and ability to secure revenues;
- the risk of competitors entering the market;
- the Company's hiring and retention of skilled staff;
- the ability to obtain financing to fund future expenditure and capital requirements; and
- the impact of adoption of new accounting standards.

Although the Company believes that the plans, intentions and expectations reflected in this forward-looking information are reasonable, the Company cannot be certain that these plans, intentions or expectations will be achieved. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking information contained in this report. Disclosure of important factors that could cause actual results to differ materially from the Company's plans, intentions or expectations is included in this report under the heading *Risk Factors*.

Forward-looking information inherently involves risks and uncertainties that could cause actual results to differ materially from the forward-looking information. Factors that could cause or contribute to such differences

include, but are not limited to, unexpected changes in business and economic conditions, including the global financial and capital markets; changes in interest and currency exchange rates; changes in operating revenues and costs; political or economic instability, either globally or in the countries in which the Company operates; local and community impacts and issues; labour disputes; environmental costs and risks; competitive factors; availability of external financing at reasonable rates or at all; and the factors discussed in this MD&A under the heading *Risk Factors*. Many of these factors are beyond the Company's ability to control or predict. These factors are not intended to represent a complete list of the general or specific factors that may affect the Company. The Company may note additional factors elsewhere in this MD&A. All forward-looking statements and information speak only as of the date made. All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on the Company's behalf, are expressly qualified in their entirety by these cautionary statements. Readers are cautioned not to put undue reliance on forward-looking information due to the inherent uncertainty therein. The Company disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

## **CORPORATE OVERVIEW**

eXeBlock Technology Corporation (the "Company" or "eXeBlock"), formerly 1040433 B.C. Ltd. ("1040433"), was incorporated pursuant to the British Columbia Business Corporations Act on June 19, 2015. On August 18, 2017, the Company and eXeBlock Technology Inc. ("eXeBlock Inc.") signed a letter of intent and on September 6, 2017, the Company and eXeBlock Inc. entered into a Share Exchange Agreement ("SEA") under which the transaction was completed and the Company effected a change in directors, management and business. The Company changed its name to eXeBlock Technology Corporation. eXeBlock Inc. was incorporated on July 11, 2017 under the laws of the Canada Business Corporations Act.

The Company acquired eXeBlock Inc. through a reverse acquisition transaction described in Note 3 of the Company's audited consolidated financial statements for the year ended August 31, 2019. Under the terms of the SEA, the Company acquired all of the issued and outstanding common shares of eXeBlock Inc. based on two shares of the Company for each share of eXeBlock Inc. eXeBlock Inc. is engaged in the business of developing and marketing DApps and was deemed to be the continuing entity for financial reporting purposes and therefore its historical operations, assets and liabilities are included in the comparative figures.

On November 9, 2017, the Company filed a Prospectus in association with its initial listing application on the Canadian Securities Exchange ("CSE") and its common shares commenced trading on the CSE on November 16, 2017 as a Technology Issuer under the trading symbol "XBLK".

The Company's corporate office is Suite 280, 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7. eXeBlock Inc.'s technical, administrative and sales and marketing office is located at Suite 2001, 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7. The registered office of eXeBlock Inc. is located at Suite 1100, 1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2.

## **AGREEMENT TO ACQUIRE NODALBLOCK CANADA HOLDINGS INC.**

Subsequent to August 31, 2020, the Company entered into a Merger Agreement dated as of December 4, 2020 (the "Definitive Agreement") with Nodalblock Canada Holdings Inc. ("Nodalblock"), pursuant to which the Company will indirectly acquire all the issued and outstanding shares of Nodalblock, which will result in a reverse takeover of the Company (the "Transaction"). Upon completion of the Transaction, eXeBlock will, subject to corporate and CSE approval, change its name to "Oaro Technology Corporation" or such other name as may be approved (the "Resulting Issuer"). The Resulting Issuer will continue the business of Nodalblock.

Nodalblock is a private company formed under the laws of Nova Scotia and operating under the trademark OARO, it connects people to their identities and their information with digital security solutions for Global enterprises including elevated skin temperature screening, photo authentication, facial recognition, paperless ticketing, secure entry solutions and creation of inalterable records. Nodalblock operates in North America from its head office in Halifax Nova Scotia and in Europe through a wholly owned subsidiary incorporated in Spain,

Nodalblock S.L. located in Madrid Spain. Nodalblock's list of customers includes international banks, insurance companies, airports, large manufacturers and the Canadian government.

Pursuant to the terms of the Definitive Agreement:

- The Company shall consolidate its common shares on the basis of one (1) post-consolidation common shares of the Company for each 7.33 pre-consolidation common shares of the Company (the "Consolidation");
- Nodalblock shall split its common shares on the basis of 1.5 post-split common shares of Nodalblock for each one (1) pre-split common shares of Nodalblock (the "Split")
- After the Consolidation and Split, the Company shall effectively acquire each of the post-split issued and outstanding Nodalblock shares, in exchange for one post-consolidation common share of the Company;
- Nodalblock shareholders shall receive one eXeBlock post-consolidation share for each Nodalblock post-split share held; and
- Holders of Nodalblock options and warrants will acquire equivalent options and warrants in the Company.

Nodalblock has advised the Company that it intends to raise additional funding by way of a private placement to advance a new technology product. As a result, the Company expects a delay in the completion of the Transaction and does not anticipate any changes to the terms as outlined above.

## **DIRECTORS AND OFFICERS**

### **Ken Marshall – Director, CEO & President**

Mr. Marshall has extensive experience in the telecommunications industry with Rogers Communications, with senior positions in Marketing, Finance, Operations and Business Development and oversaw numerous new initiatives and launches. Ken has actively served on a number of Boards throughout his career. He holds an MBA from Dalhousie University, and B Comm (honours) from Memorial University.

### **Rob Randall – CFO & Corporate Secretary**

Mr. Randall has served as a CFO for a number of TSX Venture Exchange listed companies over the past eight years and has extensive public company financial experience. Previously, he was the Corporate Controller for Etruscan Resources Inc. and a principal with PricewaterhouseCoopers LLP. Mr. Randall graduated with a Commerce Degree from St. Mary's University in Halifax and obtained his CPA, CA designation in 1987 with Coopers and Lybrand Chartered Accountants where he was appointed as a Principal in 1995. Mr. Randall has been the CFO of Sona Nanotech Inc. since August 2018; Antler Gold Inc. since November 2016 and Torrent Capital Ltd. since August 2016. He previously served as CFO for a number of other public companies from 2012 to 2017. He is a member of the Chartered Professional Accountants of Canada and Nova Scotia and the Past Chair of the Board of the Nova Scotia Sport Hall of Fame.

### **Ian Klassen – Director**

Mr. Klassen has 25 years of experience in public company management, public relations, government affairs and entrepreneurialism. He has extensive experience in public company administration, finance, government and legislative policy, media relationship strategies and project management.

Mr. Klassen is the President of two North American gold exploration companies and sits on the Board of Directors of several private and public companies. Prior to his management activities within private and public companies, Mr. Klassen held a variety of positions within federal Canadian politics including; Senior Political Advisor to the Minister of State (Transportation); and Chief of Staff, Office of the Speaker of the Canadian House of Commons.

Mr. Klassen graduated with an undergraduate Honours Degree from the University of Western Ontario in 1989. In 1992, Mr. Klassen received the Commemorative Medal for the 125th Anniversary of the Confederation of Canada in recognition of his significant contribution to his community and country.

#### **Paul Thomson - Director**

Mr. Thomson is Chief Executive Officer of Meridian DLT (Canada) Ltd. and formerly was Chief Compliance Officer and Dealing Representative at Numus Capital Corporation, an Exempt Market Dealer focused on investments in the private capital markets. He also serves as Corporate Secretary of publicly traded resource company, Antler Gold Inc., a company listed on the TSX Venture Exchange. Mr. Thomson has also served as the Manager of Investor Relations at Numus Financial Inc., a venture capital firm focused on early-stage, high-growth companies since the firm's inception in 2014.

Mr. Thomson serves on the Board of Governors of the University of King's College, where he is on the Executive Committee; Finance Audit and Risk Committee; and Advancement Committee. He also serves on the University of King's College Alumni Association Board and sits on the Finance Committee.

### **SELECTED FINANCIAL INFORMATION and RESULTS OF OPERATIONS**

The following table sets out the financial operating results for the last eight fiscal quarters to February 28, 2021:

|   | Quarter ended Feb 28, 2021 | Quarter ended Nov 30, 2020 | Quarter ended August 31, 2020 | Quarter ended May 31, 2020 | Quarter ended Feb 29, 2020 | Quarter ended Nov 30, 2019 | Quarter ended Aug 31, 2019 | Quarter ended May 31, 2019 |
|---|----------------------------|----------------------------|-------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|   | \$                         | \$                         | \$                            | \$                         | \$                         | \$                         | \$                         | \$                         |
| Professional and consulting fees                                      | 77,531                     | 48,012                     | 68,401                        | 41,175                     | 47,181                     | 81,691                     | 59,974                     | 59,497                     |
| Rent and administrative costs   | 11,626                     | 12,161                     | 9,881                         | 12,077                     | 14,016                     | 12,862                     | 13,837                     | 19,512                     |
| Market development and advertising                                    | 1,418                      | 1,713                      | 2,217                         | 1,153                      | 2,843                      | 660                        | 355                        | (7,220)                    |
| Securities and regulatory   | 6,177                      | 2,630                      | 5,922                         | 2,250                      | 7,853                      | 7,278                      | 2,017                      | 14,039                     |
| Travel  | 706                        | 1,057                      | -                             | -                          | -                          | 5,062                      | 6,753                      | 565                        |
| Salaries, wages and benefits  | -                          | -                          | -                             | -                          | -                          | -                          | 66,426                     | 85,557                     |
| Stock-based compensation  | -                          | -                          | -                             | -                          | -                          | -                          | -                          | 3,416                      |
| <b>Loss before other income and income taxes</b>                      | <b>(97,458)</b>            | <b>(80,573)</b>            | <b>(86,421)</b>               | <b>(56,655)</b>            | <b>(71,893)</b>            | <b>(107,553)</b>           | <b>(149,362)</b>           | <b>(175,366)</b>           |
| Proceeds from the sale of assets                                      | -                          | -                          | -                             | -                          | -                          | -                          | -                          | 1,063,201                  |
| Interest income   | 800                        | 1,054                      | 1,087                         | 4,828                      | 6,654                      | 6,232                      | 7,274                      | 7,090                      |
| <b>Net income (loss) / comprehensive income (loss) for the period</b> | <b>(96,658)</b>            | <b>(79,519)</b>            | <b>(85,334)</b>               | <b>(51,827)</b>            | <b>(65,239)</b>            | <b>(101,321)</b>           | <b>(142,088)</b>           | <b>894,925</b>             |
| <b>Income (loss) per share</b>  | <b>0.002</b>               | <b>0.002</b>               | <b>0.002</b>                  | <b>0.001</b>               | <b>0.001</b>               | <b>0.002</b>               | <b>0.003</b>               | <b>0.02</b>                |
| <b>Weighted average shares outstanding</b>                            | <b>53,539,031</b>          | <b>53,539,031</b>          | <b>51,907,163</b>             | <b>51,476,531</b>          | <b>51,476,531</b>          | <b>51,476,531</b>          | <b>51,476,531</b>          | <b>57,608,839</b>          |

#### **Results of Operations for the periods ended February 28, 2021 and 2020**

The Company reported a net loss in the six months ended February 28, 2021 of \$176,177 or \$0.003 per share as compared to a net loss of \$175,446 or \$0.003 per share for the comparable period. The Company reported a net loss in the current quarter of \$96,658 or \$0.002 per share as compared to a net loss of \$65,239 or \$0.001 per share for the quarter ended February 29, 2020. The Company also earned interest revenue of \$800 in the current quarter and \$6,654 in the comparable quarter. The sale of assets transaction as outlined above generated deemed proceeds of \$1,063,201 or \$0.02 per share in the quarter ended May 31, 2019.

In the current quarter, the Company incurred no salaries, wages and benefits. The Company severed most of its programmers at the end of February 2019 and accrued the associated costs at that time. The Company employed a full-time CEO from June 2018 to August 2019 and has engaged a part-time CEO consultant since August 2019.

In the quarter ended February 28, 2021, the Company incurred professional and consulting fees of \$77,531 as compared to \$47,181 in the quarter ended February 29, 2020. In the current quarter, the Company incurred consulting services fees of \$21,000 (2019 - \$21,000) with Numus based on a monthly fee of \$7,000 per month. In the current quarter, the Company also incurred consulting fees of \$11,850 (2020 - \$11,280) for services of its CFO and part-time CEO contract fees of \$15,000 (2020 - \$15,000). In association with the Transaction, the Company also incurred legal fees of \$21,318 (2020 - \$1,495) and consulting fees of \$15,000 with a Director.

The rental and administrative costs for the current quarter amounted to \$12,161 as compared to \$12,862 in the comparable quarter. The Company also incurred certain securities and regulatory fees of \$2,630 (2019 - \$7,278) associated with the ongoing listing requirements of the Canadian Securities Exchange. In the current quarter the Company incurred market development and advertising costs of \$1,713 (2019 - \$660) and travel costs of \$1057 (2019 - \$5,062).

## LIQUIDITY AND CAPITAL RESOURCES

|                      | As at<br>February 28,<br>2021 | As at<br>August 31,<br>2020 | As at<br>August 31,<br>2019 |
|----------------------|-------------------------------|-----------------------------|-----------------------------|
|                      | \$                            | \$                          | \$                          |
| Cash                 | 1,084,949                     | 1,289,245                   | 1,461,406                   |
| Total assets         | 1,139,531                     | 1,336,762                   | 1,553,219                   |
| Total liabilities    | 38,708                        | 59,762                      | 79,623                      |
| Shareholders' equity | 1,100,823                     | 1,277,000                   | 1,473,596                   |

As of February 28, 2021, the Company had cash resources of \$1,084,949 (August 31, 2020 - \$1,289,245), due primarily to the cash received from the issuance of shares. The working capital balance at February 28, 2021, is \$1,100,823 (August 31, 2020 - \$1,277,000). In August 2020, the Company received proceeds of \$103,025 on the exercise of 2,062,500 warrants. 1,828,057 expired during the year ended August 31, 2020.

Liquidity risk is the risk that the Company will not meet its financial obligations as they become due. The Company has a planning and budgeting process to monitor operating cash requirements, including amounts projected for DApp development costs and operating expenditures, which are adjusted as input variables change. These variables include, but are not limited to, the ability of the Company to generate revenue from current and prospective customers, general and administrative requirements of the Company and the availability of capital markets. As these variables change, liquidity risks may necessitate the need for the Company to issue equity or obtain debt financing.

## OFF-BALANCE SHEET ARRANGEMENTS

eXeBlock has no off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to eXeBlock Inc.

## RELATED PARTY TRANSACTIONS

During the period ended February 28, 2021, the Company incurred consultancy fees of \$42,000 (year ended August 31, 2020 - \$84,000) from a related party, Numus Financial Inc. ("Numus"), a company which provided services under a consultancy agreement for a fee of \$7,000 per month which continues until both Numus and the Company mutually agree to terminate. Numus and its principals are significant shareholders of the Company. Additionally, if the agreement with Numus is cancelled by the Company, a break fee of eighteen months of remuneration, being \$126,000, will be payable to Numus, along with the service fees applicable for the 90-day notice period.

The agreement also provides for the rental of office space and general office services for \$2,550 per month. The Company incurred office rental charges of \$15,300 from Numus for the period ended February 28, 2021 (year ended August 31, 2020 - \$30,600). If the office space and general office services agreement is cancelled by the

Company without notice, a break fee of six months of remuneration, being \$15,300, will be payable to Numus.

In addition, Numus shall have a first right of refusal to act as an advisor on an eXeBlock transaction for a fee of 1.25% of the value of the transaction and Numus, or its subsidiary, shall have a first right of refusal to act as an agent on all financings conducted by the Company.

The Company also incurred consulting and director fees to certain directors and officers. The following table summarizes the expenses incurred during the periods ended February 28, 2021 and 2020:

| <b>Related party</b>   | <b>Six months<br/>ended<br/>February 28,<br/>2021</b> | <b>Six months<br/>ended<br/>February 29,<br/>2020</b> |
|--|---|---|
|  | \$  | \$  |
| Randall Consulting Inc. – for services of Rob Randall, CFO and Corporate Secretary | 23,025  | 37,350  |
| Clarity communications Inc. – CEO fees of Ken Marshall                             | 30,000  | 30,000  |
| Consulting fees - Paul Thomson, Director   | 15,000  | -   |

## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### **Market Risk**

#### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk exposure arises from the Company entering into transactions which are denominated in currencies other than its functional currency.

The Company is exposed to currency risk on its accounts payable and accrued liabilities that are held in currencies that are not in the transacting entity's functional currency. As at August 31, 2019, a 5% increase or decrease in the exchange rate between the functional currency and foreign currencies would have no effect on the net loss. The Company currently does not hedge its currency risk.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. An immaterial amount of interest rate exposure exists in respect of cash balances on the statement of financial position. As a result, the Company is not exposed to material cash flow interest rate risk on its cash balances.

#### *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 with the Company. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. Cash is held with reputable banks in Canada. The long-term credit rating, as determined by Standard and Poor's, was A+.

### **RISK FACTORS**

The Common Shares should be considered highly speculative due to the nature of the Company's business and the present stage of its development. In evaluating the Company and its business, investors should carefully consider, in addition to the other information contained in this MD&A, the following risk factors. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with the Company's operations. There may be other risks and uncertainties that are not known to the Company or that the Company currently believes are not material but which also may have a material adverse effect on its business, financial condition, operating results or prospects. In that case, the trading price of the Common Shares could decline substantially, and investors may lose all or part of the value of the Common Shares held by them. An investment in securities of the Company should only be made by persons who can afford a significant or total loss of their investment.

## ***Risk Factors Associated with eXeBlock's Business***

### ***Limited Operating History***

eXeBlock has limited operating history. The Company and its business prospects must be viewed against the background of the risks, expenses and problems frequently encountered by companies in the early stages of their development, particularly companies in new and rapidly evolving markets such as the cryptocurrency and blockchain market. There is no certainty that the Company will operate profitably.

### ***No Profits to Date***

eXeBlock has not made profits since its incorporation and it is expected that it will not be profitable for foreseeable future. Its future profitability will, in particular, depend upon its success in defining a path forward with technology that has a defined path to profit. Because of the limited operating history, the changes in the business and the uncertainties regarding the development of blockchain technology, management does not believe that the operating results to date should be regarded as indicators for eXeBlock's future performance.

### ***Additional Requirements for Capital***

Substantial additional financing may be required if the Company is to be successful at pivoting to a technology business with revenue opportunities. No assurances can be given that the Company will be able to raise the additional capital that it may require for its anticipated future development. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

### ***Negative Operating Cash Flow***

eXeBlock does not generate operating revenue and has negative cash flow from operating activities. It is anticipated that the Company will continue to have negative cash flow in the foreseeable future. Continued losses may have the following consequences:

- (a) increasing the Company's vulnerability to general adverse economic and industry conditions;
- (b) limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, operating costs and other general corporate requirements; and
- (c) limiting the Company's flexibility in planning for, or reacting to, changes in its business and industry.

### ***Development of Blockchain Technology***

Blockchain technology is a young and rapidly growing business area. Currently, blockchain software is dependent on the widespread acceptance of cryptocurrency as a means of payment within the digital economy. For a number of reasons, including, for example, the lack of recognized security technologies, inefficient processing of payment transactions, problems in the handling of warranty claims, limited user-friendliness, inconsistent quality, lack of availability of cost-efficient high-speed services and lack of clear universally applicable regulation as well as uncertainties regarding proprietary rights and other legal issues, it cannot be ruled out that such cryptocurrency activities may prove in the long run to be an unprofitable means for businesses.

In particular, the factors affecting the further development of the cryptocurrency industry include:

- (a) Worldwide adoption and usage of bitcoins and other cryptocurrencies;
- (b) Regulations by governments and/or by organizations directing governmental regulations (such as the European Union) regarding the use and operation of and access to bitcoins and cryptocurrencies;

- (c) Changes in consumer demographics and public behavior, tastes and preferences;
- (d) Redirection and liberalization of using fiat currencies as well as the development of other forms of publicly acceptable means of buying and selling goods and services; and
- (e) General economic conditions and the regulatory environment relating to cryptocurrencies.

#### *Regulatory Risks*

Changes in or more aggressive enforcement of laws and regulations could adversely impact the Company's business. Failure or delays in obtaining necessary approvals could have a materially adverse effect on the Company's financial condition and results of operations. Furthermore, changes in government, regulations and policies and practices could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Regulatory agencies could shut down or restrict the use of platforms or exchanges using virtual currencies or blockchain based technologies. This could lead to a loss of any investment made in the Company and may trigger regulatory action by the BCSC or other securities regulators.

The legal status of cryptocurrency varies substantially from country to country and is still undefined and changing in many of them. While some countries have explicitly allowed its use and trade, others have banned or restricted it. Likewise, various government agencies, departments, and courts have classified cryptocurrencies differently.

#### *Dependence on Third Party Relationships*

The Company is dependent on a number of third-party relationships to conduct its business and implement expansion plans including the outsourcing of a variety of business functions ranging from accounting and bookkeeping services, employee salary and deduction providers, server and email providers and similar vendors. It cannot be assured that all of these partnerships will turn out to be as advantageous as currently anticipated or that other partnerships would not have proven to be more advantageous. In addition, it is impossible to assure that all associated partners will perform their obligations as agreed or that any strategy agreement will be specifically enforceable by the Company.

#### *Dependence on Internet Infrastructure; Risk of System Failures, Security Risks and Rapid Technological Change*

The success as a developer of blockchain platforms will depend by and large upon the continued development of a stable public infrastructure, with the necessary speed, data capacity and security, and the timely development of complementary products such as high-speed modems for providing reliable internet access and services. Cryptocurrency has experienced and is expected to continue to experience significant growth in the number of users, amount of content and bandwidth availability. It cannot be assured that the cryptocurrency infrastructure will continue to be able to support the demands placed upon it by this continued growth or that the performance or reliability of the technology will not be adversely affected by this continued growth. It is further not assured that the infrastructure or complementary products or services necessary to make cryptocurrency a viable medium for digital payments will be developed in a timely manner, or that such development will not result in the requirement of incurring substantial costs in order to adapt the Company's services to changing technologies.

#### *Intellectual Property Rights*

The only significant intellectual property rights are certain domain names which eXeBlock owns as well as the licenses which have to be in accordance with certain industry standards. The Company does not believe that it is dependent on any of these intellectual property rights; however, the loss of several of them at any one time could harm its business, results of operations and its financial condition. Although the Company is not aware of violating commercial and other proprietary rights of third parties, there can be no assurance that its products do not violate proprietary rights of third parties or that third parties will not assert or claim that such violation has occurred. Although no legal disputes in this respect or perceptible detrimental effects on eXeBlock business have arisen to date, any such claims and disputes arising may result in liability for substantial damages which in turn could harm the Company's business, results of operations and financial condition.



### *Changes in the Blockchain Network Protocol*

The cryptocurrency network is based on a protocol governing the peer-to-peer interactions between computers that are connected to each other within the cryptocurrency network. The governing code regulating such math-based protocol is informally managed by a development team. This development team, though, might propose and implement amendments to the cryptocurrency network's source code through software upgrades altering the original protocol, including fundamental ideas such as the irreversibility of transactions and limitations on the validation of blockchain software distributed ledgers. Such changes of the original protocol and software may adversely affect an investment in the Company.

### *Recording of Transactions*

It is feasible that blockchain validators will cease to record transactions in solved transaction blocks. In particular, transactions that do not include the payment of transaction fees will not be recorded on the blockchain until a transaction block is solved by validators who are not required to pay such transaction fees. Any widespread delays in the recording of transactions could result in a loss of confidence in the blockchain network which could adversely affect an investment in the Company.

### *Competition*

The market for blockchain technology and DApps is highly competitive on both a local, national and international level. The Company believes that the primary competitive factors in this market are:

- product features, functionality and ease of use;
- ongoing product enhancements;
- price;
- quality service and support; and
- reputation and stability of the vendor.

The current marketplace in Canada is dominated by other new adopters to new technology and the Company will face substantial competition from other established competitors, which have greater financial, technical, and marketing resources than it does. The Company's competitors may also have a larger installed base of users, longer operating histories or greater name recognition than the Company will.

### *Key Personnel*

The future success of the Company will depend, in large part, upon its ability to retain its key management personnel and to attract and retain additional qualified marketing, sales and operational personnel to form part of its technical and customer services support center. The Company may not be able to enlist, train, retain, motivate and manage the required personnel. Competition for these types of personnel is intense. Failure to attract and retain personnel, particularly marketing, sales and operational personnel as well as consultants, could make it difficult for the Company to manage its business and meet its objectives.

Failure to manage growth successfully may adversely impact the Company's operating results. The growth of the Company's operations places a strain on managerial, financial and human resources. The Company's ability to manage future growth will depend in large part upon a number of factors, including the ability to rapidly:

- (a) build and train development, sales and marketing staff to create an expanding presence in the evolving marketplace for the Company's products;
- (a) attract and retain qualified technical personnel in order to administer technical support required for customers located in Canada, the United States and other countries around the world;
- (b) develop customer support capacity as sales increase, so that customer support can be provided without diverting resources from product sales efforts; and
- (c) expand internal management and financial controls significantly, so that control can be maintained over operations as the number of personnel and size of the Company increases.

- (d) Inability to achieve any of these objectives could harm the business and operating results of the Company.

#### *Management of Growth*

The Company may be subject to growth-related risks including pressure on its internal systems and controls. The Company's ability to manage its growth effectively will require it to continue to implement and improve its operational and financial systems. The inability of the Company to deal with this growth could have a material adverse impact on its business, operations and prospects. While management believes that it will have made the necessary investments in infrastructure to process anticipated volume increases in the short term, the Company may experience growth in the number of its employees and the scope of its operating and financial systems, resulting in increased responsibilities for the Company's personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Company will also need to continue to implement and improve its operational, financial and management information systems and to hire, train, motivate and manage its employees. There can be no assurance that the Company will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support the Company's operations or that the Company will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth.

#### *Conflicts of interest*

The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. Conflicts, if any, will be subject to the procedures and remedies as provided under the BCBCA.

To the best of the Company's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest between the Company and its directors and officers except that certain of the directors and officers may serve as directors and/or officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

#### *Currency Risk*

To the extent that the Company expands its business into the United States and Europe, the Company will be exposed to foreign currency fluctuations to the extent that certain operations are located in the United States and Europe and therefore certain expenditures and obligations are denominated in US dollars and Euros, yet the Company is headquartered in Canada, has applied to list its Common Shares on a Canadian stock exchange and typically raises funds in Canadian dollars. As such, the Company's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company.

#### *No dividend history*

No dividends have been paid by the Company to date. The Company anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the board after taking into account many factors, including the Company's financial condition and current and anticipated cash needs.

### **CRITICAL ACCOUNTING POLICIES**

eXeBlock's significant accounting policies and new accounting standards issued but not yet effective are disclosed in note 2, *Summary of Significant Accounting Policies*, of the consolidated financial statements of eXeBlock Technology Corporation for the year ended August 31, 2020.

Information about critical accounting judgments and estimates in applying accounting policies that have the most significant impact on the amounts recognized in the audited consolidated financial statements are outlined below.

### **SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the financial statements in conformity with IFRS requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates. Estimates are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical accounting judgments and estimates in applying accounting policies that have the most significant impact on the amounts recognized in the audited consolidated financial statements are outlined below.

### **OUTSTANDING SHARE INFORMATION**

The Company has authorized an unlimited number of common shares without par value. As at February 28, 2021, and April 27, 2021 the Company had 53,539,031 common shares outstanding.

As at February 28, 2021, and April 27, 2021, the Company had no outstanding common share purchase warrants or stock options.

### **OTHER INFORMATION**

Additional information regarding the Company is available on the SEDAR website at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.exeblock.ca](http://www.exeblock.ca).