



**NEPTUNE DASH TECHNOLOGIES CORP.**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**For the six month period ended February 29, 2020**

**Containing information up to and including April 29, 2020**

**Form 51-102F1**  
**Management's Discussion & Analysis for**  
**NEPTUNE DASH TECHNOLOGIES CORP**  
**(the "Company")**  
**Containing information up to and including April 29, 2020**

**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 financial statements for the period ended February 29, 2020 and with the consolidated audited financial statements for the year ended August 31, 2019 (together 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 [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 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 Dash and Cosmos ATOM blockchains;
- general business and economic conditions;
- the timing and amount of Dash masternode and ATOM delegated 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 and ATOM cryptocurrency specifically;
- the hashing power and general integrity of the Dash and ATOM blockchains 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 and Cosmos ATOM community 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 Dash Technologies Corp. (Formerly Crossroad Ventures) is an early stage technology company, listed on the TSX Venture Exchange (“TSXV”), trading under the symbol DASH, the Company 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 and take part in the Cosmos ATOM community through delegation of ATOM tokens. 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.

## **OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS**

### **Highlights for the six months ended February 29, 2020 and up to April 29, 2020**

- The Company announced that it has added Carmen To to the board of directors and as chairman of the audit committee.
- On November 10, 2019, 800,000 warrants expired unexercised.
- On November 15, 2019, Jackson Warren and Guy Halford-Thompson resigned from the board to pursue a new venture.
- On January 19, 2020 the Company issued 530,001 shares as part of the restricted share unit benefit plan.
- On January 20, 2020 3,239,360 warrants expired unexercised
- On January 22, 2020 the Company cancelled all 6,075,000 options which were priced at \$0.50
- On January 22, 2020 Mitchell Demeter was appointed to the board of directors as independent director
- On March 23, 2020 the Company issued 3,379,182 shares to satisfy \$192,613.62 in debt to insiders and related parties
- On April 14, 2020, the Company entered into a non-binding agreement for a drawdown equity facility of up to \$4-million. The agreement provides for equity private placement offerings, to be conducted between the Company and Alumina Partners LLC, a New York-based private equity firm, in draw down amounts at the sole discretion of the Company, of up to \$250,000. Pursuant to the terms of the Offerings, Alumina Partners will commit to purchase up to \$4,000,000 of units of the Company, consisting of one common share and one common share purchase warrant, at discounts ranging from 15% to 25% of the market price of the Shares, with each offering occurring exclusively at the option of the Company, throughout the 24 month term of the agreement. The exercise price of the warrants will be at a 25% premium over the market price of the shares.

## **SUMMARY OF QUARTERLY RESULTS**

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

	<b>Quarter Ended February 29, 2020 \$</b>	<b>Quarter Ended November 30, 2019 \$</b>	<b>Quarter Ended August 31, 2019 \$</b>	<b>Quarter Ended May 31, 2019 \$</b>
<b>Financial Results</b>				
Revenue	39,908	39,421	51,956	48,077
Operating Expenses	3,558	(160,971)	(178,662)	(242,977)

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Neptune Dash Technologies Corp. – Management Discussion and Analysis  
For the six month period ended February 29, 2020 containing information up to and including April 29, 2020

<b>Financial Results</b>	<b>Quarter Ended February 29, 2020 \$</b>	<b>Quarter Ended November 30, 2019 \$</b>	<b>Quarter Ended August 31, 2019 \$</b>	<b>Quarter Ended May 31, 2019 \$</b>
Net comprehensive income (loss) for the period	622,764	(400,434)	(2,527,836)	2,203,469
Net income (loss) per share (basic and diluted)	\$0.01	\$(0.00)	\$(0.03)	\$0.03
Total Assets	3,045,945	2,474,701	2,814,916	5,384,065
Total Long-term Liabilities	-	-	-	-
Weighted average shares outstanding for the period	80,942,962	80,709,995	80,709,995	80,709,995
Cash dividends declared	-	-	-	-

<b>Financial Results</b>	<b>Quarter Ended February 28, 2019 \$</b>	<b>Quarter Ended November 30, 2018 \$</b>	<b>Quarter Ended August 31, 2018 \$</b>	<b>Quarter Ended May 31, 2018 \$</b>
Revenue	32,459	69,819	97,089	165,445
Operating Expenses	(288,216)	(313,668)	(1,147,053)	(548,529)
Net comprehensive income (loss) for the period	(561,417)	(3,475,493)	(3,266,444)	(6,790,881)
Net income (loss) per share (basic and diluted)	\$(0.01)	\$(0.04)	\$(0.34)	\$(0.10)
Total Assets	3,021,328	3,426,905	6,768,599	9,311,233
Total Long-term Liabilities	-	-	-	-
Weighted average shares outstanding for the period	80,405,736	80,193,329	80,193,329	67,137,433
Cash dividends declared	-	-	-	-

<b>Operating Results</b>	<b>Quarter Ended February 29, 2020 \$</b>	<b>Quarter Ended November 30, 2019 \$</b>	<b>Quarter Ended August 31, 2019 \$</b>	<b>Quarter Ended May 31, 2019 \$</b>
Opening Dash Token Balance:	16,197	16,382	18,790	19,453
Dash Token Purchases:	-	-	-	-
Dash Production Earned from Masternodes:	238	245	233	278

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	Quarter Ended February 29, 2020 \$	Quarter Ended November 30, 2019 \$	Quarter Ended August 31, 2019 \$	Quarter Ended May 31, 2019 \$
<b>Operating Results</b>				
Dash Earned from Neptune Pooling Fees & Rewards	-	-	40	34
Dash Dispositions	(1,231)	(430)	(2,681)	(975)
Closing Dash Token Balance:	15,204	16,197	16,382	18,790
\$CAD Dash Price (rounded)*	\$115	\$74	\$107	\$223
\$CAD Dash Tokens Owned:	\$1,745,896	\$1,191,578	\$1,741,120	\$4,204,706

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

	Quarter Ended February 28, 2019 \$	Quarter Ended November 30, 2018 \$	Quarter Ended August 31, 2018 \$	Quarter Ended May 31, 2018 \$
<b>Operating Results</b>				
Opening Dash Token Balance:	19,144	18,825	18,493	18,175
Dash Token Purchases:	-	-	-	-
Dash Production Earned from Masternodes:	288	310	332	318
Dash Earned from Neptune Pooling Fees & Rewards	21	9	-	-
Cash Dispositions	-	-	-	-
Closing Dash Token Balance:	19,453	19,144	18,825	18,493
\$CAD Dash Price*	\$108	\$123	\$290	\$409
\$CAD Dash Tokens Owned:	\$2,099,937	\$2,357,850	\$5,548,379	\$7,567,348

## **DISCUSSION OF RESULTS**

Results for the six months period ended February 29, 2020 compared to six months ended February 28, 2019:

The following analysis discusses the Company's operating results.

- Inclusive of Neptune Dash and Neptune Pooling operations (discontinued August 2019), the Company earned a total of 483 Dash and gross revenues of \$79,239 during the period ended February 29, 2020 (February 28, 2019 - \$102,278 and 598 Dash). This differential is the result of a volatile Dash price and a larger balance of Dash on which revenues were being earned in comparable 2019 period.
- During the six months ended February 29, 2020, the Company had 15 (2019 – 19) Dash masternodes that were operational resulting in Dash tokens produced of 483 (2019 – 598), monthly Dash production of 81 (2019 – 100) Dash tokens, with each masternode producing an average of 5.36 (2019 – 5.25) Dash tokens per month, and gross masternode revenue of \$48,264 (2019 - \$102,278).

- The Dash blockchain network had a scheduled block reward deduction for all Dash masternode operators in early April 2020, resulting in a 7% decline in the net Dash block reward paid out to all Dash masternode operators. The decline in Dash block reward payments made to Dash masternode owners has been known to the Dash community and is detailed in the Dash protocol.
- The Company owned a total 15,204 Dash tokens as at February 29, 2020 (2019 – 19,453) inclusive of fees earned from Neptune Pooling and exclusive of third party deposits which were zero at November 30, 2019 as this service was shut down in the prior fiscal year.
- During the period the fair market value of the digital tokens held recovered value as at February 29, 2020 resulting in an additional unrealized gain of \$302,870, associated with the Company’s digital currency owned.
- As a result of operating the Cosmos Validator Node and self delegating, the Company earned 5,955 ATOM, valued at \$31,065, in rewards during the period ended February 29, 2020. At period end the Company held 129,207 ATOM and recognized an unrealized gain of \$222,745 as at February 29, 2020. The Company did not hold any ATOM in the comparable six month period.
- The Company continues to reduce operating expenses, which totalled \$157,413 (2019 - \$601,884) for the six month period, of which \$163,109 were cash expenses (2019 - \$336,017). This is mainly due to a reduction in consulting fees, marketing costs, professional fees, office costs and travel. Operating expenses are also lower than previous periods due to a recovery related to cancelled restricted share units.
- Exclusive of the ATOM purchase described earlier, Neptune Stake’s portfolio of digital currencies had a fair value of \$290,922. During the period the Company recognized a decrease in fair value of \$4,514 based on the period end value of each digital currency. The Company also exchanged 1,661 Dash with a fair value of \$128,127 for 12 Bitcoin.

Three months ended February 29, 2020 compared with three months ended February 28, 2019:

- During the three months ended February 29, 2020, the Company had 15 (2019 – 18) Dash masternodes that were operational resulting in Dash tokens produced of 238 (2019 – 288), monthly Dash production of 79 (2019 – 96) Dash tokens, with each masternode producing an average of 5.29 (2019 – 5.53) Dash tokens per month, and gross masternode revenue of \$25,119 (2019 - \$29,672).
- During the 3 months ended February 29, 2020, the Company earned \$39,908 in total revenues versus \$32,459 for the comparable period in 2019. This is a function of combined crypto currency pricing and fluctuating payout ratios of ATOM and Dash digital currencies.
- During the three months ended February 29, 2020 the fair market value of the digital tokens held increased substantially from November 30, 2019 resulting in an additional unrealized gain of \$580,679 (2019 – unrealized loss \$301,464) associated with the Company’s digital currency owned.
- The Company’s operating expenses for the three months ended February 29, 2020 were a small gain of \$3,558 versus a loss in 2019 comparable period of \$288,216. The Company made substantial reductions in marketing costs, professional fees, office costs and travel over prior period. Additionally the Company has accrued many of the related party consulting costs and as such has made additional

reductions to cash expenses. The gain of \$3,558 is resulted from a \$147,902 recovery relating to cancellation of restricted share units to directors upon resignation when in the comparable period this was an expense of \$81,806.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at February 29, 2020 the Company held 15 masternodes which earn Dash revenues and has delegated 129,207 ATOM which also earn rewards. The Company commenced earning revenues during November 2017, however it 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 February 29, 2020 the Company had a working capital balance of \$370,514. Significant items included cash and cash equivalents of \$346,887 and digital tokens of \$290,922. 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 February 29, 2020 is as follows:

- Cash used in operating activities for the six months ended February 29, 2020 was \$163,109. The majority of this was used to fund office costs, listing fees, and maintaining IT infrastructure.
- From financing activities, the Company did not generate or use any cash
- From investing activities, the Company did not generate or use any cash

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

## **OUTSTANDING SHARE DATA**

As at February 29, 2020, the Company's share capital was \$24,776,977 representing 81,239,996 common shares without par value. The comprehensive income for the six months ended February 29, 2020 was \$222,330 and total shareholders equity was \$2,714,680.

Subsequent to February 29, 2020 and as at April 29, 2020 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	84,619,178		
Restricted Share Units	533,333		(January 19, 2021)
Fully Diluted as at April 29, 2020	85,152,511		

## **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 associated with Dash or ATOM 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 and Cosmos blockchain network is a development stage ecosystem with many stakeholders including miners, investors, nodes and/or masternodes, 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.

***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 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 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 limited 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 cryptocurrency assets. The Company is highly dependent on Dash, ATOM 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.

### **OFF-BALANCE SHEET ARRANGEMENTS**

As at February 29, 2020 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 February 29, 2020. 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>	\$80,000
Major Big Consulting Corp.	Kalle Radage	COO & interim CFO	Consulting Fees <sup>(3)</sup>	\$62,500

- 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.
- 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 \$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 addition to the transactions above:

- The Company paid or accrued director's fees of \$15,000 (2019 - \$13,500) to independent directors during the six month period ended February 29, 2020.
- Restricted share units were issued in January 2020 to the CEO and CFO valued at \$9,183 and \$20,058 respectively. Another \$3,383 in restricted share units were issued to independent directors.
- All unvested restricted share units previously issued to directors who resigned during the prior periods were cancelled.
- All stock options to related parties were cancelled in the period.

## **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.

#### **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](http://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

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*

Financial assets are classified as either financial assets at fair 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.

### *Financial liabilities*

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:

*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 in profit and loss.

*Amortized cost:* This category includes accounts payables and accrued liabilities, which are recognized at amortized cost.

## **NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED**

### IFRS 16, *Leases*

The Company adopted IFRS 16 - Leases (“IFRS 16”) on September 1, 2019. The objective of the new standard is to eliminate the classification of leases as either operating or financing leases for a lessee and report all leases on the statement of financial position. The only exemption to this will be for leases that are one year or less in duration or for leases of assets with low values. Under IFRS 16 a lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligations to make lease payments. IFRS 16 also changes the nature of expenses relating to leases, as lease expenses previously recognized for operating leases are replaced with depreciation expense on capitalized right-of-use assets and finance or interest expense for the corresponding lease liabilities associated with the capitalized right-of-use leased assets.

The Company adopted IFRS 16 using the modified retrospective approach and did not restate comparative amounts for the year prior to first adoption. As at the date of transition, management has assessed that it does not have any leases to which IFRS 16 applies. The adoption of the new IFRS pronouncement has therefore not resulted to adjustments in previously reported figures and there has been no change to the opening deficit balance as at September 1, 2019.

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

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

The carrying amounts reported in the condensed consolidated interim 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	346,887	-	-
<b>Total financial assets</b>	<b>346,887</b>	<b>-</b>	<b>-</b>

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.

### ***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 Coin Holdings:

	February 29, 2020
Dash Digital Currency Tokens held	15,204
Closing Dash Price (\$CAD)	\$ 115
Digital Currency Value	\$ 1,745,896

#### Atom and Other Coin Holdings:

	Holdings, February 29, 2020	Fair Value, February 29, 2020	Holdings, August 31, 2019	Fair value, August 31, 2019
ATOM	129,207	598,270	123,252	344,460
Bitcoin	23	265,703	11	146,136
Ethereum	67	19,691	67	15,410
Litecoin	38	2,999	38	3,300
Stellar	12,784	984	12,784	1,075
NEO	44	653	44	513
Dash	6	662	6	617
Omisego	77	87	77	113
QTUM	52	143	52	145
Balance		\$ 889,192		\$ 511,769

### **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 and payments from the Cosmos blockchain for delegating ATOM.

**PROPOSED TRANSACTION:**

Except as disclosed elsewhere in this document there were no proposed transactions as at February 29, 2020 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.**  
#310 – 36 Water Street  
Vancouver, British Columbia  
V6B 0B7

## **DIRECTORS & OFFICERS**

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

Dario Meli  
*Independent Director*

Carmen To, CPA, CA  
*Independent Director*

Kalle Radage  
*Chief Operating Officer, Director and  
Interim Chief Financial Officer*

Mitchell Demeter  
*Independent Director*

## **CAPITALIZATION**

(as at April 29, 2020)

Shares Authorized: Unlimited Number of  
Common Shares

Shares Issued: 84,619,178

## **REGISTRAR & TRANSFER AGENT**

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

## **AUDITOR**

Manning Elliot  
1050 West Pender Street  
Vancouver, British Columbia  
V6E 3S7

## **LEGAL COUNSEL**

Gowling WLG (Canada) LLP  
Suite 2300, 550 Burrard Street,  
Vancouver, British Columbia  
V6C 2B5