



**NEPTUNE DASH TECHNOLOGIES CORP.**  
**(formerly Crossroad Ventures Inc.)**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**For the six months ended February 28, 2019 and the period ended February 28, 2018**

**Containing information up to and including April 26, 2019**

**Form 51-102F1**  
**Management's Discussion & Analysis for**  
**NEPTUNE DASH TECHNOLOGIES CORP**  
**(the "Company")**  
**Containing information up to and including April 26, 2019**

**NOTICE**

This Management Discussion and Analysis ("MD&A") is intended to help the reader understand the consolidated financial statements of Neptune Dash Technologies Corp. (formerly known as Neptune Dash Nodes Corp.) and includes its wholly owned subsidiary Neptune Stake Technologies Corp. The information provided herein should be read in conjunction with the Company's condensed consolidated interim unaudited financial statements for the six months ended February 28, 2019, and the period ended February 28, 2018 (the "**Financial Statements**") and the audited financial statements for the year ended August 31, 2018. The following comments may contain estimates of anticipated future trends, activities or results made by management of the Company ("**Management**"). These are not a guarantee of future performance, since actual results could change based on other factors and variables beyond the control of Management.

Management is responsible for the preparation and integrity of the Financial Statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the Financial Statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders.

All currency amounts are expressed in Canadian dollars unless otherwise noted.

Additional information related to the Company is available for view on SEDAR and on the Company's website at [www.neptunedash.com](http://www.neptunedash.com).

**CAUTION REGARDING FORWARD-LOOKING INFORMATION**

This MD&A contains forward-looking statements and forward-looking information (collectively, "**forward-looking statements**") within the meaning of applicable Canadian securities legislation. These statements relate to future events or the future activities or performance of the Company. All statements, other than statements of historical fact are forward-looking statements. Forward-looking statements are typically identified by words such as: "believe", "expect", "anticipate", "intend", "estimate", "postulate" and similar expressions, or which by their nature refer to future events. These forward-looking statements include, but are not limited to, statements concerning:

- the Company's strategies and objectives, both generally and in respect of its Dash masternode assets;
- the Company's future cash requirements;
- general business and economic conditions;
- the Company's ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations;
- the timing and pricing of proposed financings, if applicable;

- the anticipated completion of financings;
- the anticipated receipt of regulatory approval or acceptance of financings;
- the anticipated use of the proceeds from the financings;

Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Inherent in forward-looking statements are risks and uncertainties beyond the Company's ability to predict or control, including, but not limited to, risks related to the Company's inability to predict future cryptocurrency asset pricing, the ability to determine the results of voting decisions made by the Dash masternode network to determine how the Dash blockchain performs network upgrades over time, and other variables that are disclosed under "Risk Factors".

The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results are likely to differ, and may differ materially, from those expressed or implied by forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove incorrect, including, but not limited to, assumptions about:

- the level and volatility of the prices for cryptocurrencies, specifically the Dash blockchain;
- general business and economic conditions;
- the timing and amount of Dash masternode revenue earned over time;
- conditions in the financial and cryptocurrency markets generally, and with respect to the prospects for the supply and demand of the Dash cryptocurrency specifically;
- the hashing power and general integrity of the Dash blockchain with respect to vulnerability from a malicious third party, or 51% Attack;
- the number of Dash masternodes that are operational at any given time;
- regulatory developments within Canada and internationally that affect cryptocurrencies as an asset class both directly and indirectly;
- tax developments directed at cryptocurrency assets that may be enacted into legislation over time;
- governance decisions made by the Dash masternode operators that affect the Dash block reward payout allocation;

These forward-looking statements are made as of the date hereof and the Company does not intend and does not assume any obligation, to update these forward-looking statements, except as required by applicable law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. In particular, the current state of the cryptocurrency markets and global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations. See "Risk Factors – Insufficient Financial Resources/Share Price Volatility".

## **BUSINESS SUMMARY**

Neptune Dash Technologies Corp is an early stage technology company, listed on the TSX Venture Exchange (“**TSXV**”), trading under the symbol DASH, the Company (formerly Crossroad Ventures Inc.) was incorporated on March 15, 2000 and invests exclusively in and operates blockchain infrastructure assets and related technologies. The Company’s primary objective is to construct and operate masternodes that assist the Dash blockchain to facilitate payment processing on the Dash blockchain network. The Company also plans to actively evaluate technology companies that are currently operating within the blockchain ecosystem, with the intention of acquiring or building blockchain infrastructure technologies.

### **Reverse Take-Over**

On December 1, 2017, the Company and Neptune Dash Nodes Corp. (“**Neptune**”), entered in to an Amalgamation Agreement whereby the Company acquired all of the outstanding shares of Neptune, being 31,700,000 shares, in consideration for securities of the Company on a 1 for 1 basis. After completion of the Amalgamation Agreement, the shareholders of Neptune held approximately 81.72% of the Company. Accordingly, Neptune is considered to have acquired the Company with the transaction being accounted as a reverse takeover of the Company by Neptune shareholders (the “**RTO**”).

As Neptune is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on October 30, 2017 are included in the consolidated financial statements at their historical carrying value. The Company’s results of operations are included from incorporation on October 30, 2017 onwards in both the financial statements and this MD&A, the closing date. Concurrent with the RTO, Refer to Note 3 of the financial statements for additional information regarding the RTO, including the fair value of the shares issued.

The transaction closed on January 16, 2018.

## **SELECTED ANNUAL INFORMATION**

The Company was incorporated on October 30, 2017, therefore is no comparative annual information. Following is a brief summary of the financial operations for the period since incorporation to August 31, 2018, for more detailed information please refer to the financial statements.

|                                    |              |
|------------------------------------|--------------|
| Total Revenue                      | 423,416      |
| Net loss before other expenditures | (8,442,197)  |
| Revaluation of digital currencies  | (13,641,421) |
| Net loss and comprehensive loss    | (22,077,103) |
| Earnings (loss) per share)         | (0.33)       |
| Total assets                       | 6,768,599    |
| Working capital                    | 1,152,113    |
| Long term liabilities              | Nil          |
| Cash dividends                     | Nil          |

## OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

### **Highlights for the six months ended February 28, 2019 and up to April 26, 2019.**

- On October 10, 2018, the Company announced Neptune Dash Pooling, a pooled masternode service where the Company would collect Dash tokens on behalf of third parties, and operate masternodes in exchange for an 18% fee. The first masternode was successfully constructed and operated on October 10, 2018.
- From the date that Neptune Pooling was announced on October 10, 2018 until February 28, 2019 the Company has built its Neptune Pooling service from a single pooled masternode to four fully operational masternodes. The Company has chosen to fund Neptune Pooling with 1,431 of its own Dash that it uses as working capital to manage client deposit and withdrawal requests. The Company has earned a total of 30 Dash (from inception to February 28, 2019) from Neptune Pooling. As of April 26, 2019 the Company owned 19,591 Dash through its own Neptune Dash masternodes and Neptune Pooling Service.
- On January 19, 2019 certain Officers & Directors of the Company received a total of 516,666 restricted share units that had fully vested and were granted one year earlier as part of the Company's equity compensation plan.

## SUMMARY OF QUARTERLY RESULTS

| <b>Financial Results</b>                           | <b>Quarter Ended<br/>February 28, 2019<br/>\$</b> | <b>Quarter Ended<br/>November 30, 2018<br/>\$</b> | <b>Quarter Ended<br/>August 31, 2018<br/>\$</b> |
|--|---|---|---|
| Revenue  | 32,459  | 69,819  | 97,098  |
| Operating Expenses                                 | (288,216)   | (313,668)   | (1,147,053)                                     |
| Net comprehensive income (loss) for the period     | (561,417)   | (3,475,493)                                       | (3,266,444)                                     |
| Net income (loss) per share (basic and diluted)    | \$(0.01)  | \$(0.04)  | \$(0.34)  |
| Total Assets                                       | 3,021,328   | 3,426,905   | 6,768,599                                       |
| Total Long-term Liabilities                        | -   | -   | -   |
| Weighted average shares outstanding for the period | 80,405,736  | 80,193,329  | 80,193,329                                      |
| Cash dividends declared                            | -   | -   | -   |

| <b>Financial Results</b>                           | <b>Quarter Ended<br/>May 31, 2018<br/>\$</b> | <b>Quarter Ended<br/>February 28, 2018<br/>\$</b> | <b>Period Ended<br/>November 30, 2017*<br/>\$</b> |
|--|--|---|---|
| Revenue  | 165,445                                      | 156,535   | 4,338   |
| Operating Expenses                                 | (548,529)                                    | (6,349,031)                                       | (821,000)   |
| Net comprehensive income (loss) for the period     | (6,790,881)                                  | (12,479,564)                                      | 459,786   |
| Net income (loss) per share (basic and diluted)    | \$(0.10)                                     | \$(0.23)  | \$0.02  |
| Total Assets                                       | 9,311,233                                    | 16,112,274  | 4,026,646   |
| Total Long-term Liabilities                        | -  | -   | -   |
| Weighted average shares outstanding for the period | 67,137,433                                   | 53,791,405  | 27,028,120  |
| Cash dividends declared                            | -  | -   | -   |

| <b>Operating Results</b>                        | <b>Quarter Ended<br/>February 28, 2019<br/>\$</b> | <b>Quarter Ended<br/>November 30, 2018<br/>\$</b> | <b>Quarter Ended<br/>August 31, 2018<br/>\$</b> |
|---|---|---|---|
| Opening Dash Token Balance:                     | 19,144  | 18,825  | 18,493  |
| Dash Token Purchases:                           | -   | -   | -   |
| Dash Production Earned from Masternodes:        | 288   | 310   | 332   |
| Dash Earned from Neptune Pooling Fees & Rewards | 21  | 9   | -   |
| Closing Dash Token Balance:                     | 19,453  | 19,144  | 18,825  |
| \$CAD Dash Price*                               | \$108   | \$123   | \$290   |
| \$CAD Dash Tokens Owned:                        | \$2,099,937                                       | \$2,357,850                                       | \$5,548,379                                     |

\*Rates obtained from the \$CAD closing price on [www.cryptocompare.com](http://www.cryptocompare.com)

| <b>Operating Results</b>                   | <b>Quarter Ended<br/>May 31, 2018<br/>\$</b> | <b>Quarter Ended<br/>February 28, 2018<br/>\$</b> | <b>Period Ended<br/>November 30,<br/>2017**<br/>\$</b> |
|--|--|---|--|
| Opening Dash Token Balance:                | 18,175                                       | 3,678   | -  |
| Dash Token Purchases:                      | -  | 14,327  | 3,673  |
| Dash Production Earned from Masternodes:   | 318  | 170   | 5  |
| Dash Earned from Neptune Pooling & Rewards | -  | -   | -  |
| Closing Dash Token Balance:                | 18,493                                       | 18,175  | 3,678  |
| \$CAD Dash Price*                          | \$409  | \$758   | \$1,014  |
| \$CAD Dash Tokens Owned:                   | \$7,567,348                                  | \$13,788,723                                      | \$3,730,174  |

\*Rates obtained from the \$CAD Dash closing price on [www.cryptocompare.com](http://www.cryptocompare.com)

### **QUARTERLY OPERATING RESULTS**

Results for the six month period ended February 28, 2019:

The following analysis discusses the Company's operating results. Due to the Company's limited operating history (incorporated on October 30, 2017), the Company does not have comparative figures.

- The Company had 18 masternodes that were operational for the six months ended February 28, 2019, resulting in 598 Dash tokens produced, monthly Dash production of 99 Dash per month, with each masternode producing an average of 5.53 Dash per month, and gross revenues of \$96,172.
- The Company constructed 4 Shared Dash masternodes through its Neptune Pooling Service. The Company earned a total of 30 Dash and \$6,106 in gross revenues from Neptune Pooling which commenced operations on October 10, 2018.
- Inclusive of Neptune Dash and Neptune Pooling operations, the Company earned a total of 628 Dash and gross revenues of \$102,278.
- The Company owned a total 19,453 Dash tokens as at February 28, 2019 inclusive of fees earned from Neptune Pooling and exclusive of third party deposits.
- During the period the fair market value of the digital tokens held declined below the value as at August 31, 2018 resulting in an additional unrealized loss of \$3,533,108, associated with the Company's digital currency owned.
- The Company materially reduced administration expenses to the lowest in the Company's history to \$611,513, which is due to a reduction in marketing costs, professional fees, office costs and travel. Operating expenses are also lower than previous periods due to reduced stock based compensation

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expense being recognized, which is due to lower recognition of stock based compensation expense across appropriate vesting periods.

- During the period the Company did not rebalance the cryptocurrency staking assets within Neptune Stake Technologies Corp. (“Neptune Stake”). The decline in cryptocurrency prices resulted in the fair value of total inventory at \$75,894 as at February 28, 2019 which is a decline of \$72,388 from the \$148,282 balance as at August 31, 2018 due to fluctuating crypto currency prices.

Three months ended February 28, 2019 compared with three months ended February 28, 2018:

- The Company had 18 masternodes that were operational during the period ended February 28, 2019 (2018 – 18 masternodes) resulting in 598 Dash tokens produced (2018 – 170 Dash tokens produced), monthly Dash production of 99 Dash per month (2018 – 56 Dash per month), with each masternode producing an average of 5.53 Dash per month (2018 – 3.1 Dash per month), and gross masternode revenue of \$29,672 (2018 - \$156,535).
- The Company’s Neptune Pooling service completed construction of 3 pooled Dash masternodes. The Company earned a total of 21 Dash (2018 – 0 Dash) and gross revenues of \$2,787.
- Inclusive of Neptune Dash and Neptune Pooling operations, the Company earned a total of 309 Dash (2017 – 170 Dash) and gross revenues of \$32,459 (2018 - \$156,535).
- The Company owned a total 19,453 Dash tokens as at February 28, 2019 (2018 – 18,175) inclusive of fees earned from Neptune Pooling and exclusive of third party deposits.
- During the three months ended February 28, 2019 the fair market value of the digital tokens held declined below the value as at November 30, 2018 resulting in an additional unrealized loss of \$301,464 (2018 – unrealized loss \$6,607,597) associated with the Company’s digital currency owned.
- The Company’s operating expenses for the three months ended February 28, 2019 were \$288,216 (2018 - \$6,349,031) which is due to a reduction in marketing costs, professional fees, office costs and transaction listing fees.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at February 28, 2019 the Company held 18 masternodes from which it earns Dash revenues. The Company commenced earning revenues during November 2017, however it has limited operating history and no assurances that historical performance will be indicative of future performance. The Company has positive working capital, but may be reliant on external financing to take advantage of growth opportunities. The Company’s ability to continue as a going concern is dependent on the Company’s ability to earn digital tokens, if necessary liquidate digital tokens, or on its ability to raise external financing.

As at February 28, 2019 the Company had a working capital balance of \$680,036, significant items included cash and cash equivalents of \$726,289, digital currencies of \$75,894, amounts receivable and prepaid expenses of \$96,830, accounts payable and accrued liabilities of \$118,977, and a shareholder loan of \$100,00 (non-interest bearing). The Company currently has sufficient cash and cash equivalents to meet its current operating and administrative costs.

The net change and use of proceeds for the Company during the six months ended February 28, 2019 is as follows:

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Cash used in operating activities for the six months ended February 28, 2019 was \$336,017. The majority of these costs were used to fund consulting fees, office and administration, marketing, and professional fees associated with operating a public company. The Company did not have any investing or financing activity for the period

### **OUTSTANDING SHARE DATA**

As at February 28, 2019 the Company's share capital was \$24,616,377 representing 80,709,995 common shares without par value. The comprehensive loss for the three months ended February 28, 2019 was \$571,046 and total shareholders equity was \$2,802,351.

As at the date of this report the Company's equity structure is disclosed below:

|                                      | <b># of Shares</b>   | <b>Exercise Price</b> | <b>Expiry Date (Vest Date)</b>           |
|--------------------------------------|----------------------|-----------------------|--|
| Issued and Outstanding Common Shares | 80,709,995           |                       |  |
| Stock Options                        | 6,075,000            | \$0.50                | January 20, 2028                         |
| Restricted Share Units               | 516,666<br>516,666   |                       | (January 19, 2020)<br>(January 19, 2021) |
| Warrants                             | 800,000<br>3,239,360 | \$0.20<br>\$0.50      | November 10, 2019<br>January 20, 2020    |
| Fully Diluted at April 26, 2019      | 91,857,687           |                       |  |

### **Escrowed Shares**

A portion of the Company's 80,709,995 common shares remain in escrow in accordance with the policies of the TSXV, and the vesting schedule is outline below:

- i) 26,593,329 of the escrowed common shares are being released from escrow as follows: 25% (6,648,332) upon issuance of the Final Bulletin (released); 25% (6,648,332) on the date that is six months after the date of the Final Bulletin; 25% (6,648,332) on the date that is 12 months after the date of the Final Bulletin; and 25% (6,648,332) on the date that is 18 months after the date of the Final Bulletin. As of the date of this report 6,648,332 common shares remain in escrow.

### **Share-split**

During the period ended February 28, 2018 the Board of Directors authorized a 20-for-1 share split. The number of issued and outstanding shares has been retrospectively restated for all periods unless otherwise stated.

### **RISK FACTORS**

The Company is in the business of the construction and operation of blockchain infrastructure assets. Due to the high growth of, and maturing marketplace around, blockchain technologies and cryptocurrency markets in general, and the nature of the Company's proposed business plan, the following risk factors, among others, will apply:

***Cryptocurrency Assets Are Highly Volatile And Speculative In Nature:*** Masternodes are paid by the Dash blockchain network in exchange for the capital and operating costs associated with their construction and operation. Given the highly volatile nature of cryptocurrencies with respect to pricing, hashing power, and block reward, the Company cannot guarantee that the net asset value of a Dash blockchain masternode, or the block reward will remain at current levels or rise in the future.

***Fluctuation of Cryptocurrency Prices:*** Cryptocurrency market technology is a development stage technology and cryptocurrency assets are a class of assets that not widely held, difficult to purchase and store securely and not fully regulated. As result of these variables, the pricing of cryptocurrency assets is highly volatile which will affect the value of Dash masternodes and block reward payouts over time.

***Dash blockchain Technology:*** The Dash blockchain network is a development stage ecosystem with many stakeholders including miners, investors, nodes, masternodes, and other ecosystem participants. Due to the decentralised and development stage nature of the Dash blockchain, the Company cannot forecast what changes will occur to the structure of the Dash blockchain over time, and how protocol upgrades will affect the valuation of the Company's hardware infrastructure assets.

***Collusion and Third Party Attacks:*** By its very nature blockchain technologies are decentralized and subject to possible manipulation. This includes the risk of a 51% attack on a blockchain's mining network hashing power, where a malicious third party is able to reverse transactions on the blockchain through centralised control of an entire blockchain's mining power. Although considered remote, a 51% attack, and other malicious attempts to control, attack, or manipulate a particular blockchain is outside of the Management's control.

***Security Risks:*** As result of the Company's business model to operate masternodes on the Dash network, the Company is required to stake 1,000 Dash tokens on the Dash network for each Dash masternode. Given the immutable nature of blockchain technologies, a risk exists that a malicious third party could attempt to hack or steal the Company's Dash tokens and the Company may unable to recover them.

***Financing Risks:*** The Company has limited financial resources, has no source of operating cashflow and has no assurance that additional funding will be available for it to invest and purchase blockchain infrastructure assets. Failure to raise additional financing could result in a delay or indefinite postponement of further technological investment in the blockchain ecosystem.

***Insufficient Financial Resources:*** The Company may not have sufficient financial resources or Dash masternodes in operation to pay operating expenses.

***Dilution to the Company's existing shareholders:*** The Company will require additional equity financing to be raised in the future. The Company may issue securities at less than favorable terms to raise sufficient capital to fund its business plan. Any transaction involving the issuance of Common Shares or securities convertible into Common Shares would result in dilution, possibly substantial, to present and prospective holders of Common Shares.

***Increased costs:*** Management anticipates the costs to setup and operate Dash masternodes could increase over time if demand for Dash tokens increases. This will result in increased capital costs to purchase sufficient Dash tokens.

***Government Regulation:*** Blockchain technology assets are a new and emerging asset class of which the regulatory and taxation policies related to the purchase, sale, trading, and ownership of digital tokens may change over time, and as result may have a direct impact on the Company's assets and operating cashflows.

**No Assurance of Profitability:** The Company has no history of positive operating earnings and, due to the nature of its business there can be no assurance that the Company will ever be profitable. The Company has not paid dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is from the sale of its Common Shares or, possibly, from the sale of its Dash masternode assets. The Company is highly dependent on Dash tokens maintaining their price at current levels and not materially declining over time.

**Uninsured or Uninsurable Risks:** The Company’s blockchain assets are uninsured and are susceptible to total loss in the event of a theft, security breach, employee error or IT malfunction. The Company takes every available precaution to reduce the risk of blockchain asset losses due to theft, security breach, employee error or IT malfunction.

## **OFF-BALANCE SHEET ARRANGEMENTS**

As at February 28, 2019 and as at the date of this report the Company does not have any off-balance sheet arrangements.

## **TRANSACTIONS WITH RELATED PARTIES**

The Company has entered into certain transactions with related parties during the three months ended February 28, 2019. All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company’s Board of Directors and corporate officers.

A description of the transactions with Key Management Personnel are:

| <b>Name</b>                    | <b>Name</b>  | <b>Relationship</b> | <b>Purpose of Transaction</b>  | <b>Amount</b> |
|--------------------------------|--------------|---------------------|--------------------------------|---------------|
| Spartan Pacific Financial Ltd. | Cale Moodie  | CEO & Director      | Consulting Fees <sup>(1)</sup> | \$39,999      |
| Moon Shot Operating Corp.      | Troy Wong    | CFO & Director      | Consulting Fees <sup>(2)</sup> | \$35,001      |
| Major Big Consulting Corp.     | Kalle Radage | COO                 | Consulting Fees <sup>(3)</sup> | \$31,250      |

- 1) The Company has a consulting agreement (the “**Spartan Agreement**”) with Spartan Pacific Financial Ltd. (“**Spartan**”), a company owned by Cale Moodie, the Chief Executive Officer, pursuant to which Spartan agreed to provide management consulting services to the Company. The Company will pay Spartan a monthly fee of \$13,333 per month. The Company has the right to terminate the Spartan Agreement by providing 24 months’ notice or paying the equivalent of 24 months in fees. Since January 1, 2019 the Company has chosen to preserve its working capital through paying fifty percent of Spartan’s monthly fee, the remaining amounts remained as an accrued liability.
- 2) The Company has a consulting agreement (the “**Moon Shot Agreement**”) with Moon Shot Operating Corp. (“**Moon Shot**”), a company owned by Troy Wong, the Chief Financial Officer, pursuant to which Moon Shot agreed to provide management consulting services to the Company. The Company will pay Moon Shot a monthly fee of \$11,667 per month. The Company has the right to terminate the Moon Shot Agreement by

providing 24 months' notice or paying the equivalent of 24 months in fees. In order to preserve the Company's working capital the actual amount paid to Moon Shot has been reduced by 50% since January 1, 2019. Since January 1, 2019 the Company has chosen to preserve its working capital through paying fifty percent of Moon Shot's monthly fee, the remaining amounts remained as an accrued liability.

- 3) The Company has a consulting agreement (the "**Major Big Agreement**" with Major Big Consulting Corp. ("**Major Big**"), a company owned by Kalle Radage, the Chief Operating Officer, pursuant to which Major Big agreed to provide consulting services to the Company. During the period ended May 31, 2018, the Company renegotiated its consulting agreement with Major Big resulting in an hourly billing rate versus the previous flat monthly fee of \$10,417 per month. The Company has the right to terminate the Major Big Agreement by providing 12 months notice or paying the equivalent of 12 months in fees. In order to preserve the Company's working capital the actual amount paid to Major Big has been reduced by 50% since January 1, 2019. Since January 1, 2019 the Company has chosen to preserve its working capital through paying fifty percent of Major Big's monthly fee, the remaining amounts remained as an accrued liability.

In addition to the transactions above:

- The Company paid or accrued director's fees of \$13,500 to independent directors, equating to \$1,500 per month for each independent director.
- The Company agreed to pay \$50,000 as bonuses to two officers if the Company were able to raise \$2.0 million in equity prior to the public listing. The Company issued 500,000 common shares to the officers as bonus payments in accordance to their consulting agreements. The common shares were valued at \$0.20 per share based on the concurrent private placement. As a result, \$100,000 in share-based compensation was recorded and included in consulting fees. This transaction closed in Q1 2017 prior the Company going public on the TSX-V.
- On October 30, 2017 the Company entered into a shareholders rights agreement where a shareholder of the Company provided a non-interest bearing demand promissory note of \$100,000. The note is due on demand or in any event within 10 years from the date the funds were advanced.
- The Company purchased 50 units of Dash digital tokens from a director of the Company in the amount of \$51,595 during Q2 2018.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

### **Significant accounting judgments and estimates**

The preparation of the financial statements in conformity with International Financial Reporting Standards ("**IFRS**") requires management to make judgements, estimates and assumptions that are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

#### **Significant judgements:**

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the evaluation of the Company's ability to continue as a going concern.

#### Functional currency:

The functional currency of the Company has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company's digital currencies, production and operating costs, financing and related transactions. Specifically, the Company considers the currencies in which digital currencies are most commonly denominated and expenses are settled by each entity as well as the currency in which each entity receives or raises financing. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency

#### Digital currency valuation:

The Company's Dash masternode cryptocurrency assets are included in long term assets. The Company has evaluated its use of cryptocurrency assets and determined that its Dash masternode assets be treated as intangible assets under IAS 38. The Company's Dash masternode assets are recognized at the lower of cost and fair market value (determined by the spot rate based on the hourly volume weighted average from www.cryptocompare.com). The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position. The Company has a portfolio of cryptocurrency assets which it holds within Neptune Stake Technologies Corp., these cryptocurrency assets are recognized as current assets and are valued at fair market value.

#### Share based compensation:

The Company utilizes the Black-Scholes Option Pricing Model ("**Black-Scholes**") to estimate the fair value of stock options granted to directors, employees, and consultants. The use of Black Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the share based compensation calculation value, however the most significant estimate is the volatility. Expected future volatility can be difficult to estimate as the Company has had limited history and is in a unique industry, and historical volatility is not necessarily indicative of future volatility.

### **Significant accounting policies**

#### Revenue recognition:

The Company recognizes revenue from the provision of masternode server operations within digital currency networks, commonly termed "masternode hosting". As consideration for these services, the Company receives digital currency from each specific network in which it participates. Revenue is measured based on the fair value of the Dash received. The fair value is determined using the spot price of Dash on the date of receipt. A Dash is considered earned on the completion and addition of a block to the blockchain, at which time the economic benefit is received and can be reliably measured.

Digital tokens are recorded on the statement of financial position as digital currencies at their fair value and re-measured at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of any Digital tokens for traditional currencies are included in profit and loss.

### Shared-based payments:

Share-based payments include option and stock grants granted to directors, employees and consultants. The Company accounts for share-based compensation using a fair value based method with respect to all share-based payments measured and recognized, to directors, employees and consultants. For directors and employees, the fair value of the options and stock grants is measured at the date of grant. For consultants, the fair value of the options and stock are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. For directors, employees and consultants, the fair value of the options and stock grants is accrued and charged to operations, with the offsetting credit to share based payment reserve for options, and commitment to issue shares for stock grants over the vesting period. If and when the stock options are exercised, the applicable amounts are transferred from share-based payment reserve to share capital. When the stock grants are issued, the applicable fair value is transferred from commitment to issue shares to share capital. Option based compensation awards are calculated using the Black-Scholes while stock grants are valued at the fair value on the date of grant.

The Company has granted certain directors and consultants restricted share units (“RSUs”) to be settled in shares of the Corporation. The fair value of the estimated number of RSUs that will eventually vest, determined at the date of grant, is recognized as share-based compensation expense over the vesting period, with a corresponding amount recorded as equity. The fair value of the RSUs is estimated using the market value of the underlying shares as well as assumptions related to the market and non-market conditions at the grant date

### Financial instruments:

#### *Financial assets*

The Company classifies its financial assets in the following categories: held-to-maturity, fair value through profit or loss (“FVTPL”), loans and receivables, held-to-maturity and available-for-sale (“AFS”). The classification depends on the purpose for which the financial assets were acquired. The Company's accounting policy for each category is as follows:

FVTPL - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized through profit or loss.

AFS - Non-derivative financial assets not included in the above categories are classified as AFS. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through other comprehensive income (loss).

### *Financial liabilities*

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method.

### **NEW STANDARDS ADOPTED AND NOT YET ADOPTED**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board (“IASB”) with interpretations by the International Financial Reporting Interpretations Committee (“IFRIC”). The following has not yet been adopted by the Company and is being evaluated to determine its impact.

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.
- IFRS 15: New standard that replaced IAS 18, Revenue, IAS 11, Construction Contracts and related interpretations on revenue, effective for annual periods beginning on or after January 1, 2018.
- IFRS 16, which replaces previous lease accounting guidance, effective for annual periods beginning on or after January 1, 2019.

### **FINANCIAL INSTRUMENTS AND MANAGEMENT OF CAPITAL**

#### *Fair values in the condensed interim consolidated balance sheet*

The carrying amounts reported in the condensed interim consolidated balance sheet for the current financial assets and liabilities, which includes accounts payable and accrued liabilities approximate fair values due to the immediate or short-term maturities of these financial instruments.

|                               | Level 1 | Level 2 | Level 3 |
|-------------------------------|---------|---------|---------|
|                               | \$      | \$      | \$      |
| <b>Financial assets</b>       |         |         |         |
| Cash                          | 726,289 | -       | -       |
| <b>Total financial assets</b> | 726,289 | -       | -       |

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The carrying values of cash and accounts payable approximates their fair values due to their short terms to maturity. Dash digital tokens are revalued to their quoted fair value as at period end.

### ***Credit risk***

Credit risk arises from the possibility that counterparties may be unable to fulfill their commitments to the Company. The Company's credit risk is primarily attributable to its liquid financial assets of cash. The carrying value of these instruments represents the Company's maximum exposure to credit risk. The Company manages and limits exposure to credit risk by maintaining its cash with high-credit quality financial institutions.

### ***Liquidity risk***

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company manages liquidity risk through the management of its capital structure.

### ***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 the market interest rates. The Company's interest bearing financial assets are comprised of cash. The Company is not exposed to material interest rate risk.

### ***Foreign currency risk***

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign currency rates. The Company's functional and reporting currency is the Canadian dollar. The Company incurs foreign currency risk on purchases that are denominated in a currency other than the functional currency of the Company, which will have an impact on the profitability of the Company and may also affect the value of the Company's assets, liabilities and the amount of shareholders' equity. The Company's main risks are associated with fluctuations in the US dollar and assets and liabilities are translated based on the foreign currency translated method described in the Financial Statements. The Company does not enter into any foreign exchange hedging contracts. In order to mitigate this risk, the Company maintains a portion of its cash in US dollar-denominated bank accounts.

### ***Digital Currency Valuation***

The Company measures its' digital currencies holdings at level one fair value determined by taking the closing rate of each day from [www.cryptocompare.com](http://www.cryptocompare.com).

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange listings, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of Dash; in addition, the Company may not be able to liquidate all of its inventory of digital currency at its desired price if required. A decline in the market prices for Dash could negatively impact the Company's future operations.

Dash Masternode Coin Holdings:

February 28, 2019

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|                                   |        |
|-----------------------------------|--------|
| Dash Digital Currency Tokens held | 19,453 |
| Closing Dash Price (\$CAD)        | \$ 108 |

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|                        |             |
|------------------------|-------------|
| Digital Currency Value | \$2,099,937 |
|------------------------|-------------|

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Neptune Pooling

During the six months ended February 28, 2019, the Company began building its shared masternode pooling service. Since making the announcement in October 2018, the Company has raised sufficient Dash from third party investors to create four masternodes of which it collects an 18% fee for providing this service. The total Dash earned from this business unit is 30 Dash, and has been included within the 19,453 Dash disclosed above.

Neptune Stake

During the year ended August 31, 2018 the Company incubated a wholly owned subsidiary dedicated to staking cryptocurrency assets on the blockchain (this entity is known as Neptune Stake Technologies Corp.). The Company originally committed \$200,000 in capital to purchase digital currency inventory and is made up of the following assets: Bitcoin, Ethereum, Litecoin, Stellar, Neo, Dash, OmiseGO, and Qtum. As at February 28, 2019 the fair value of inventory of cryptocurrency assets is \$75,897.

**RECENT DEVELOPMENTS AND OUTLOOK**

The Company expects to obtain financing in the future primarily through further equity and/or debt financing, and to receive payments from the Dash blockchain network in exchange for providing Dash masternode services.

**PROPOSED TRANSACTION:**

Except as disclosed elsewhere in this document there were no proposed transactions as at February 28, 2019 or at the date of this report.

**APPROVAL**

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

## **HEAD OFFICE**

### **Neptune Dash Technologies Corp.**

#620 – 1155 West Pender Street  
Vancouver, British Columbia  
V6E 2P4

## **DIRECTORS & OFFICERS**

Cale J. Moodie, BSF, CPA, CA  
*Chief Executive Officer and Director*

Troy Wong, CPA, CA  
*Chief Financial Officer and Director*

Guy Halford-Thompson  
*Chairman and Director*

Jackson Warren  
*Director*

Dario Meli  
*Director*

Kalle Radage  
*Chief Operating Officer*

## **CAPITALIZATION**

(as at April 26, 2019)

Shares Authorized: Unlimited Number of  
Common Shares

Shares Issued: 80,709,995

## **REGISTRAR & TRANSFER AGENT**

TSX Trust Company  
301 – 100 Adelaide St. West  
Toronto, ON M5H 4H1

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