ZeU Technologies Inc.

(Formerly Crypto Networks Inc.)

MANAGEMENT DISCUSSION AND ANALYSIS

NINE MONTHS ENDED SEPTEMBER 30, 2020

Date prepared: November 30, 2020

The following Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") for ZeU Technologies Inc. ("Company") should be read in conjunction with the audited financial statements for the year ended December 31, 2019 and the nine months ended September 30, 2020. Those financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All currency amounts are in Canadian dollars, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements with respect to the Company. These forward-looking statements, by their very nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated. The Company considers the assumptions upon which these forward-looking statements are based to be reasonable, but cautions the reader that these assumptions regarding future events, many of which are beyond the Company's control, may ultimately prove to be incorrect.

OVERVIEW

The Company was incorporated under the Canadian Corporation Act on January 4, 2018 as a subsidiary of. St-Georges Eco-Mining Corp. (the "St-Georges") a publicly traded corporation listed on the Canadian Securities Exchange under the trading symbol "SX". The Company has become Independent from St-Georges by way of Plan of Arrangement finalized on December 24, 2019 when its common shares were listed for trading on the Canadian Securities Exchange under the trading symbol "ZEU". The Company changed its name to ZeU Technologies Inc. on October 15, 2020. The change was approved at the annual and special shareholders meeting on August 28, 2020.

The Company is a forward-thinking Canadian technology company that provides the foundation for the next generation of private and secure communication. The Company plans to initially commercialize its Random Number Generator on the blockchain solution in collaboration with gaming operators and to commercialize its blockchain-based email solution. The Company's technology maximizes transparency, security, and scalability as well as big data management. The Company's strategy is to monetize blockchain distributed ledger technology transactions in diverse sectors such as payment, gaming, data and healthcare.

In May 2018, St-Georges signed an Arrangement Agreement (the "Arrangement") providing for the spin-out of the Company with the intent of listing the Company on the Canadian Securities Exchange (the "CSE").

In July 2018, the Superior Court of Quebec approved the Arrangement, and filed to obtain conditional approval from the CSE to list the Company, the last required condition to complete the distribution of the Company shares to the St-Georges' shareholders of record on August 7, 2018. St-Georges' shareholders will receive approximately one share of the Company, for every eight shares they own of the St-Georges share.

On December 24, 2019, the CSE has accepted the listing of the common shares of the Company, and the Company started trading on the CSE on December 30, 2019 under the symbol "ZEU". On the effective date, the Company ceased to be a wholly-owned subsidiary of St-Georges upon the distribution of 11,098,074 shares of the 20,000,000 shares held by St-Georges to the St-Georges' shareholders pursuant to the Arrangement. As at September 30, 2020, the Company is holding 113,813 shares to be distributed to certain

St-Georges' shareholders at a later date, and St-Georges retained 8,750,175 shares of the Company.

DESCRIPTION OF BUSINESS

The Company has been working on a series of patents with a focus on technologies that can be quickly commercially deployed and conducted tests on potentially patentable new applications and testing smart contract improvements for applications in the gaming industry.

In October 2018, a US provisional patent titled "Biocrypt Digital Wallet" was filed. The invention is a newly designed biometric digital wallet allowing the cold storage of cryptocurrencies.

In early December 2018, the Company filed a provisional patent titled "System and Method for Augmenting Database Applications with Blockchain Technology". The application developed by the Company and related to this invention patent provides a migration method that allows a database application that accesses a local database to be synchronized with a blockchain. The invention is protocol-agnostic and the management believes that it could be used as a gateway to share data between applications using different protocols.

On December 21, 2018, the Company executed an agreement with Prego International Group AS to develop and integrate certain proprietary technologies in a Global Multi Payment and E-Money Services Platform ("Services"). Prego is a global payment solution provider based in Norway. It develops and operates a range of payment services for partners and clients worldwide, including Everyday Digital.

On September 28, 2020, the Company entered into an arm's length binding letter of intent with Prego and its majority shareholder to acquire all of Prego's outstanding securities. Prego is currently debt-free and it has posted a profit in the last eight quarters. Management is expecting to improve significantly on these results over the next 18 months.

The Company will acquire 100% of issued and outstanding securities of Prego, though a wholly owned subsidiary for consideration of:

- $8,125,000 paid as
    a. $7,500,000 in the form of unsecured convertible debentures issued by the subsidiary to be created; and
    b. $625,000 through the issuance of 2,500,000 common shares of the Company at a deemed price of $0.25 per share.

- The issuance of 7,500,000 non-transferable share purchase warrants of the Company, each entitling the holder to acquire on common share of the Company at a price of $0.60 per share for a period of 24 months from the closing of the transaction.

    The principal amount of the convertible debentures will bear interest at a rate of 6% per annum from and including their date of issue until the earlier of their date of conversion and the date which is 48 months from the closing date, and will be redeemable at any time until the maturity date.

    The principal amount of the convertible debentures together with the accrued interests will automatically convert into common shares of the subsidiary on the earlier of (i) the maturity date; and

(ii) a liquidity event, at a conversion price equal to the higher of (a) $1.00; and (b) the last financing price of the subsidiary.

The convertible debentures holders will also have the option at any time after the closing date and prior to the earlier of (i) the maturity date; and(ii) a liquidity event, to convert all of the principal amount together with accrued interest into common shares of the Company at a price equal to the higher of (a)$1.00; and (b) the 5 days VWAP of shares of the Company.

The shares of the Company issued pursuant to the transaction, and upon any conversion triggered by the holders of the convertible debentures will be subject to a voluntary resale restriction of one year form the closing date, or the date of conversion, respectively.

The subsidiary will be owned 100% by the Company at creation with 2,500,000 shares outstanding.

The transaction completion is conditional on several provisions, including completion of a definitive agreement, final due diligence, Prego minority shareholders' approval and other regulatory review. A finder's fee in connection to the transaction may be paid.

In January 2019, the Company filed a provisional patent in relation to a distributed and decentralized method of random number generation. The provisional patent is titled "A Method for Generating Random Numbers in Blockchain Smart Contracts". This method ensures that it is impossible to manipulate the random number seed or the block content. Initially developed to address issued with gaming applications, the technology will also be deployed for testing with partners to create fundamentally more secure financial transactions. The technology can also be applied wherever impartiality is required: double-blind medical trials, computer-simulated training, random sampling for quality assurance, even a military draft.

On February 4, 2019 the Company executed an asset purchase agreement with VN3T Technologies Inc. and its subsidiaries, collectively "VN3T", an arm's length party to acquire the key IP of VN3T's decentralized data marketplace platform and secured development services. VN3T is based in Montreal and Gibraltar, it develops, manages and markets a decentralized data marketplace.

Under the agreement, the Company will pay $150,000 to VN3T for the IP by the issuance of a debenture of the Company maturing two years from its issuance and convertible into common shares of the Company at a price equal to the 5-day VWAP of the shares on the Canadian Stock Exchange, subject to a minimum of $1.85. The Company agreed to retain the services of the VN3T for a gross amount of $60,000 to assist with the development of certain aspects of the IP. As at September 30, 2020, $220,000 was expensed in further research and development as the technological feasibility has not yet been achieved.

On February 25, 2019, the Company retained the services of Cassiopeia Services Ltd., a UK based communication and investor awareness firm specialized in blockchain out of London UK. Cassiopeia Services Ltd. is thriving in the booming blockchain and crypto world with multiple clients working on innovative projects powered by new technologies in different industries. The Company will pay £5,000 quarterly to Cassiopeia starting March 31, 2019. The Company also granted Cassiopeia 50,000 common share options with an exercise price of $1.25 per share and $50,000 debentures convertible at a price of $1.00 per share. On February 11, 2020, $50,000 convertible debenture was converted into 50,000 common shares of the Company.

On March 3, 2019, the Company filed a provisional patent for Blockchain-Based Secure Email System. A complete blockchain email system supports both internal and cross-chain emails with the potential to interact with non-blockchain email systems. Through this method, as long as the sender or the recipient of the email is a blockchain mailbox, the email information will be recorded in the blockchain to ensure the authenticity of the email. Moreover, when blockchain mailboxes exchange messages, the email information will be encrypted and stored in distributed storage; only the recipient can obtain the unique cipher key and storage location of the email, thereby ensuring the security of email transmissions.

Mula Mail and the suite of related applications attached to it has become the Company's flag ship application. Mula Mail aims to marry email and marketing by allowing corporations to buy marketing campaigns. Mula Mail will be a freemium email, allowing users to opt out of marketing campaigns for a low monthly fee. However, users who engage with the marketing campaigns will receive vouchers that can be redeemed against products and services. For user not wishing to engage with brands but still want the benefits of a blockchain email, they can opt-out for a small monthly fee.

The Mula Platform team is growing and currently has five core developers. The first alfa built of the Mula Platform was completed and deployed in February 2020. In April 2020, planning started on a third product of the Mula suite (Encrypted video-conferencing and virtual office). Planning was also done for a BaaS connector to allow third-party developers to connect their applications to the platform.

On March 8, 2019, the Company agreed to provide its patent pending Blockchain Random Number Generator and other related blockchain technologies to St. James House PLC (LSE: SJH) ("St. James"), a UK licensed gaming operator, by the way of joint-venture for the establishment of a blockchain lottery. The agreement calls for the establishment of a new lottery joint-venture with its main license in Malta.

The Lottery Joint-Venture ("Lottery JV") will combine St. James' expertise in regulated lottery management and administration with the Company's innovative blockchain based technology. St. James' will act as the lottery operator and hold a 45% equity interest in the Lottery JV, and the Company will hold 19.91%, St-Georges will hold 19.9% and the balance with independent investors.

When all technology operating costs of the Lottery JV meet by the Company, and in return the Company will charge a service fee that will not exceed 90% of the revenues from the Lottery JV. Profits generated by the Lottery JV will be distributed as a dividend to the shareholders.

Additional consideration, in excess of the 19.9% of the net profits that it will receive and of the revenues generated for the technology usage, the Company will receive from St. James 'new UK subsidiary, LottoCo, 100,000 non-voting, zero-coupon redeemable preferred shares of a par value of 2 pence ("Preferred Shares"). The Preferred Shares will be redeemable in 21 years, the redemption price of the Preferred Shares to be fixed within three months after the issue of the audited accounts of the Lottery JV for the second year of operations and will be based on an independent valuation report. At the discretion of the Company, the Preferred Shares may be exchanged on the basis of one Preferred Share for two ordinary shares of 1 pence each in St. James ("Ordinary Shares"), with notice to be given one day before the Preferred Shares are due to be redeemed in 21 years, i.e. a maximum of 200,000 Ordinary Shares may be issued.

On August 2, 2019, the Company and St. James House have executed a long form agreement for the creation of a Maltese Joint-Venture corporation that will manage the operation of a blockchain-based lottery operated by St. James and developed and maintained by the Company.

During the year ended December 31, 2019, the Lottery JV was being incorporated and established in Malta. The relevant license will be applied for from the Maltese authorizes once the Lottery JV has suitable progressed and once sufficient testnet data is collected to support the license review process. As at September 30, 2020, the Lottery JV is awaiting the finalization of a series of games and lotteries applications being developed by the Company.

As at September 30, 2020, the Lottery JV remains inactive, but is expected to commence in the winter of 2020.

On May 28, 2019 the Company signed a binding term sheet with Star Epigone Capital Ltd. ("Star Epigone") of the British Virgin Islands to provide a license for its Random Number Generator to be used by Star Epigone in its online gaming product offering. Star Epigone has access to an already established clientele through its online gaming business and is planning to integrate lotteries and other gambling offerings using the Company's technologies solutions. All development and licensing costs will be covered by Star Epigone, the operator. The final agreement is subject to regulatory approval.

The Company also entered into a binding term sheet to acquire 2,100,000 first rank preferred shares of vSekur Network Ltd. ("vSekur"). The shares have a redemption value of $1.00 and bear a 6% annual interest. The preferred shares can be converted into common shares of vSekur at the current value of $1 each, or at the last equity raise price.

The Company will have the right to maintain its equity position with a right of first refusal in all future financing efforts of vSekur. If converted in common shares, this would represent more than 21% of the outstanding common shares of the Company.

vSekur is already developing the individual/client account security component of the Company's SaaS initiative. It will now become the primary provider of anonymization solutions for the different development segments of the Company.

The binding term sheet also states that the Company will enter into an exclusive partnership agreement in order to provide cybersecurity solution services in the blockchain market.

The Company plans to subcontract the security component of its healthcare data SaaS solution representing an initial estimate of approximately $1,500,000 over the next two years. The Company and vSekur estimate the initial six months design costs to be a minimum of $120,000 to which the Company will contribute $60,000, and an additional $640,000 in the following two years. As at September 30, 2020, the Company has expensed $280,000 for this project.

Under the binding term sheet, the Company will issue to vSekur approximately 215,325 convertible debenture units with a minimum floor conversion of $3.25 for one year. As at September 30, 2020, the acquisition and long-term development portions of the agreement are being reviewed and the transaction is being renegotiated.

On August 8, 2019, the Company filed with the US Patent Office a provisional patent application named "A method and system to complete cross-chain transactions" for its Cross-Chain Atomic Swaps & Contract-less Distributed Ledger Applications Interoperability, the augmented engine and structure of the Company's Internet of Blockchain. The engine is agnostic to any and all blockchain protocols currently on the market or expected in the future.

On August 18, 2019, the Company filed with the US Patent Office a provisional patent application named "A Method and System for a Transactional Decentralized Communication Protocol Infrastructure (using the Company's Cross-Chain Multi-Chain Atomic Swap)" for a New Internet Communication Protocol. The protocol will enable a smoother transition of legacy systems into the distributed digital economy, or Web 3.0. This patent describes a method to create a highly-scalable, smart contract-less communication protocol, much like TCP/IP, using distributed consensus, an atomic transaction framework, Unspent Transaction Output (UTXO), and a Byzantine Fault Tolerance standard. This protocol leverages the cross-chain, multi-chain particularities of the Company's Atomic Swap.

In October 2019, the Company filed a new patent named "Method and system for distributed data real-time backup and recovery based on blockchain". Based on blockchain technology, the data stored can never be altered. With no central node, the system displays none of the vulnerabilities of traditional backup methods. All historical data changes are recorded, allowing users to restore data to a specified data snapshot. Compared to conventional data backup and recovery, this method combines real-time performance, security, and reliable data storage while being flexible enough to handle even difficult requirements. A recorded demo is due in November, and the solution will be released in an on-premise solution comprising of a dashboard and licensed software within nine weeks.

The Commercial deployment of vBunker will feature a module called OnChain Backup jointly developed with the Company, which enables any user to instantly backup files and data on the blockchain. The user can then recover the full length of data at any moment should be compromised for any reason such as ransomware, virus, or any other failures. The vBunker technology is co-owned with vSekur and a commercial alpha version, anonymized and using a freemium enrollment model, is expected to be deployable in the third quarter of 2020.

On November 13, 2019, the Company completed a 12% unsecured convertible debentures financing for an aggregate principal amount of $7,834,000, subscribed in consideration of digital assets, consisting 24,000,000 Kamari("KAM"), at a deemed value of $0.326 each.

On November 13, 2019, the Company also executed a joint venture agreement with Kamari Limited ("Kamari") of Malta for the joint development and deployment of lotteries and gaming offering in Africa ("JV Co.").

Under the terms of the JV Co., both parties agreed to invest up to Euro 50,000, the Company agreed among other things, to grant JV a non-exclusive license to its technologies in exchange for a 30% interest in JV Co., and Kamari agreed to provide JV Co. with support in accessing online lottery markets exchange for a 70% interest in JV Co. As at September 30, 2020, the JV Co. remains inactive.

On December 5, 2019, the Company filed a new provisional patent entitled "Method and System for Converting Database Applications into Blockchain Applications". The new IP provides a convenient method for combining traditional applications with blockchain technology. This method does not require any modifications to existing applications. Multiple applications on different nodes can automatically perform global data consensus to prevent data conflicts. Each node monitors the blocks on blockchain and synchronizes the data back to the database. In the case of conflicting or illegal data, the data can not pass consensus and synchronize with the other nodes in the blockchain. The local nodes automatically roll back when detecting invalid data.

On January 14, 2020, the Company's encryption team completed the testing of its new symmetric asynchronous generative encryption or SAGE, a ground-breaking post-quantum encryption algorithm. The Company filed a provisional patent application with the US Patent Office titled "Symmetric Asynchronous Generative Encryption". The development of the algorithm was spearheaded by a joint team of shared resources between the Company and vSekur. As a result of the joint effort, the Company will issue a perpetual license to vSekur. The mechanics of the license and the mutual royalties are being negotiated.

The algorithm uses random number generation, currently the Company's Patented RNG, a code, and an encryption key to ensure the security of data. Furthermore, the key mutates every time it is used, always keeping data ahead of decryption. In addition, it does all this without sacrificing performance.

On January 31, 2020, the Company entered into a binding term sheet with Dalgo Inc., a New York AI Specialist & Data Trading Exchange Developer, that established the guidelines of a co-development, platform integration and licensed commercialization of its new symmetric asynchronous generative encryption or SAGE.

The binding term sheet executed with Dalgo Inc. calls for the signature of a series of long-form agreements within 45 days. Dalgo Inc. will be integrated into the stage 2 development of the MulaMail data trading platform and in the SaaS Patient HealthCare data auction module development. Dalgo Inc. will integrate the Company's encryption technology into its own suite of solutions and will allocate resources to allow the tech to participate in the 2020 cycle of the US Federal Procurement Process including but not limited, to the DoD Procurement Cycle.

SAGE Protocol has passed through another layer of validation and optimization during the month of February 2020. While the effort is still ongoing, the joint team has significantly advanced development work and made some fundamental breakthroughs.

SAGE has become exponentially more performant and exponentially more complex. Consequently, it has become more difficult to break in order of magnitude. It is now possible to use SAGE with an unlimited number of layers and at the highest 64 or 128 bits encoding.

The new version. SAGE V2.0 will be coded and implemented as a high-level demonstrator in order to be tested by industry interested parties who made the request. Additional R&D is still on-going and it is expected that uses and application s of ZeU/Vsekur's new family of generative encryption should be portable to a vast array of applications.

The Company will subscribe to 10% of the outstanding common shares of Dalgo Inc. By issuing $300,000, 3 –year, 10% convertible debenture with a conversion floor price of $1.00. The interest and capital can be repaid in shares at the discretion of the Company. The securities issued will be under a regulatory hold period.

On February 23, 2020, the Company presented the Mula plugin running on Microsoft Outlook. The Company has launched the https://mulamail.io website and the beta test period for the Mula plugin in small cohorts started on February 29, 2020.

The Mula Platform was designed to make privacy technology approachable by embedding it in products people use in their daily lives. User data is firmly in the hands of the user to sell, donate, keep, or give away. The Mula Platform rolls out in phases with each module designed to work seamlessly with each other.

The phases are:

- Privacy phase launches with MulaNetwork, MulaMail, MulaMessage, and MulaWallet;
- Understanding phase contains MulaMicrofinance, MulaGraph, and MulaMeet;
- Ethical Marketing phase is MulaMarketplace;
- Exploration phase includes MulaBrowser, a smart blockchain browser focused on privacy, security and data ownership, and MulaCloud;
- Millennium phase looks toward the future and future development.

The Company imposed restrictions on its beta program in March 2020, only 1,000 beta testers accepted into the program and obtained the premium version for free for life. Shareholders and stakeholders of the Mula program are still able to obtain an email under the same conditions as before. New subscribers are enrolled in the standard product offering.

Development work started on a third product of the Mula suite (Encrypted video-conferencing and virtual office. Planning done for a BaaS connector for third-party developers). The Development resources planned to be moved to Borealis derivatives DEX EHF ("Borealis") production version of its DEX Decentralised Markets. Borealis is a Decentralized, Distributed, Digital Derivative Marketplace.

On June 2020, four categories of the Company's blockchain-based games are being deployed on the EOS Testent network in an effort to collect data for the next 90 days. The generated dataset is a requirement for most of the Company's clients currently in operation or in the process of obtaining regulated gaming licenses. The four games being deployed are dice, lottery, auction and slot.

On August 13, 2020, the Company initiated the process to obtain a license to operate a financial institution in Malta. The Company will integrate remittance and micro-lending, as well as creation Mula and ZeU-branded debit and credit cards to integrate with ZeU Crypto wallets and Mulamail accounts using the Company's stable staking tokens. The first of the utility tokens is planned to launch in the fourth quarter of 2020 and will be based on the EOS network. The financial institution license will not force the Company to act as a custodian since regulation of that particular license for these types of licensed institutions identifies the central bank as the custodian for fiat deposits. Peer-to-peer financial ecosystem created will allow certain Mula subscribers and ZeU/Mula token stakeholders to benefit from the mutualization of the profits from the credit card and debit card operations. Furthermore, the digital asset or cryptocurrency transactions pushed to the debit card or credit card settlement network will be powered by the Company's atomic swap technology and will transit via the stable staking token before being settled in fiat.

The Company expect to have the ability to distribute card in the first half of 2021. The technological platform and the infrastructure should be in place in the first quarter, and the commercial rollout will occur shortly after the obtention of the operating license. The European Union's GDPR rules regulate Malta's banking and financial institutions. Therefore, it will not allow the Mula Black version to participate in the program.

MulaMail beta testing has been halted momentarily. The Company will have to roll back some development and redesign part of its core due to some unexpected legal issues. The current full version of the plat form initially expected to be deployed would be deemed illegal for distribution in the United Kingdom. This determination would probably be imitated in other FIVE Eyes (EVEY) countries, like Australia, New Zealand, Canada, and the United States.

The requirement to allow Lawful Interception (LI) forces the Company to release the product in different versions. The new version, code-named MulaBlack, will be ready later this year; however, certain Mula modules will be restricted due to the intended client base. A version allowing live LI on the client-side, code-named MulaPurple, will be deployed in parallel. This version will be the new commercial Mula Premium application. The Company now expects to have the new development effort relaunched in November 2020 and expects to have commercial services live in the first quarter of 2021.

Data continues to be gathered on the usage and behavior related to the blockchain gambling games deployed on the EOS tesnet. No difficulties have been encountered; the test period should be completed in Early 2021. The development of a full suite of P2P casino games is currently underway, including skills games and smart contract components that will allow the users to create their own gaming and gambling offers. The design phase of a series of skill games is also ongoing with a potential gaming partner.

During the period ended September 30, 2020, the development of Borealis Derivative Marketplace has accelerated. The pseudo-coding phase of the Marketplace's platform has been initiated with the initial effort focused on the asset-spent back-stopped token. The Company monitored and learned from the recent HODLdex initiative, allowing for important paradigm changes in the conception of the marketplace. The roll-out of the marketplace commodity token should occur in late summer. The development of a stable staking token has started. The Company is working on the first staking token based on EOS Blockchain that will be part of the Borealis baseline. A significant change with one DAO provider has forced the Company's development team to develop additional components in-house, pushing the expected prototype roll-out date in the fourth quarter of 2020. Working with third parties will generate income in the form of digital assets that the Company expects to monetize starting at the end of the fourth quarter of 2020 or in the first quarter of 2021. The DAO component should entice additional development firms to join the company ecosystem. Borealis mandate currently makes up the largest part of revenue of the Company. As at September 30, 2020, the Company recorded a gain of $208,000 on the development services to Borealis.

Discussions are underway with Kamari to establish a parallel staking contract to stabilize the KAM token and allow DeFi staking/lending capabilities within the Kamari Eco-System. This development is dependant on the progress made on Borealis DEX.

RESULTS OF OPERATIONS

For the period ended September 30, 2020, the Company recorded a net loss of $17,377,869 (2019 – $1,269,920) and had accumulative deficit of $26,737,382 (2019 - $5,681,980). The Company had no source of operating revenues or any related operating expenditures.

SELECTED ANNUAL INFORMATION

The following table provides a brief summary of the Company's financial operations for the prior two fiscal years.

For the year ended December 31	2019 $	2018 $
Cash	62,673	541,795
Digital assets	9,690,414	705,390
Working capital	5,445,679	684,368
Total assets	22,417,196	1,247,185
Shareholders' equity (deficiency)	14,399,386	(3,494,957)
Net loss and comprehensive loss for the year	(4,947,453)	(4,412,060)
Basic and diluted loss per share	(0.25)	(0.22)

Year ended December 31, 2019:

The Company had no revenue, The Company incurred a net loss of $4,947,453 in 2019. Operating expenses were $3,331,791, the company recorded an unrealized loss on digital assets of $1,528,913 due to the general change in digital assets in the market, loss on sale of marketable digital assets of $72,124, gain on payment with marketable digital assets of $6,010, and loss on fair market value change in derivative liability of $20,635.

Year ended December 31, 2018:

The Company had no revenues. The Company incurred a net loss of $4,412,060 in 2018. Operating expenses were $1,408,758, and the Company recorded an unrealized loss on digital assets of $3,003,302 due to the general decline in digital assets in the market.

SUMMARY OF QUARTERLY RESULTS

The following table outlines selected unaudited financial information of the Company for the last eight quarters.

	Sept.30, 2020	*Jun.30, 2020*	*Mar.31, 2020*	*Dec.31, 2019*
Total assets	6,434,989	6,566,875	21,862,830	22,417,196
Working capital (deficiency)	(71,490)	(623,007)	6,993,018	5,445,679
Shareholders' equity (deficiency)	(2,774,397)	(2,331,781)	13,371,628	14,399,386
Revenue	-	-	-	-
Net income (loss)	(628,452)	(15,703,409)	(1,046,008)	(3,692,093)
Net income (loss) per share	(0.03)	(0.64)	(0.04)	(0.18)

	Sept.30, 2019	*Jun.30, 2019*	*Mar. 31, 2019*	*Dec. 31, 2018*
Total assets	868,853	2,005,603	1,421,384	1,247,185
Working capital	(5,405,785)	496,294	236,059	684,368
Shareholders' equity (deficiency)	(5,185,785)	(4,134,507)	(4,303,185)	(3,494,957)
Revenue	-	-	-	-
Net income (loss)	(1,051,278)	183,238	(387,320)	(1,152,655)
Net income (loss) per share	(0.05)	0.01	(0.02)	(0.01)

The main factors contributing to variances to the quarters up to September 30, 2020 were a gain of $42,000 on development services recorded in the quarter ended September 30, 2020, unrealized losses on digital assets of $15,309,139 recorded in the quarter ended June 30, 2020, $487,241 recorded in the quarter ended March 31, 2020, and $1,923,214 recorded in the quarter ended December 31, 2019, a gain of $70,168 on sale of Ether coins and a gain of $44,957 on payments with Ether coins in the quarter ended June 30, 2019. The Company recorded a loss of $130,959 on sale of certain Ether coins, a loss of $37,484 on payments with Ether coins and unrealized loss on digital assets of $228,762 in the quarter ended September 30, 2019, unrealized loss on digital assets of $3,003,302, and research and development expenses of $517,960 in the quarter ended December 31, 2018.

Total assets and working capital increased largely in the period ended December 31, 2019 as a result of a financing of convertible debentures for $7,834,000 in November 2019. The Company sold certain Ether coins for proceeds totalling $745,046 in the year ended December 31, 2019.

THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

For the three months ended September 30, 2020 and 2019, the Company incurred a net loss of $628,452 in the period compared to $1,051,278 in the prior comparable period. Operating expenses for the three months ended September 30, 2020 were $522,607 (2019 - $726,198).

Major variances in expenses were as follows:

- Accretion and interest expenses were $275,342 (2019 - $185,548);
- Compensation expenses were $nil (2019 - $34,356);
- Consulting fees were $24,175 (2019 - $163,900);
- Management fees were $83,125 (2019 - $84,370);
- Marketing and promotion fees were $nil (2019 - $46,581);
- Office expenses were $9,473 (2019 - $2,283)
- Professional fees were $14,917 (2019 - $27,616);
- Research and development expenses were $99,953 (2019 - $146,613);
- Transfer agent and filing fees were $12,699 (2019 - $21,241); and
- Travel expenses were $nil (2019 - $5,445).

During the three months ended September 30, 2020, the Company recognized a loss of $nil (2019 - $37,484) on payments with Ether coins and a loss of $nil (2019 - $130,959) upon sale of certain Ether coins. The Company recorded an unrealized loss on digital assets of $147,845 (2019 - $228,762) as a result of general market changes in the digital assets held. During the three months ended September 30, 2020, the Company recorded a gain of $42,000 on the development of Borealis Derivative Marketplace.

NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

For the nine months ended September 30, 2020 and 2019, the Company incurred net losses for the period of $17,377,869 (2019 - $1,269,920). Operating expenses for the nine months ended September 30, 2020 were $1,665,698 (2019 - $1,683,028).

Major expenses are as follows:

- Accretion and interest expenses were $846,181 (2019 - $549,757);
- Compensation expenses were $nil (2019 - $101,947);

- Consulting fees were $70,314 (2019 -$238,129);
- Management fees were $168,932(2019 - $223,618);
- Marketing and promotion fees were $12,354 (2019 - $52,010);
- Office expenses were $40,481 (2019 - $3,545);
- Professional fees were $54,354 (2019 - $47,530);
- Research and development expenses were $422,352 (2019 - $337,914);
- Transfer agent and filing fees were $44,562 (2019 - $35,801); and
- Travel expenses were $nil (2019 - $23,073).

During the nine months ended September 30, 2020, the Company recognized a gain of $332 (2019 - $7,473) on payments with Ether coins and a loss of $nil (2019 - $60,791) upon sale of certain Ether coins. The Company recorded an unrealized loss on digital assets of $15,944,225 (2019 - $394,301 gain) as a result of general market changes in the digital assets held. The Company also recorded a gain of $23,722 (2019 - $72,125) on redemption of convertible debenture. During the nine months ended September 30, 2020, the Company recorded a gain of $208,000 on the development of Borealis Derivative Marketplace.

LIQUIDITY AND CASH FLOW

At September 30, 2020, the Company had cash of $750 (December 31, 2019 -$62,673) and working capital deficiency of $71,490 (December 31, 2019 - $5,445,679 working capital).

For the period ended September 30, 2020 significant cash flows were as follows:

Net cash used in operating activities for the period was $38,202. Net loss for the period of $17,377,869 included non-cash accretion and accrued interest expenses of $846,181 on convertible debentures; unrealized loss on marketable digital assets of $15,944,225 and gain on payment with marketable digital assets of $332. Net changes in working capital items were $576,903 from an increase in accounts payable and accrued liabilities, $30,939 from an increase in accounts receivable, and $3,629 from a decrease in prepaid expenses.

Net cash used in financing activities for the period was $23,721. The Company issued 50,000 shares on the conversion of $50,000 debentures at a deem price of $1.00 per share.

On December 30, 2019, the Company converted $1,191,209, representing 25% of the principal amount of the debenture issued on July 5, 2018, together with accrued interest of the outstanding 10% debentures into 1,191,209 common shares of the Company at a deemed price of $1 per share upon the listing for trading of the shares on the CSE (Liquidity Event).

On November 13, 2019, the Company completed a 12% unsecured convertible debentures financing for an aggregate principal amount of $7,834,000, subscribed in consideration of digital assets, consisting 24,000,000 Kamari("KAM"), at a deemed value of $0.326 each. Each convertible debenture shall be convertible into common shares of the Company at a price equal to the greater of (i) $1.5, and (ii) if the date of any conversion occurs after the Company completed a transaction ("Liquidity Event") pursuant to which it will become a "reporting issuer" under applicable Canadian securities laws and the shares of the Company would be listed and posted for trading on a recognized exchange, the 10-day volume-weighted average trading price of the share of the Company, immediately prior to the applicable conversion date. The debenture issued pursuant to the offering will have a maturity date of May 12, 2022.

The KAM forming the consideration are subject to the following voluntary transfer restrictions: (i) in any one-month period, transfer, directly or indirectly, is limited to 1/30th of the total number of KAM forming the consideration; and (ii) in any given day, any sale on an exchange is limited to 5% of the total volume of KAM traded, without the prior written consent of KAM. As of December 31, 2019, 800,000 KAM were released from escrow.

Upon the occurrence of a Liquidity Event, the Company will be entitled to require the holders of the convertible debentures to convert up to 50% of the principal amount outstanding, together with any accrued and unpaid interest owing thereon, into shares of the Company at the conversion price.

On December 30, 2019, the Company converted $3,963,445, representing 50% of the principal amount together with accrued interest of the outstanding 12% debentures into 2,642,297 common shares of the Company at a deemed price of $1.50 per share, upon the listing for trading of the shares on the CSE (Liquidity Event).

On February 11, 2020, the Company issued 50,000 common shares on conversion of $50,000 debentures in shares of the Company at a price of $1 per share to Cassiopeia Services Ltd.

On July 7, 2020, the Company announced that it has entered into amending agreements with debenture holders to amend the terms of $427,693 of the $3,157,524 principal and accrued interest of $677,573 which was issued in July 5, 2018, came to maturity and was payable on July 5, 2020. Under the terms of the amended debentures, the maturity date has been extended two years from July 5, 2020 to July 5, 2022. The interest has been raised from 10% to 12%; the floor conversion price of the principal amount of the amended debentures was reduced from $1.00 to $0.25 per share. And the Company also issued 1,718,972 common share purchase warrants to the amended debenture holders at an exercise price of $0.30 per share for a period of two year. The proceeds of the warrants will be used to buy back the debentures if it has not been repaid or converted at the time of the warrants exercise.

$614,510 of original debenture could be converted into share of the Company. The Company is confident that the remaining of the original debenture and accrued interest should be settled in ash over the next few years based on its internal revenue projections.

On July 30, 2020, the Company also announced to offer an equity financing from a minimum of 1,000,000 units up to 3,000,000 units at a price of $0.25 per unit. Each unit will be comprised of one common share of the Company and one share purchase warrants, with each warrant exercisable to purchase one common share of the Company for a period of two years at a price of $0.30 per warrant share in the first year and $0.50 per warrant share in the second year. The proceeds will be used for development, licenses, and patents, and 30% of the net, minus insiders' subscriptions will be used to repay part of the debentures.

The Company agreed to assign 30% of all net private placement proceeds, minus the insiders' subscriptions, and 60% of its future profits to repay the debentures in priority until the debt is settled in full.

The Company plans to offer certain creditors the opportunity to be paid in shares and plans to issued shares for debt for up to $200,000 at a price of $0.25 per share.

FINANCIAL RISK MANAGEMENT AND FINANCIAL ESTIMATES

Financial Risk

The primary goals of the Company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's balance sheet from events that have the potential to materially impair its financial strength. Balancing risk and reward are achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risks through preventive controls and transferring risk to third parties.

The Company's exposure to potential loss from financial instruments is primarily due to various market risks, including interest rate, liquidity and credit risk. There has been no change in the financial risk of the Company during the period.

Market Risk

Market risk is the risk of loss arising from adverse changes to market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchange rates, and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Below is a discussion of the Company's primary market risk exposures and how those exposures are currently managed.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. To manage cash flow requirements, the Company may have to issue additional common shares or conclude private investments.

As at September 30, 2020, the Company has accounts payable and accrued liabilities of $879,866 (December 31, 2019 - $306,664), $3,614,935(December 31, 2019 - $3,579,727) in debentures due within 12 months, and has cash of $750 (December 31, 2019 - $62,673), and digital assets, current portion of $4,816,268 (December 31, 2019 - $9,690,414) to meet its current obligations. As a result, the Company faces liquidity risk as it expends funds towards its projects.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. This amount best represents the Company's maximum exposure to any potential credit risk. The risk is assessed as low.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market-interest rates. The Company's convertible debentures fixes interest at 10% per annum and accordingly is not subject to cash flow interest rate risk due to changes in the market rate of interest. The Company does not use financial derivatives to reduce its exposure to risk. The management of the Company considers its interest rate risk is minimal.

Fair Value Measurement

Fair value is the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Company could currently obtain, on the market, for financial instruments with similar terms, conditions and maturities.

The carrying amount and fair value of financial instruments, with the exception of the secured debenture, are considered to be a reasonable approximation of fair value because of their short-term maturities.

The carrying values of the convertible debentures approximate its fair value at the reporting date because the convertible debentures were calculated by discounting future cash flows using rates that the Company would otherwise use for such debt with similar terms, conditions and maturity dates, adjusted for the Company's credit risk. Management believes that no significant change occurred in the risk of these instruments.

COVID-19 Disclosure

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods

CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at September 30, 2020, the Company's shareholders' deficiency was $2,774,397 (December 31, 2019 - $14,399,386 equity). The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. To meet these objectives, management monitors the Company's capital requirements against unrestricted net working capital and assesses additional capital requirements on specific business opportunities on a case-by-case basis.

Capital for expansion comes mostly from proceeds from the issuance of common shares. The net proceeds raised will only be sufficient for a certain amount of research and development work on its blockchain technologies, and for working capital purposes. Additional funds are required to finance the Company's corporate objectives. There was no change in the Company's capital management policy for the period ended September 30, 2020.

The Company is not currently exposed to any externally imposed capital requirements.

RELATED PARTY TRANSACTIONS

a) Related party transactions

During the period, the Company incurred transactions with related parties including a company controlled by its Chief Architect, Chief Technology Officer, and Chief Executive Officer.

During the period ended September 30, 2020, the Company incurred consulting fees of $241,971 (2019 - $305,392) which were expensed as research and development costs, management fees of $168,932 (2019 - $223,618), and consulting fees of $nil (2019 - $51,879). 50% of the CEO's time was devoted to research and development. The Board of directors and officers of the Company did not receive any compensation in the second quarter of 2020 to mitigate the financial impacts of the pandemic.

b) Due to Related Parties

As at September 30, 2020, included in accounts payable is $424,901 (December 31, 2019 - $115,587) owing to directors. These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

On July 7, 2020, the Company converted all of the advance of $346,507 from a shareholder to a secure promissory note. The promissory note is no interest. The Company also granted 1,386,026 warrants to the shareholder, one warrant for every unit of $0.25 of debenture. The 2-year warrants exercise price is $0.30 per share.

The board of directors is as follows:

Frank Dumas, President, CEO and Director
Mark Billings, CFO and Director
The Honorable Lord Timothy Edward Razzall, Director
Neha Tally, Corporate Secretary and Director
Jean-Philippe Beaudet, CTO and Director
Fenglian (Frances) Xu, Director (resigned on May 14, 2020)
Jasseem Allybokus, Director (appointed in April 2020)
Yuming Qian, Chief Architect

Outstanding Share Data

As at September 30, 2020, and as of the current date, the Company has 24,493,772 common shares outstanding of which 9,300,959 of the issued shares are held in escrow.

Warrants

As at September 30, 2020, and as of the current date, the Company has 3,104,998 warrants outstanding.

RISK FACTORS

Financing and Development

The Company does not presently have sufficient financial resources to undertake its planned research and development programs. Development of the Company's blockchain depends on its ability to raise the additional funds required. There can be no assurance that the Company will succeed in obtaining the funding required. The Company also has limited experience in developing blockchain, and its ability to do so depend on the use of appropriately skilled personnel or signature of agreements with other large resource companies that can provide the required expertise.

Digital assets – valuation

Many digital assets are traded in active markets and are valued based upon quoted prices (less costs to sell), a portion of such digital assets may not be actively traded and are valued based upon quoted prices for similar assets or based upon unobservable inputs. These valuations require the Company to make significant estimates and assumptions. Digital assets are generally considered to be commodities or similar to commodities. Unrealized gains and losses on digital assets are recorded as net unrealized gain (loss) on digital assets. In the statement of loss and comprehensive loss unrecognized gains above the cost or fair market value on the date of recognition are recorded in other comprehensive income.

signed "Frank Dumas"
President and Chief Executive Officer

signed "Mark Billings"
Chief Financial Officer