

# **CASCADIA BLOCKCHAIN GROUP CORP.**

(the “Company”)

## **MANAGEMENT DISCUSSION AND ANALYSIS**

For the Year Ended January 31, 2022

The following Management Discussion and Analysis (“MD&A”) has been prepared by management as of May 31, 2022, should be read in conjunction with the audited consolidated financial statements and related notes of the Company for the year ended January 31, 2022 and 2021. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All amounts are stated in Canadian dollars unless otherwise indicated.

### **FORWARD LOOKING STATEMENTS**

This MD&A contains certain forward-looking information and statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions as at the date of this MD&A. The words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential”, “interprets”, “may”, “will” and similar expressions identify forward-looking statements. The forward-looking statements reflect the current beliefs of the management of the Company, and are based on currently available information. Readers are cautioned not to place undue reliance on these statements as they are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, such forward-looking statements. The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

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## **OVERVIEW**

Cascadia Blockchain Group Corp. (the "Company" or "Cascadia") was incorporated on November 10, 2011 under the laws of British Columbia, Canada. Cascadia is a blockchain technology company operating in Vancouver, B.C., Canada. Its registered office is located at #530, 355 Burrard Street, Vancouver, British Columbia V6C 2G8. In September 2013, the Company was approved for listing on the Canadian Securities Exchange ("CSE"). The Company's common shares commenced trading on the CSE at the opening of markets on September 12, 2013 under the symbol "CK".

On December 20, 2017, the Company proposed a fundamental change of business to a blockchain company and a change of its name from Cascadia Consumer Electronics Corp. to Cascadia Blockchain Group Corp. The proposed change of business and change of name were approved by the CSE on September 7, 2018. The corresponding listing statement was filed on both the CSE and SEDAR websites.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. Management continues to monitor and manage the situation.

## **Subsidiaries**

### **1. Tianjin Bocui Technology Limited**

The Company incorporated a Wholly Foreign Owned Enterprise ("WFOE") in China under the name "Tianjin Bocui Technology Limited" ("Bocui") on October 9, 2015. Among other benefits, WFOEs can give greater control over business ventures in mainland China and avoid a multitude of problematic issues which can potentially result from dealing with a domestic joint venture partner. Bocui is currently inactive.

### **2. CK Fintech Corp.**

"CK Fintech Corp." ("CK Fintech") is a wholly owned subsidiary incorporated on December 22, 2015. CK Fintech owns the intellectual property of a trading platform to provide various transaction capabilities for selected blockchain technology based digital assets, utility tokens, and cryptocurrencies.

### **3. CK Blockchain Lab Corp.**

The Company incorporated a wholly owned subsidiary "CK Blockchain Lab Corp." to research and develop blockchain products on September 28, 2017.

### **4. Eurasia Blockchain Fintech Group Limited**

On June 28, 2018, CK Fintech incorporated a wholly owned subsidiary "Eurasia Blockchain Fintech Group Limited" ("EBFG") to establish a foothold to provide blockchain solutions for various organizations.

In May 2020, the Company's wholly owned subsidiary EBFG granted five unrestricted common shares to a director of EBFG. It reduces the control of CK Fintech over EBFG by 4.76%. Refer to Subsequent Event for the subsequent changes in the ownership.

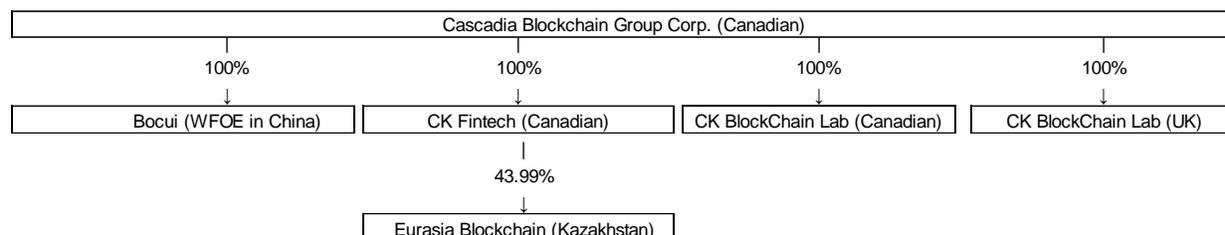
On November 2, 2021, EBFG completed an equity financing and received investment of US\$600,000 from a third-party investor. The Company's equity interest in EBFG has been diluted to 43.99% from 95.24% as a result of the equity financing. As a result, the Company lost control of EBFG and accounted for the investment in EBFG using the equity method effective November 3, 2021.

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5. Cascadia Blockchain Lab (U.K.) Limited

On September 24, 2020, the Company incorporated a wholly owned subsidiary "Cascadia Blockchain Lab (U.K.) Limited" ("CK Lab UK") to research and develop blockchain products in United Kingdom

The detail structure of the Company as at January 31, 2022 is as follows:



The presentation currency of the Company is the Canadian dollar. The functional currency of the Company and its subsidiaries is also the Canadian dollar except for the investment associate EBF, which is the Kazakhstani Tenge ("KZT").

**SELECTED ANNUAL FINANCIAL INFORMATION**

Certain of the following financial information of Cascadia has been derived from, and should be read in conjunction with, the audited consolidated financial statements for the years ended January 31, 2022 and 2021, and the related notes.

	Years Ended January 31		
	2022	2021	2020
	\$	\$	\$
Total revenues	-	-	-
Loss from continuing operations attributable to owners of the parent	(56,304)	(912,455)	(458,279)
Loss per share from continuing operations	(0.00)	(0.01)	(0.01)
Loss attributable to owners of the parent	(56,304)	(912,455)	(458,279)
Loss per share – basic and diluted	-	(0.01)	(0.01)
Total assets	954,339	609,326	1,202,751
Non-current financial liabilities	(40,000)	(40,000)	-
Cash dividends declared - per share	-	-	-

**DISCUSSION OF OPERATIONS**

In February 2021, Nurbolat Akysh replaced Tilektes Adambekov as the Chief Executive Officer ("CEO") of EBF. Continuing with the strong foundation set up by Mr. Adambekov, Mr. Akysh completed heavy tasks to allow the Company to serve institution investors, i.e. maximum size of funds control, iterations of polishing and tunings, translation. All technical work of EBX has now been completed and EBF is focusing on recruitment and training for the official launch. EBX will be launched in different phases, i.e. first open to retail clients and then make it available for institution clients.

On November 2, 2021, EBF completed an equity financing and received investment of US\$600,000 from a third-party investor. The Company's equity interest in EBF has been diluted to 43.99% from 95.24% as a result of the equity financing. As a result, the Company lost control of EBF and accounted for the investment in EBF using the equity method effective November 3, 2021.

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The following table illustrates the summarized financial information of the Company's investment in EBF<sub>G</sub> as at January 31, 2022:

Initial recognition of investment in EBF <sub>G</sub> on November 2, 2021	<b>642,031</b>
Equity pick-up for period from November 3, 2021 to year ended January 31, 2022	(98,130)
Foreign exchange gain	15,922
<b>Investment in EBF<sub>G</sub> balance as at January 31, 2022</b>	<b>559,823</b>

	November 3, 2021 to y January 31, 2022
Revenue	-
Expenses	223,048
<b>Loss before tax</b>	<b>(223,048)</b>
Income tax expense	-
<b>Loss for the period</b>	<b>(223,048)</b>
Company's interest in EBF <sub>G</sub> - 43.99% (2021: 95.24%)	43.99%
<b>Company's share of loss in EBF<sub>G</sub> for the period</b>	<b>(98,130)</b>

EBF<sub>G</sub>'s technical launch has been delayed due to various reasons including Covid-19, protest in January in Kazakhstan and changes on the exchange platform such as additional monitoring features and new user interface. The launch date of the crypto exchange platform will be announced once it's confirmed.

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**REVIEW OF FINANCIAL RESULTS  
2022 FOURTH QUARTER RESULTS**

	Three Months Ended January 31,		Variance
	2022	2021	\$
<b>EXPENSE</b>			
Consulting and professional fees	\$ 47,838	56,215	(8,377)
Salaries and benefits	48,213	46,652	1,561
Office and miscellaneous	15,804	38,390	(22,586)
Marketing and promotion	603	-	603
Listing and transfer agent expenses	7,790	6,460	1,330
Amortization	11	6,247	(6,236)
Bank charges and interest	685	1,058	(373)
<b>OPERATING LOSS</b>	<b>(120,944)</b>	<b>(155,022)</b>	<b>34,078</b>
<b>OTHER ITEMS</b>			
Other income	1,257	4,160	(2,903)
Foreign exchange gain (loss)	18,017	(17,077)	35,094
Change in fair value of cryptocurrency	(7,547)	(27,099)	19,552
Gain on loss of control of investment	775,636	-	775,636
Share of loss of associate	(98,130)	-	(98,130)
Gain on disposal of cryptocurrency	1,375	97,688	(96,313)
<b>NET LOSS</b>	<b>\$ 569,664</b>	<b>\$ (97,350)</b>	<b>667,014</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Foreign currency translation adjustments from foreign subsidiaries	(129,342)	5,882	(135,224)
Increase (decrease) in fair value of cryptocurrency	(120,069)	143,443	(263,512)
<b>NET COMPREHENSIVE GAIN (LOSS) FOR THE YEAR</b>	<b>\$ 320,253</b>	<b>\$ 51,975</b>	<b>268,278</b>

During the three months ended January 31, 2022, the Company reported a net income of \$569,664 (2021: net loss of \$97,350). The details are listed as in the table above.

1. a decrease of \$8,377 consulting and professional expense from \$56,215 for the three months ended January 31, 2021 to \$47,838 for the year end of 2022 was due to management's continue effort to reduce non-essential costs;
2. a decrease of \$22,586 of office and miscellaneous expense from \$38,390 in the three months ended January 31, 2021 to \$15,804 in the same period in 2022, due to de-consolidation of EBF in November 2021 where most office expenses are from activities of EBF in Kazakhstan for project;
3. a decrease of \$6,236 amortization from \$6,247 in the three months ended January 31, 2021 to \$1 in the same period in 2022 because the equipment in Canada and the ROU assets in Kazakhstan were fully depreciated;
4. \$18,017 foreign exchange gain in the three months ended January 31, 2022 compared to loss of \$17,077 in the same period of 2021, due to the translation of investment in EBF by the that is denominated in US dollar;
5. \$7,547 loss in fair value of cryptocurrency was recorded in the three months ended January 31, 2022 compared to loss of \$27,099 in the same period of 2021, due to the fluctuation in market price of bitcoins ("BTCs");

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6. Gain on loss of control of investment in the amount of \$775,636 is related to deemed disposition of EBFGE due to dilution from 95.24% to 43.99%;
7. \$98,130 loss is the Company's 43.99% share of loss on its associate, EBFGE, for the period after loss of control;
8. \$1,375 gain on disposal of cryptocurrency was due to 0.06 BTC paid for the consulting fee for the three months ended January 31, 2022, while \$97,688 gain on disposal of cryptocurrency in fair value of cryptocurrency for the three months ended January 31, 2021 is related to the sale of 4 BTCs and the payment of 0.24 BTCs as consulting fee for the period;
9. a loss of \$129,342 of other comprehensive income from the operation of EBFGE due to the currency translation adjustments and loss of control adjustment for the three months ended January 31, 2022, while it is \$5,822 gain for the quarter ended January 31, 2021;
10. a loss of \$120,069 of other comprehensive income from fair value of cryptocurrency was due to the market price of BTC fluctuation for the three months ended January 31, 2022.

**2022 YEAR END RESULT**

During the year ended January 31, 2022, the Company reported a net loss of \$69,644 (2021: \$923,846). The details are listed as in the table.

	Years Ended January 31,		Variance
	2022	2021	\$
<b>EXPENSE</b>			
Consulting and professional fees	\$ 336,486	\$ 401,668	(65,182)
Salaries and benefits	310,791	424,522	(113,731)
Office and miscellaneous	61,144	69,630	(8,486)
Marketing and promotion	36,360	-	36,360
Listing and transfer agent expenses	23,672	23,039	633
Rent	18,795	-	18,795
Amortization	6,230	25,802	(19,572)
Bank charges and interest	5,845	3,925	1,920
<b>OPERATING LOSS</b>	<b>(799,323)</b>	<b>(948,586)</b>	<b>149,263</b>
<b>OTHER ITEMS</b>			
Interest income	-	195	(195)
Other income	1,257	4,160	(2,903)
Foreign exchange loss	(29,424)	(95,740)	66,316
Change in fair value of cryptocurrency	34,266	34,350	(84)
Gain on loss of control of investment	775,636	-	775,636
Share of loss of associate	(98,130)	-	(98,130)
Gain on disposal of cryptocurrency	46,074	81,775	(35,701)
<b>NET LOSS</b>	<b>(69,644)</b>	<b>(923,846)</b>	<b>854,202</b>
<b>OTHER COMPREHENSIVE LOSS</b>			
Foreign currency translation adjustments from foreign subsidiar	(81,894)	79,442	(161,336)
Increase (decrease) in fair value of cryptocurrency	(54,704)	143,443	(198,147)
<b>NET COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>\$ (206,242)</b>	<b>\$ (700,961)</b>	<b>494,719</b>

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1. a decrease of \$65,182 consulting and professional expense from \$404,403 for the year ended January 31, 2021 to \$336,486 for the year end of 2022 was due to management's continuous effort to reduce non-essential costs;
2. a decrease of \$113,731 payroll expense from \$424,522 for the year ended January 31, 2021 to \$310,791 for the year end of 2022 was due to the loss of control effective since November 3, 2021 and no payroll expense from EBFGE is consolidated for January 31, 2022 year end;
3. a decrease of \$8,486 of office and miscellaneous expense from \$69,630 for the year ended January 31, 2021 to \$61,144 for the year end of 2022, due to the loss of control of EBFGE in the fourth quarter;
4. an increase of marketing and promotion cost of \$36,360 in the year ended January 31, 2022 from \$nil for the year end of 2021 was due to the promotion and training cost related to EBX, and travel expenses incurred in EBFGE related to roadshows for financing;
5. an increase of \$18,795 in rent of \$18,795 in the year ended January 31, 2022 compared to \$nil for the year ended 2021, is due to the office rented in Kazakhstan from September 2019 to January 31, 2021 was accounted for as a Right of Use ("ROU") asset under *IFRS 16 Leases* for 2021 fiscal year;
6. a decrease of \$19,572 amortization from \$25,802 for the year ended January 31, 2021 to \$6,230 in for the year end of 2022 because the equipment in Canada and the ROU assets in Kazakhstan were fully depreciated;
7. \$29,424 foreign exchange loss in the year ended January 31, 2022 compared to loss of \$95,740 for the year end 2021, due to the translation of investment in EBFGE by the that is denominated in US dollar;
8. \$775,636 is gain on investment from loss of control in November 2021, which is the combined result of gain on loss control of EBFGE that is on loss position, and the receivable from EBFGE treated as investment as of the loss of control date;
9. \$98,130 loss is the Company's 43.99% share of loss on associate EBFGE for the period after lost of control for the January 31, 2022 year end;
10. \$46,074 gain on disposal of cryptocurrency in fair value of cryptocurrency for the year ended January 31, 2022 is related to the sale of 2.5 BTCs and payment of 0.36 BTCs as consulting fee for the year ended January 31, 2022; where \$81,775 gain on disposal for the year ended January 31, 2021 is related to the sale of 29.06 BTC and the payment of 25.96 BTCs as consulting fee for the year;
- 11.a loss of \$81,894 of other comprehensive income for the year ended January 31, 2022 is the combined result from the operation of EBFGE due to the currency translation adjustments and loss of control adjustment as at November 2, 2022, while the \$79,442 gain for the year end of 2022 is due to currency translation adjustments;
- 12.a loss of \$54,704 of other comprehensive income from fair value of cryptocurrency was due to the market price of BTC fluctuation for the year ended January 31, 2022.

**SUMMARY OF QUARTERLY RESULTS**

The following financial information for the Company has been derived from the Company's financial statements for the Company's most recent 8 quarters.

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	For the Three Months Ended							
	Fiscal 2022				Fiscal 2021			
	Jan. 31, 2022	Oct. 31, 2021	July 31, 2021	Apr. 30, 2021	Jan. 31, 2021	Oct. 31, 2020 (restated*)	July 31, 2020 (restated*)	Apr. 30, 2020 (restated*)
	\$	\$	\$	\$	\$	\$	\$	\$
Income (loss) from continuous operations	568,748	(204,571)	(121,447)	(312,374)	(97,350)	(248,300)	(196,213)	(381,983)
Earning (loss)								
Per share - basic	0.01	(0.00)	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)
per share - basic and diluted	0.01	(0.00)	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)

\* A consulting contract was terminated during the year ended January 31, 2021 and the provision of \$19,650, \$39,300, \$58,950 in Q1, Q2 and Q3 2021 has been reversed accordingly.

## LIQUIDITY AND CAPITAL RESOURCES

Historically the Company has been successful in raising capital through private placements to finance day-to-day operation and expansion. The Company continually reviews operational results and expenditures to ensure adequate liquidity to support its growth strategy while maintaining the current operation. However, there is no guarantee that the Company will have access to future capital or the ability to generate positive cash flows.

As at January 31, 2022, the Company had a cash balance of \$182,754 compared to a cash balance of \$337,268 as at January 31, 2021. The Company had a working capital deficit of \$129,973 as at January 31, 2022 compared to the working capital surplus of \$426,704 as at January 31, 2021. Among which, the Company has 4.34 bitcoins with fair value of \$208,286 as at January 31, 2022 compared with 5.95 BTCs with fair value of \$251,358 as at January 31, 2021. The Company has no debt as at January 31, 2022.

## GOING CONCERN

The Company's ability to continue as a going concern and to realize assets and discharge its liabilities in the normal course of business is dependent upon its generating profitable operations, obtaining additional financing or maintaining continued support from its shareholders and creditors, and identifying and acquiring other businesses or assets in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

## RELATED PARTY TRANSACTIONS

The salaries, consulting fee and benefits compensation of key management personnel of the Company was \$287,000 for the Years ended January 31, 2022 (2021: \$321,167).

Key management includes directors, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company.

Included in accounts payable and accrued liabilities as at January 31, 2022 was \$455,497 (January 31, 2021 - \$117,982) due to directors and officers of the Company.

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These transactions are in the normal course of operations and are measured at the exchange amount established and agreed to by the related parties.

**DIRECTORS AND OFFICERS**

Di Deng	Chairman of the Board of Directors, President and Chief Executive Officer (appointed on September 20, 2020)
Hanxuan Wu	Director and Chairwoman of Audit Committee (appointed on September 20, 2020)
Shanshan Zhu	Director
Eason Chen	Interim Chief Financial Officer (appointed on October 7, 2020)

**OUTSTANDING SHARE DATA AS AT JANUARY 31, 2022 AND MAY 31, 2022**

On March 15, 2021 all stock options were expired.

On March 22, 2021, 1,399,254 warrants were exercised for \$0.12 per share. Total of \$167,910 Canadian dollars equivalent was received by the Company. The remaining warrants were expired on March 24, 2021.

As of January 31, 2022 and May 31, 2022, the Company has 73,376,692 outstanding common shares and no outstanding stock option and warrants.

**CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Judgements are choices in accounting policies and disclosures which management believes are supported by facts and circumstances existing at the date of the consolidated financial statements.

Significant areas requiring the use of management estimates include:

- The amount of expected credit loss of receivables.

Critical accounting judgements are accounting policies that have been identified as being complex or involve subjective judgments or assessments with a significant risk of material adjustment in the next fiscal year.

Significant judgement areas include:

- The classification of cryptocurrency as intangible assets;
- The ability of the Company to continue as a going concern; and
- Revenue recognition for new customer.

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**FINANCIAL INSTRUMENTS**

The Company classifies its cash and cash equivalents as financial asset measured at FVTPL, accounts receivable and other receivables (excluding GST recoverable) as financial assets measured at amortized cost, its accounts payable and loans payable as financial liabilities measured at amortized cost. The carrying amount of financial assets and liabilities carried at amortized cost is a reasonable approximation of their fair value due to the relatively short period to maturity of these financial instruments.

**Fair value**

The following table summarizes the carrying values of the Company's financial instruments:

	January 31, 2022	January 31, 2021
	\$	\$
Financial assets at fair value through profit or loss (i)	182,754	337,268
Financial assets measured at amortized cost (ii)	512	511
Financial liabilities measured at amortized cost (iii)	564,489	205,875

(i) Cash and cash equivalents

(ii) Accounts receivable and other receivables - excluding GST recoverable

(iii) Accounts payable, lease liability, and loan payable

Financial instruments measured at fair value on a recurring basis are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable. The three levels of the fair value hierarchy are:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and cash equivalents are classified as Level 1. There were no transfers into or out of Level 2 or Level 3 during the year ended January 31, 2022.

**Financial risk management**

The Company's financial risks arising from its financial instruments are market risk, credit risk, liquidity risk and interest rate risk. The Company's exposure to these risks and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

*Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of currency risk, which is the risk that exposes the Company to financial risk related to the fluctuation in exchange rates.

The Company's expenses are mainly denominated in Canadian dollars for operations. There is no significant exchange rate risk for the Company.

*Credit risk*

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. The Company's credit risk with respect to its cash is minimal as it is held with a large financial institution. The Company's maximum exposure to credit risk for the components of the consolidated statement of financial position

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at January 31, 2022 and 2021 is the carrying value of each class of financial assets disclosed in the consolidated financial statements.

*Liquidity risk*

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations. As at January 31, 2022, the Company had a working capital deficit of \$129,973 (January 31, 2021: surplus \$426,704). All of the Company's financial liabilities are classified as current.

*Interest rate risk*

The Company has no interest-bearing debt. The Company has not entered into any derivative instruments to manage interest rate fluctuations. The Company is not exposed to significant interest rate risk.

**APPROVAL**

The Board of Directors of Cascadia Blockchain Group Corp. has approved the contents of this management discussion and analysis on May 31, 2022.

**ADDITIONAL INFORMATION**

Additional information concerning the Company and its operations is available on SEDAR at [www.sedar.com](http://www.sedar.com).