NEPTUNE DIGITAL ASSETS CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

For the nine-month period ended May 31, 2022

Containing information up to and including August 2, 2022

Form 51-102F1
Management's Discussion & Analysis for
NEPTUNE DIGITAL ASSETS CORP.
(the "Company")
Containing information up to and including August 2, 2022

NOTICE

This Management Discussion and Analysis ("**MD&A**") is intended to help the reader understand the consolidated financial statements of Neptune Digital Assets Corp. ("**Neptune**"), formerly known as Neptune Dash Technologies Corp., and includes its wholly owned subsidiaries Neptune Stake Technologies Corp. and Neptune Digital USA Corp. The information provided herein should be read in conjunction with the Company's condensed consolidated interim financial statements for the period ended May 31, 2022 and with the consolidated audited financial statements for the year ended August 31, 2021 (the "**Financial Statements**"). 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 http://www.neptunedigitalassets.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 digital currency 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 cryptocurrency networks to determine how these blockchains perform 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 Bitcoin, Fantom, Cosmos ATOM, Ethereum and Dash blockchains;
- economics of mining cryptocurrencies and decentralized finance projects;
- general business and economic conditions;
- the timing and amount of staking, DeFi, and node rewards earned over time;
- conditions in the financial and cryptocurrency markets generally, and with respect to the prospects for the supply and demand of Bitcoin, Ethereum, Fantom, ATOM and Dash cryptocurrencies specifically;
- the security and reliability of smart contracts for different blockchains and decentralized financial protocols;
- the hashing power and general integrity of the Bitcoin, Fantom, Dash and ATOM blockchains with respect to vulnerability from a malicious third party, or 51% Attack;
- 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 blockchain network operators that affect the rewards 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 Digital Assets Corp. (the "Company" or "Neptune") (formerly Neptune Dash Technologies Corp.) was incorporated on October 31, 2017 under the laws of the province of British Columbia. On December 17, 2020, the Company changed its name to Neptune Digital Assets Corp. The Company's shares are listed on the TSX Venture Exchange (TSX-V) under the symbol **NDA**. The head office, registered and records office of the Company is located in Vancouver, BC, Canada.

The Company's primary objective is to grow large-scale revenue generating blockchain projects including, but not limited to, Bitcoin mining, cryptocurrency staking, yield farming, and liquidity mining with decentralized finance (DeFi) tokens and their associated ecosystems.

The Company plans to accumulate, hold, and stake if possible, cryptocurrency assets which it deems as potentially valuable over the long term. The Company also plans to actively evaluate technology companies that are currently operating within the blockchain ecosystem, with the intention of acquiring, investing in or building blockchain infrastructure technologies.

COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's ability to raise funds in the future.

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

Highlights for the nine months ended May 31, 2022 and up to August 2, 2022

- On June 27, 2022, the Company invested $1,799,984 USD in SpaceX, a private US spacecraft manufacturer, space launch provider, and satellite communications provider.

- On March 1, 2022, the Company appointed Carmen To, CPA, CA, as Chief Financial Officer.

- In February 2022, the Company was awarded as a 2022 TSX Venture 50 winner and top 10 in the Technology sector. Winners were selected based on year-over-year performance across three equally-weighted criteria: growth in market capitalization, share price appreciation, and value traded for the calendar year ended December 31, 2021.

- On December 15, 2021, the Company acquired real estate in New York City valued at $3,131,000 USD. This represents Neptune Digital USA Corp. head office.

- On November 25, 2021, the Company issued 400,000 stock options to a consultant with an exercise price of $0.60, these options expire on November 25, 2023.

- On October 1, 2021, the Company incorporated a wholly owned subsidiary in the state of Delaware, this subsidiary is named Neptune Digital USA Corp.

- In October 2021, the Company expanded its partner network to include Luxor Technology Corp. and Frontier Mining to execute the Bitcoin mining program in the United States.

- On September 7, 2021, the Company ordered an additional 53,000 terahash of next generation S19J Pro Bitcoin mining machines for $4,876,000 USD that will be used to expand Neptune's US mining program. This order will add 53,000 terahash per second to the existing Bitcoin mining machines already mining. The hosting facilities where Neptune planned to deploy the 53,000 terahash of rigs has been further delayed due to supply chain and logistics issue primarily caused by macroeconomic disruptions. We continue to work diligently to deploy the rigs as soon as possible.

- During the year ended August 31, 2021 and subsequent months, the Company conducted research and development into a decentralized finance (DeFi) program that includes liquidity mining and yield farming which now generates a new revenue stream for the Company.

SUMMARY OF QUARTERLY RESULTS

The table below sets out the quarterly results from the last two years.

Financial Results	**Quarter Ended May 31, 2022 $**	**Quarter Ended February 28, 2022 $**	**Quarter Ended November 30, 2021 $**	**Quarter Ended August 31, 2021 $**
Revenue	291,812	471,838	293,794	304,354
Operating Expenses	(1,218,833)	(1,183,829)	(193,308)	(1,222,077)
Net comprehensive income (loss) for the period	(15,113,612)	(5,192,228)	12,928,911	7,736,597
Net income (loss) per share - basic	($0.00)	($0.01)	$0.05	($0.01)
Net income (loss) per share - diluted	($0.00)	($0.01)	$0.05	($0.01)
Total Assets	47,043,393	62,100,508	67,292,622	54,675,681
Total Long-term Liabilities	-	-	-	-
Weighted average shares outstanding for the period - basic	124,909,811	124,909,811	124,909,811	124,909,811
Weighted average shares outstanding for the period - diluted	127,542,960	129,699,085	131,337,135	124,909,811
Cash dividends declared	-	-	-	-

Financial Results	**Quarter Ended May 31, 2021 $**	**Quarter Ended February 28, 2021 $**	**Quarter Ended November 30, 2020 $**	**Quarter Ended August 31, 2020 $**
Revenue	54,347	-	-	34,300
Operating Expenses	(4,537,638)	(1,481,636)	(115,804)	(183,873)
Net comprehensive income (loss) for the period	(7,843,106)	6,068,946	246,810	837,799
Net income (loss) per share - basic	($0.06)	$0.04	$0.00	$0.01
Net income (loss) per share - diluted	($0.07)	$0.03	$0.00	$0.01
Total Assets	47,136,543	12,109,398	4,116,916	3,798,958
Total Long-term Liabilities	-	-	-	-

Financial Results	Quarter Ended May 31, 2021 $	Quarter Ended February 28, 2021 $	Quarter Ended November 30, 2020 $	Quarter Ended August 31, 2020 $
Revenue	54,347	-	-	34,300
Operating Expenses	(4,537,638)	(1,481,636)	(115,804)	(183,873)
Weighted average shares outstanding for the period - basic	108,814,460	89,926,941	85,869,178	85,869,178
Weighted average shares outstanding for the period – diluted	108,814,460	94,356,334	85,869,178	85,869,178
Cash dividends declared	-	-	-	-

DISCUSSION OF RESULTS

Results for the nine months ended May 31, 2022 compared to the nine months ended May 31, 2021

The following analysis discusses the Company's operating results.

- During the nine-month period ended May 31, 2022 the Company mined 20 (2021 - 1) BTC and recognized income of $1,057,444 (2021 - $54,347) to revenue.

- During the nine-month period ended May 31, 2022, the Company earned an aggregate of $3,640,596 (2021 - $176,316) in staking and DeFi based rewards recognized within other income. Staking income is comprised of $574,812 (2021 - $146,934) in ATOM, $2,628,263 (2021 - $nil) in Fantom, resulting from the delegation of Fantom, TShare, and TOMB liquidity tokens, $17,176 (2021 - $29,382) in Dash, and $420,345 (2021 - $nil) in MEMO.

- During the nine-month period ended May 31, 2022, the Company recognized unrealized loss of $2,663,614 (2021 - gain of $1,436,007) on its short-term investments and a realized gain of $17,004 on the redemption of one investment. The remaining short-term investment is in a private investment fund that focuses on digital assets.

- During the nine-month period ended May 31, 2022, the Company earned an aggregate of $2,151,725 (2021 - $543,230) in interest income recognized within other income. $192,935 (2021 - $319,431) was recognized as income on the Company's digital currencies related to lending activities, $510,073 (2021 - $223,799) in interest earned on digital currency and USD Coin balances, and $1,448,717 (2021 - $nil) on the Company's loans receivable. During the period ended May 31, 2022, the Company settled all digital currency designated loans and issued USD loans receivable.

- During the nine-month period ended May 31, 2022, the Company recognized an unrealized loss of $9,240,324 (2021 - unrealized gain of $1,389,798) within income and other comprehensive income related to changes to the fair valuation of its digital assets.

- During the nine-month period ended May 31, 2022, Management determined there was no economic value remaining on 298 mining rigs that were part of a terminated BTC mining operation in Alberta, Canada. The net book value of $879,497 has been recognized as an impairment loss.

- The Company's operating expenditures for the nine-month period ended May 31, 2022 totalled $2,595,970 (2021 - $6,135,078) of which $184,214 (2021 – $5,589,958) was related to share-based compensation, $683,981 (2021 - $52,763) was related to depreciation, and a loss of $55,783 (2021 – recovery of $39,550) was related to unrealized foreign exchange, with $1,671,993 (2021 - $492,357) representing cash expenses. Significant increases included, Bitcoin mining expenses as mining operations commenced in May 2021, consulting and director fees as a result of a new fee structure for officers and directors commencing late in the year ended August 31, 2021, and professional fees as a result of the Company's change in auditors. As the Company's operations increased in scale the Company saw increases across most expense classifications.

Results for the three months ended May 31, 2022 compared to the three months ended May 31, 2021

The following analysis discusses the Company's operating results.

- During the three-month period ended May 31, 2022 the Company mined 6 (2021 - 1) BTC and recognized income of $291,812 (2021 - $54,347) to revenue.

- During the three-month period ended May 31, 2022, the Company earned an aggregate of $662,626 (2021 - $97,390) in staking and DeFi rewards recognized within other income. Staking income is comprised of $234,857 (2021 - $86,482) in ATOM, $257,299 (2021 - $nil) in Fantom, resulting from the delegation of Fantom, TShare, and TOMB liquidity tokens, $4,314 (2021 - $10,908) in Dash, and $166,156 (2021 - $nil) in MEMO.

- During the three-month period ended May 31, 2022, the Company recognized an unrealized loss of $5,250,657 (2021 - $547,324) on its short-term investment which is in a private investment fund that focuses on digital assets.

- During the three-month period ended May 31, 2022, the Company earned an aggregate of $732,326 (2021 - $482,003) in interest income recognized within other income. $nil (2021 - $305,300) was recognized as income on the Company's digital currencies related to lending activities, $212,382 (2021 - $176,703) in interest earned on digital currency and USD Coin balances, and $519,944 (2021 - $nil) on the Company's loans receivable. During the three-month period ended November 30, 2021, the Company settled all digital currency designated loans and issued USD loans receivable.

- During the three-month period ended May 31, 2022, the Company recognized an unrealized loss of $10,123,197 (2021 – $1,403,965) within income and other comprehensive income related to changes to the fair valuation of its digital assets.

- During the three-month period ended May 31, 2022, Management determined there was no economic value remaining on 298 mining rigs that were part of a terminated BTC mining operation in Alberta, Canada. The net book value of $879,497 has been recognized as an impairment loss.

- The Company's operating expenditures for the three-month period ended May 31, 2022 totalled $1,218,833 (2021 - $4,537,638) of which $nil (2021 – $4,289,275) was related to share-based compensation, $264,475 (2021 - $52,793) was related to depreciation, and a loss of $262,308 (2021 – recovery of $39,550) was related to unrealized foreign exchange, with $692,050 (2021 - $235,150) representing cash expenses. Significant increases included, Bitcoin mining expenses as mining operations commenced in May 2021, consulting and director fees as a result of a new fee structure for officers and directors commencing in the year ended August 31, 2021 and professional fees as a result of the Company's change in auditors. As the Company's operations increased in scale the Company saw increases across most expense classifications.

LIQUIDITY AND CAPITAL RESOURCES

As at May 31, 2022 the Company has delegated 155,341 ATOM, 4702 TOMB Finance LP liquidity tokens, and 540 MEMO tokens which earn reward income and held two masternodes which earn Dash income. The Company is also earning USD interest on its USD loans to Amber, Galaxy and Genesis. The Company commenced earning revenues in November 2017, therefore has limited 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, and if necessary, liquidate digital tokens, or on its ability to raise external financing.

As at May 31, 2022 the Company had a working capital balance of $23,804,035. Significant items included cash of $589,016, short-term investments of $638,162, and loans receivable of $22,456,329. The Company currently has sufficient cash and cash equivalents to meet its current operating and administrative costs for the next 12 months.

The net change and use of proceeds for the Company during the period ended May 31, 2022 is as follows:

- Cash used in operating activities was $1,070,702 (2021 - $652,285). The majority of this was used to fund Bitcoin mining expenses, office costs, consulting costs, listing/filing fees, and maintaining IT infrastructure.

- Cash generated from investing activities was $1,504,915 (2021 – used $37,898,447) comprised of $16,469,961 in proceeds on disposals of digital currencies and $35,577,774 repaid on settlement of loans receivable, less $40,092,973 on the issuance of loans receivable, $3,999,193 on purchase of real estate, and $101,486 on purchase of furniture.

- There were no cash flows from financing activities for the period ended May 31, 2022 (2021 - $38,536,131).

The Company has no commitments for capital expenditures at the date of this report.

OUTSTANDING SHARE DATA

As at May 31, 2022, the Company's share capital was $56,762,630 representing 124,909,811 common shares without par value. The comprehensive loss for the period ended May 31, 2022, was $7,376,929 and total shareholders equity was $46,713,883

As at August 2, 2022 the Company's equity structure is disclosed below:

	# of Shares	Exercise Price	Expiry Date (Vest Date)
Issued and Outstanding Common Shares	124,909,811		
Warrants	625,000 837,500 714,286 1,500,000 461,538 312,500	$0.13 $0.13 $0.175 $0.294 $0.40 $1.00	May 22, 2023 December 3, 2023 December 3, 2023 February 16, 2024 March 2, 2024 March 31, 2024

	# of Shares	Exercise Price	Expiry Date (Vest Date)
	14,815,001 2,222,250	$1.75 $1.75	April 16, 2024 April 16, 2024
Stock Options	5,875,000 4,200,000 400,000	$0.20 $1.03 $0.60	January 21, 2031 April 28, 2031 November 25, 2023
Fully Diluted as at August 2, 2022	156,872,886		

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, ASIC miners and validators are paid by the 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 blockchain asset, or the block reward associated with any particular token 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 staked digital assets, economics of mining operations and block reward payouts over time.

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

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**.**

Counterparty Risk: Counterparty risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations or maintain a business in good standing. The Company is exposed to counterparty risk primarily through its significant deposits it places with cryptocurrency custodial service providers. The risk of a cryptocurrency custodial service provider failing to meet its contractual obligations, maintain adequate levels of security, or maintain a business in good standing may result in lost cryptocurrency.

Security Risks: Given the immutable nature of blockchain technologies, a risk exists that a malicious third party could attempt to hack or steal the Company's crypto currencies or tokens or other digital assets and the Company or its custodial partners may be unable to recover them. See safeguarding of crypto assets for further discussion of security protocols.

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 crypto revenues to pay operating expenses.

Dilution to the Company's Existing Shareholders: The Company may 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 of tokens and mining equipment could increase over time if demand for cryptocurrency and tokens increases. This will result in increased capital costs to purchase sufficient blockchain assets or mining equipment.

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 limited history of positive operating earnings and, due to the nature of its business there can be no assurance that the Company will 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 cryptocurrency assets. The Company is highly dependent on Bitcoin, ATOM, Fantom and other 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. See safeguarding of crypto assets for further discussion of security protocols.

SAFEGUARDING OF CRYPTO AND TOKEN ASSETS

As at May 31, 2022 the Company had crypto assets, totaling $11,467,170. These assets are held either in cold storage, hot wallets or as loans with reputable third parties. The Company to date has not converted crypto assets to fiat currency.

All crypto assets stored in cold storage are not insured. Hot wallets and loan products with reputable companies as per below do have guarantees to pay and usually carry sufficient resources in cold storage to pay out any losses. That said given the nascent nature of this business there are no insurance products yet available which are affordable and available to the Company. The Company continues to assess the ability to eventually insure any crypto assets held in the treasury.

Cold Storage

Cold storage wallets are crypto wallets held offline on a physical device. The Company holds a variety of assets in cold storage which include Cosmos Atom, Dash, Bitcoin, Ethereum and others. Cold storage is the most secure method of storage and the Company holds both the cold storage wallets and the partial keys in separate locations. All cold storage wallets are held in vault with the company's legal counsel with an identical back up cold storage wallet held with legal counsel in a separate city to minimize geographical risk. The keys are separated in half with each half being stored with a second and third law firm to eliminate risk of theft of full key for any individual law firm. These assets can only be accessed by two directors or officers of the Company attending the law firm and signing in.

Hot Wallets

Hot wallets are wallets that are connected through the internet and accessed through either a website or an app. The Company stores some of their crypto assets in hot wallets in order to transact in the decentralized finance space, purchase mining equipment using stable coins and earn additional crypto interest or payments. The hot wallets used by Neptune are BlockFi and Celsius. Hot wallets have additional exposure over cold wallets as they are always connected to the internet, therefore risks include hacking, phishing, collusion, third party risk of loss and other malicious thwarting to security. The Company takes security seriously and as such uses all available security protocols such as 2FA, PINs and passwords only available to the Company CEO and COO, whitelisting of addresses and HODL modes on accounts so that tokens requested to be moved require 7 days and multiple authorizations. Further details below.

BlockFi: BlockFi is the only independent lender with institutional backing from investors that include Valar Ventures, Galaxy Digital, Fidelity, Akuna Capital, SoFi and Coinbase Ventures. The BlockFi team consists of professionals with a deep bench of expertise across financial services and technology with offices in New York, New Jersey, Poland, and Argentina. Additionally, Gemini Trust Company, LLC, a New York trust company regulated by the New York State Department of Financial Services, is BlockFi's primary custodian. BlockFi is accessed only by the Company CEO and COO and requires both 2FA and a security PIN in order to login to the Corporate account. The primary risks associated with BlockFi would be collusion, hacking of hot wallet and third-party risk of BlockFi itself.

Celsius: Celsius is a wealth management platform application, the Celsius Network facilitates earning interest and borrowing funds on cryptos. Celsius has a robust AML program with a knowledgeable team of veteran AML professionals that are Certified Anti-Money Laundering Specialists (ACAMS). Celsius is accessed only by the Company CEO and COO and requires both 2FA and a security PIN in order to login to the Corporate account. The primary risks associated with Celsius would be collusion, hacking of hot wallet and third party risk of Celsius itself. On June 12, 2022, Celsius halted withdrawals on its platform and on July 13, 2022, it filed for reorganization under Chapter 11 of the United States Bankruptcy Code. The outcome of the Chapter 11 proceedings is unknown. As at August 2, 2022, the Company had digital currencies and USD Coin valued at $1,371,323 and $85,287, respectively, in hot wallets with Celsius.

USE OF CRYPTO TRADING PLATFORMS

Neptune periodically acquires Bitcoin, stablecoins and other crypto assets using fiat currency. In order to do so, the Company uses a trading platform such as Netcoins, Amber, Binance, or Kukoin. Netcoins, for example, is an online cryptocurrency brokerage that makes the purchase and sale of cryptocurrency easily accessible to the mass consumer and investor with a focus on compliance and safety. Netcoins utilizes BitRank Verified® software at the heart of its platform and facilitates crypto trading via a self-serve crypto brokerage portal at Netcoins.app. Netcoins is a licensed and compliant Money Service Business regulated by FINTRAC. Netcoins is wholly-owned subsidiary of BIGG Digital Assets, traded on the CSE. The Company does not store crypto assets on Netcoins and only uses this exchange to purchase and then move assets to either hot wallets or cold storage as noted above. In order to move funds from the bank to Netcoins, both the CEO and COO are required to release payments. Additionally, Netcoins incorporates passwords for login and 2FA in order to access the website. Specific risks of loss when using Netcoins would be sending to the incorrect wallet address after purchase is made, this risk is mitigated by a multiple review process by two officers and whitelisting specific regularly used addresses of both cold storage and hot wallets.

OFF-BALANCE SHEET ARRANGEMENTS

As at May 31, 2022 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 period ended May 31, 2022. 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:

Name	Name	Relationship	Purpose of Transaction	Amount
Spartan Pacific Financial Ltd.	Cale Moodie	CEO & Director	Consulting Fees(1)	$273,000
Major Big Consulting Corp.	Kalle Radage	COO & Director	Consulting Fees(2)	$197,167
Carmen To Consulting Corp.	Carmen To	CFO & Director	Consulting Fee(3)	$25,208

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 $33,000 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.

2) 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. The Company will pay Major Big $23,833 per month. The Company has the right to terminate the Major Big Agreement by providing 24 months' notice or paying the equivalent of 24 months in fees.

3) The Company has a consulting agreement (the "**To Consulting Agreement**") with Carmen To Consulting Corp. ("**To Consulting**"), a company owned by Carmen To, the Chief Financial Officer, pursuant to which To Consulting agreed to provide consulting services to the Company. The Company will pay To Consulting $8,542 per month. The Company has the right to terminate the To Consulting Agreement by providing 24 months' notice or paying the equivalent of 24 months in fees.

In addition to the transactions above:

- The Company paid or accrued director fees of $96,800 (2021 - $48,000) to independent directors during the period ended May 31, 2022.
- Total share-based compensation to related parties for the period ended May 31, 2022, was $nil (2021 - $5,331,549).

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 judgments, 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 judgments:

Critical judgments 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.

Income taxes:

Management exercises judgment to determine the extent to which deferred tax assets are recoverable and can therefore be recognized in the consolidated statements of financial position and income and comprehensive income.

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 transactions and balances:

Digital currency transactions and balances - Digital currencies are considered to be an identifiable non-monetary asset without physical substance. Management has determined that the digital currencies are treated as intangible assets in accordance with IAS 38 Intangible Assets ("IAS 38").

The Company adopts the revaluation model in accounting for its digital currencies. In determining fair values, management needs to apply judgments to identify the relevant available markets, and to consider accessibility to and activity within those markets in order to identify the principal digital asset markets for the Company.

Digital currencies related to lending activities representing digital currencies loaned out to third parties are accounted for as intangible assets and are presented separately on the consolidated statement of financial position. Management determined that digital currencies loaned out to third parties do not meet the derecognition criteria of IAS 38.

In June 2019, the IFRS IC published its agenda decision on 'Holdings of Cryptocurrencies,' and management exercises significant judgment in determining the appropriate accounting treatment for matters with no current definitive and uniform answers. In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies, which could have an effect on the Company's consolidated financial position and results from operations.

Management exercises judgment to determine whether a digital currency meets the definition of a financial asset under IFRS 9 *Financial Instruments* ("IFRS 9"). Management has determined that USD Coin represents a contractual right to receive cash from the USD Coin issuer and, therefore, meets the definition of a financial asset.

<u>Short-term investments:</u>

The fair value of investments in investment funds which are not quoted in an active market is determined by using net asset value as determined by the investee fund's administrator. Management deems the net asset value to be the fair value after considering key factors such as the liquidity of the investee fund or its underlying investments, any restrictions on redemptions and basis of accounting.

Included in short-term investments is a 34.42% investment in an investment fund. Management accounted for such investment at fair value to profit or loss under IFRS 9, because the Company does not exercise significant influence over the investee. The Company does not have any contractual right to appoint any representative to the investee's board of directors. In addition, the Company does not any participation in policy-making processes and does not have any material transactions with the investee.

Significant estimates:

<u>Digital currency valuation:</u>

Digital currencies consist of cryptocurrency denominated assets (Note 3). Digital currencies are revalued to their fair value determined based on volume weighted average price from www.cryptocompare.com at 7:00 am UTC. 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. In addition, management estimates that selling costs will be nominal.

<u>Share based compensation:</u>

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:

<u>Revenue recognition:</u>

Revenue from Bitcoin mining

The Company has executed a contract with a mining pool operator to manage the mining pool. The contract is terminable at any time by either party and the Company's enforceable right to compensation only begins when the Company provides computing power to the mining pool operator. In exchange for providing the mining pool, the Company is entitled to a fractional share of the fixed digital currency award the mining pool operator receives (less digital asset transaction fees to the mining pool operator), for successfully adding a block to the blockchain. The Company's fractional share is based on the proportion of computing power the Company contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving the current algorithm.

Providing digital asset transaction verification services is an output of the Company's ordinary activities. The provision of providing such computing power is the only performance obligation in the Company's contract with mining pool operator. The transaction consideration the Company receives, if any, is noncash consideration, which the Company measures at fair value on the date received, which is not materially different than the fair value at contract inception or the time the Company has earned the award from the pools. The consideration is all variable. Because it is not probable that a significant reversal of cumulative revenue will not occur, the consideration is constrained until the mining pool operator successfully places a block (by being the first to solve an algorithm) and the Company receives confirmation of the consideration it will receive at which time revenue is recognized. There is no significant financing component in these transactions. Fair value of the cryptocurrency award received is determined using the quoted price of the related cryptocurrency at the time of receipt.

Other income from staking

The Company recognizes other income from the provision of blockchain node operations within digital currency networks, commonly termed "node hosting". As consideration for these services, the Company receives digital currency from each specific network in which it participates ("Dash" or "ATOM"). Other income is measured based on the fair value of the Dash or ATOM received. The fair value is determined using the hourly volume weighted average price from www.cryptocompare.com of Dash or ATOM on the date of receipt. Dash or ATOM 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.

Other income from staking is presented as part of other income as management deems this as part of its ancillary operations.

Interest income from digital currencies related to lending activities and from digital currency balances held in an exchange and lending platform

From time to time, the Company loans out digital currencies to earn interest on these digital currencies prior to them being used to purchase mining machines or funding other asset acquisitions. The loans are in both open and closed terms at varying interest rates. Interest rates are based on a percentage of the digital currencies loaned and are denominated in the related digital currencies.

The Company also earns interest income from digital currency balances held in an exchange and lending platform based on contractual interest rates.

Interest income from digital currencies loaned is presented as part of other income as management deems this as part of its ancillary operations.

Digital currencies:

Digital currencies that have sufficient liquidity to allow conversion within the Company's normal operating cycle are recorded as current assets on the consolidated statement of financial position. All other digital currencies are classified as non-current.

Management of the Company views each digital currency as an intangible asset as it is an identifiable non-monetary asset without physical substance and accordingly the Company uses the revaluation model, as permitted under IAS 38 to measure its digital currencies. Initially, the digital currencies are measured at cost. For purposes of revaluation, fair value is determined by reference to the volume weighted average price from www.cryptocompare.com at 7:00 am UTC.

If the carrying amount of a digital currency is increased as a result of a revaluation, the increase is recognized in other comprehensive income and accumulated in equity under the heading of accumulated other comprehensive income. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If the carrying amount of a digital currency is decreased as a result of a revaluation, the decrease is recognized in profit or loss. However, the decrease is recognized in other comprehensive income to the extent of any credit balance in the other comprehensive income in respect to that digital currency.

The Company has assessed that the digital currencies have an indefinite useful life because there is no foreseeable limit to the period over which the assets are expected to generated cash inflows for the Company.

Purchases of digital currencies by the Company are included within investing activities on the consolidated statement of cash flows, while digital currencies awarded to the Company through its mining activities are included within operating activities on the consolidated statement of cash flows. The sales of digital currencies are included within investing activities on the consolidated statement of cash flows and any realized gains or losses from such sales are included as an item under other items on the consolidated statement of income and comprehensive income.

Digital currencies that are used in lending activities do not meet the derecognition criteria under IAS 38 and are presented as digital currencies related to lending activities on the consolidated statement of financial position. When a digital currency is transferred to digital currencies related to lending activities, both the revalued amount and the corresponding cost of the digital currency are transferred to that category.

The Company's realized gain or loss on digital currencies is calculated as the proceeds received from the sale of digital currencies less their cost, which is determined on a First-in, First-out basis.

Income taxes

Deferred income tax assets and liabilities are recognized for deferred income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it probable that a deferred income tax asset will be recovered, the deferred income tax asset is not recognized. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Earnings (loss) per share:

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average share outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Financial instruments:

Financial assets

Financial assets are classified as either financial assets at affair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

Fair value through profit or loss ("FVTPL") **-** financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Changes in fair value are recognized in profit and loss.

Amortized cost – financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as FVTPL: 1) The objective of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the assets contractual cash flow represents solely payments of principal and interest.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Financial assets were classified as follows:

Classification	IFRS 9
Cash	Amortized cost
Amounts receivable	Amortized cost
USD Coin	Amortized cost
Loans receivable	Amortized cost
Short-term investments	FVTPL

Financial liabilities

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

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL, as is the case with derivative instruments, or the Company as opted to measure the financial liability at FVTPL. All financial liabilities are recognized initially at fair value, and where applicable net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires with any associated gain or loss recognized in other income or expense in the statement for profit or loss.

Financial liabilities consist only of accounts payable and accrued liabilities which are recognized at amortized cost.

<u>Impairment:</u>

i) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cost flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in net income (loss).

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognized.

The Company's policy for impairment on digital currencies is discussed within the digital currencies significant account policy.

ii) Financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses ("ECL") associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

The Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date

Property and Equipment

Real estate property is recorded at historical cost less accumulated depreciation. The Company provides for depreciation on the building portion using straight-line over its estimated useful life of 40 years. Land is not depreciated.

Equipment is recorded at historical cost less accumulated depreciation. The Company provides for depreciation using the declining balance at 50% per year for all mining equipment.

Furniture is recorded at historical cost less accumulated depreciation. The Company provides for depreciation using the declining balance at 20% per year for all furniture.

Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit. Other comprehensive income consists of changes to unrealized gain and losses on digital currencies during the period. Comprehensive income measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as accumulated other comprehensive income.

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.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED

There were no new standards adopted for the period ended May 31, 2022.

FINANCIAL INSTRUMENTS AND MANAGEMENT OF CAPITAL

Management of capital

The Company’s objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders’ equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company’s primary objective with respect to its capital management is to ensure that it has sufficient cash resources to acquire more cryptocurrencies and fund the operations and investments of the Company. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through the equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator.

Classification of financial instruments

		May 31, 2022		August 31, 2021
Financial assets at amortized cost				
Cash	$	589,016	$	154,803
USD Coin		83,245		10,965,496
Loans receivable		22,456,329		
Financial assets at fair value to profit or loss				
Short-term investments		638,162		3,327,316
Total	$	23,766,752	$	14,447,615

		May 31, 2022		August 31, 2021
Financial liabilities at amortized cost				
Accounts payable and accrued liabilities	$	329,510	$	769,083

The carrying amounts of cash, USD Coin, loans receivable, and accounts payable and accrued liabilities approximate their fair values because of the short-term nature of these instruments.

Fair value measurement

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market data.

The following table sets forth the Company's assets measured at fair value by level within the fair value hierarchy as at May 31, 2022.

May 31, 2022		Level 1		Level 2		Level 3
Digital currencies	$	-	$	11,467,169	$	-
Short-term investments		-		638,162		-
Total	$	-	$	12,105,332	$	-

August 31, 2021		Level 1		Level 2		Level 3
Digital currencies	$	-	$	14,968,205	$	-
Digital currencies related to lending activities		-		22,248,793		-
Short-term investments		-		3,327,316		-
Total	$	-	$	40,544,314	$	-

Management considers the fair value of digital assets to be Level 2 under IFRS 13 *Fair Value Measurement* ("IFRS 13") fair value hierarchy as the volume weighted average price taken from www.cryptocompare.com uses the volumes of multiple digital currency exchanges.

The fair values of digital currencies, including those related to lending activities, are based on volume weighted average price from www.cryptocompare.com at 7:00 am UTC. The fair values of the short-term investments are remeasured based on monthly valuation reports provided to the Company by the investee fund administrator.

There were no transfers between any levels during the year.

Financial risk management

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. Financial instruments which are potentially subject to credit risk for the Company consist of primarily cash and USD Coin. The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure at May 31, 2022, related to cash of $589,016, USD Coin of $83,245, and loans receivable of $22,456,329. All cash is held at Canadian chartered banks and U.S. Federal Deposit Insurance Corporation insured commercial banks in the United States, which minimizes credit risk. USD Coin risk is mitigated by the fact that it is fully backed by cash and equivalents and short-duration U.S. Treasuries. The reserve account backing the USD Coin includes cash balances that exceed the U.S. Federal Deposit Insurance Corporation deposit insurance limit of $250,000 USD per institution. The Company's loans receivables are issued to arm's-length parties with which it has previously issued loans. Credit risk is mitigated by loaning funds to companies based on the size, credit quality and reputation of these arm's length parties that are based and regulated in the United States.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages Company-wide cash projections centrally and regularly updates projections for changes in business and fluctuations caused in digital currency prices and exchange rates.

Interest risk

Interest risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's exposure to interest rate risk is limited and only relates to its ability to earn interest income on cash balances and USD Coin at variable rates. Changes in short term interest rates will not have a significant effect on the fair value of the Company's cash account and USD Coin.

Price risk

Price risk is the risk that the value of a security or investment will decrease. The Company is exposed to price risk on its holdings in USD Coin. As USD Coin is tied to the US Dollar, fluctuations in foreign exchange rates may impact the valuation of the Company's assets. A 10% fluctuation in the price of USD Coin would not result in a material change to profit or loss.

Foreign currency risk

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations may affect the costs that the Company incurs in the future in its operations as well as the currency in which the Company has historically raised capital. Other than currency risk exposure of USD Coin, the Company is currently exposed to currency risk as its loans receivable are denominated in US Dollars. A 10% fluctuation in the US Dollar would result in a change to profit or loss of $2.2 million.

Digital currency risks

Price risk related to digital currencies

Digital asset prices are volatile and affected by various factors including global supply and demand, interest rates, exchanges rates, inflation or deflation and the political and economic conditions. Supply and demand for such assets rapidly change from time to time affecting by regulations and general economic trends. A decline in the market prices of digital assets could impact the Company's future operations. The management of the Company constantly monitors the exposure in response to the market conditions.

Digital assets that the Company deals within its operating and investing activities are various digital currencies which can be traded in a number of public exchanges or through over-the-counter market. The Company's exposure to price risk arises from digital currencies which are measured at revalued amounts.

At May 31, 2022, if the prices of digital currencies (except stablecoins) held by the Company had decreased by 15% (being a reasonably expected change determined based on average monthly price movements) in the principal markets with other variables held constant, the impact on accumulated other comprehensive income arising from changes in fair value of digital currencies (including digital currencies related to lending activities) would have been $1,719,947 lower.

If the prices of digital assets (except stablecoins) had been 15% higher and all other variables were held constant, other comprehensive income would increase by $1,719,947.

Credit risk

The Company's digital currencies related to lending activities are exposed to credit risk. The Company limits its credit risk for digital currencies related to lending activities by placing these digital assets with high quality counterparties that are believed to have sufficient capital to meet their obligations as they come due and on which the Company has performed due diligence procedures. The Company's due diligence procedures may include review of the financial position of the borrower, liquidity levels of the borrower in applicable assets, review of the borrower's management, review of certain internal control procedures of the borrower, review of market information, and monitoring the Company's risk exposure thresholds. As at May 31, 2022, and subsequently, the Company does not expect a material loss on any of its digital currencies related to lending activities.

The Company also limits its credit risk by placing its cryptocurrencies with crypto trading exchanges on which the Company has performed internal due diligence procedures.

The Company deems these procedures necessary as some trading exchanges are unregulated and not subject to regulatory oversight. Furthermore, trading exchanges may engage in the practice of commingling client assets in exchange wallets. When cryptocurrencies are commingled, individual transactions and balances are not recorded on the applicable blockchain ledger but are only recorded by the exchange. Therefore, there is a risk around the occurrence of transactions, or the existence of period end balances represented by exchanges.

Loss of access risk

The loss of access to the private keys associated with the Company's digital asset holdings may be irreversible and could adversely affect the future operation. Digital assets are controllable only by an individual that possesses both the unique public key and private key or keys relating to the “digital wallet” in which the digital asset is held. To the extent a private key is lost, destroyed or otherwise compromised and no backup is accessible the Company may be unable to access the digital assets. It is the policy of the Company to conduct due diligence surrounding private key management performed by custodians as part of the onboarding process in order to mitigate this risk.

Irrevocability of transactions

Digital asset transactions are irrevocable and if stolen or incorrectly transferred digital assets may be irretrievable. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer or theft generally will not be reversible, and the Company may not be capable of seeking compensation. The Company seeks to mitigate risk by establishing policies and procedures to require a careful review of each transaction before execution.

Hard fork and air drop risks

When a proposed modification to the digital currency network is not accepted by the vast majority of miners and users but is nonetheless accepted by a substantial population of participants in the network, a “fork” in the blockchain occurs, resulting in two separate digital currency networks. A “hard fork” is a software upgrade that introduces a new rule to the network that is not compatible with the older software, while a “soft fork” is any change that is backward compatible. Holders of digital currency on the original digital currency network, at the time the block is mined, and the fork occurs, can then also typically receive an identical amount of new tokens on the new network. Hard forks could affect the value and harm the sustainability of the affected digital currencies.

Air drops occur when the promoters of a new digital asset send amounts of the new digital asset to holders of another digital asset that they will be able to claim a certain amount of the new digital asset for free. The Company may not be able to realize the economic benefit of a hard fork or air drop, either immediately or ever, for various reasons. For instance, the Company may not have any systems in place to monitor or participate in hard forks or airdrops. Therefore, the Company may not receive any new digital assets created as a result of a hard fork or airdrop, thus losing any potential value from such digital assets.

For the period ended May 31, 2022, there was no loss relating to a hard fork or airdrop.

Regulatory oversight risk

Regulatory changes or actions may restrict the use of digital assets or the operation of digital asset networks or exchanges in a manner that adversely affects investments held by the Company. The Company consistently engages with external legal counsels or regulatory advisors to understand any updates on the regulatory landscape which might have impacts on its businesses.

Cybersecurity risk

The Company uses tight security standards applicable to its hot and cold wallets. While the Company’s security technology is designed to prevent, detect, and mitigate inappropriate access to its systems, it is possible that hackers, employees or service providers acting contrary to its policies, or others could circumvent these safeguards to improperly access its systems or documents, or the systems or documents of its business partners, agents, or service providers, and improperly access, obtain, misuse its digital currencies and USD Coin held in hot wallets.

Staking risk

Digital currency prices are volatile and can drop quickly. If any of the Company's staked assets suffer a large price drop, that could outweigh any staking income earned on them. Staking can require the Company to lock up its digital currencies for a minimum amount of time. Staking also exposes the Company to slashing. Slashing is a penalty enforced at the protocol level associated with malicious attack against the network by a validator.

<u>Digital Currency Holdings:</u>

Digital currencies are recorded at their fair value on the acquisition date or when they are received as revenues and are revalued at their current market value at each reporting date. Fair value is determined based on volume weighted average price from www.cryptocompare.com at 7:00 am UTC. A summary of the digital currency balances is as follows:

	Holdings, May 31, 2022	Fair Value, May 31, 2022	Holdings, August 31, 2021	Fair Value, August 31, 2021
Bitcoin	198	$ 7,946,190	110	$ 6,533,978
ATOM[(1)]	155,341	2,025,662	144,384	4,166,227
Ethereum	320	784,604	302	1,309,157
TOMB Finance LP liquidity tokens[(1)(2)]	-	329,168	-	-
Dash[(1)]	2,194	178,637	2,091	591,566
MEMO[(1)]	540	89,251	-	-
Polkadot	3,873	50,698	3,632	143,690
Litecoin	349	28,253	348	74,810
Bitcoin Cash	95	24,452	92	73,784
Nacho LP liquidity tokens[(1)(3)]		5,808	-	-
Stellar	12,788	2,438	12,784	5,521
Tether	673	851	595,414	750,222
Neo	42	613	44	2,864
Qtum	52	273	52	821
OMG Network	77	269	77	619
Fantom[(1)]	5	3	1,447,503	1,314,946
Balance		$ 11,467,170		$ 14,968,205

(1) Digital currencies used for staking.

(2) TOMB Finance LP liquidity tokens created through the exchange of 1,388,854 Fantom to create FTM/TSHARE and FTM/TOMB liquidity tokens.

(3) Nacho LP liquidity tokens created through the exchange of 43,532 Matic to create MATIC/NSHARE liquidity tokens.

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 Bitcoin mining, staking cryptocurrency, running blockchain nodes, and DeFi operations. The Company may also receive income from investing cryptocurrency into short term loans and option trades.

PROPOSED TRANSACTION:

Except as disclosed elsewhere in this document there were no proposed transactions as at May 31, 2022 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 Digital Assets Corp.
2800 - 666 Burrard Street
Vancouver, British Columbia
V6C 2Z7

DIRECTORS & OFFICERS

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

Kalle Radage
Chief Operating Officer and Director

Carmen To, CPA, CA
Chief Financial Officer and Director

Dario Meli
Independent Director

Mitchell Demeter
Independent Director

CAPITALIZATION
(as at August 2, 2022)

Shares Authorized: Unlimited Number of Common Shares

Shares Issued: 124,909,811

REGISTRAR & TRANSFER AGENT

TSX Trust Company
301 – 100 Adelaide Street West
Toronto, Ontario M5H 4H1

AUDITOR

RSM Canada LLP 11 King Street West
Toronto, Ontario M5H 4C7

LEGAL COUNSEL

DLA Piper (Canada) LLP
666 Burrard Street,
Vancouver, British Columbia V6C 2Z7