HyperBlock Inc.

Management's Discussion and Analysis

For the nine months ended September 30, 2019

This Management's Discussion & Analysis ("MD&A") of HyperBlock Inc. (Formerly HyperBlock Technologies Corp.) ("HyperBlock" or the "Company" or "the Corporation") for the nine months ended September 30, 2019 is dated February 28, 2020 and constitutes management's review of the factors that affected the Company's financial and operating performance for the quarter ended September 30, 2019. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2019 and the audited financial statements of the Company for the year ended December 31, 2018.

Results are reported in US dollars, unless otherwise noted. The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Caution Regarding Forward Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. For a complete list of the factors that could affect the Company, please make reference to those risk factors referenced in Note 14 – "Financial Instruments" of the Unaudited Consolidated Interim Financial Statements of the Company dated February 28, 2020. Readers are cautioned that such risk factors, uncertainties and other factors are not exhaustive. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

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or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the Company's ability to meet its working capital needs at the current level for the next twelve-month period; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; and general business and economic conditions.

All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly, or otherwise revise, any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Description of Business

HyperBlock Inc. (formerly HyperBlock Technologies Corp.) was incorporated in Ontario on October 10, 2017.

The Company is a cryptocurrency mining operator and owns specialized servers used to solve complex computational problems, known in the industry as mining, to validate transactions on the blockchain. The Company receives digital currencies in exchange for this service and utilizes those funds to invest in growing the other parts of the business. The Company's business consists of (i) mining cryptocurrency coins using company-owned servers, (ii) the hosting of customer-owned servers for the purpose of mining cryptocurrency coins, and (iii) the sale of hashrate to Bitcoin.com and the operation of company-owned servers for which the hash rate has been sold to Bitcoin.com, and (iv) the resale of mining servers when market conditions permit. In 2019, HyperBlock focused on mining Bitcoin Core and Bitcoin Cash, and to a smaller emphasis, on Ethereum and Litecoin.

On July 10, 2018, the Company acquired CryptoGlobal Corp. ("CryptoGlobal") (the "Transaction"), a blockchain and financial technology company that was attempting to develop a diversified portfolio of mining operations, as well as attempting to develop a proprietary crypto vault solution. The Transaction constituted a reverse takeover ("RTO") of CryptoGlobal by HBTC and the Company changed its name from HyperBlock Technologies Corp. to HyperBlock Inc. and its shares became listed on the Canadian Stock Exchange ("CSE") under the symbol "HYPR".

On May 17, 2019, the Company was issued a cease trade order for failure to meet its continuous disclosure obligations (the issuance of its annual financial statements and associated filings); management is working to file all outstanding continuous disclosure documentation so the Company can apply to have this order revoked.

Overall Performance and Discussion of Operations

Upon the amalgamation of HyperBlock Technologies, Project Spokane, and CryptoGlobal in 2018, HyperBlock aimed to serve as a North American self-mining, hosting, and hash rate solution provider in the cryptocurrency space. Due to the "crypto winter" in 2018, which was marked by a declining price for Bitcoin Core and most cryptocurrencies, coupled with rapidly increasing mining difficulty, it was a challenging operating environment for all cryptocurrency miners. Many operators faced similar liquidity concerns in 2018 and HyperBlock was able to persist through the financial support provided by its major shareholder and CEO, Sean Walsh, during this volatile period. The Company moved into 2019 with a focus on reducing operating expenses and consolidating its highest value equipment at its Montana facility, along with closing all of the unprofitable CryptoGlobal facilities and operations.

Cryptocurrency started to recover in the third quarter of 2019. The Company's revenues from operations were $3,705,839 during the quarter ended September 30, 2019 and $10,681,880 year-to-date. The majority of revenues for the quarter were generated from self-mining operations of $3,377,322 (91% of revenue), hosting sales of $161,189 (4% of revenue), and hashrate sales of $167,328 (5% of revenue).

The Company's total cash at quarter end was $1,083,379 and total digital assets were $1,299,200, of which $771,633 was held in Bitcoin ("BTC"), $381,272 in Bitcoin Cash ("BCH"), and the balance was held in Ethereum and Litecoin. The Company had raised approximately $2,000,000 from December 2018 to September 30, 2019 through a shareholder loan from its CEO to purchase additional mining servers (see "*Related Party Transactions*"). These servers were ordered from Bitmain, a leading crypto mining hardware manufacturer, by September 30, 2019 and received by December 31, 2019.

From an operational standpoint, 2019 continued to pose two external challenges that were out of management's control, being the deflated price of BTC and the significant increase in the global mining network hash rate, which is reflective of the competition and difficulty to mine BTC. Bitcoin Core prices rose compared to Q1 2019, ranging from $8,104 to $12,574 and averaging $10,382 for the third quarter. In comparison, Q1 2019 saw prices average $3,799 with a maximum of $4,143. The estimated network hash rate, as reported by BTC.com and other websites, which is reflective of the competition amongst BTC miners, increased from approximately 41,000,000 PH/s on January 1, 2019 to approximately 82,000,000 PH/s on September 30, 2019, an increase of 98% from the start of 2019 and an increase of 38% versus Q2. This resulted in the Company having increased competition for the block reward paid to BTC miners and consequently, mining fewer BTC for the same fixed costs. Average prices rose by approximately 173% from Q1, while difficulty increased by 98% from Q1, which enabled miners to increase their profitability in the period.

Due to the previously noted difficult operating environment for crypto miners in early 2019, the Company restructured its Canadian facilities. The hosting and electrical prices secured by CryptoGlobal were intolerably high, even before the late 2018 nadir of so-called crypto winter. In addition, CryptoGlobal had chosen to invest into hardware focused on alternative cryptocurrencies such as Dash, Litecoin and Ethereum which were more speculative, and had even more pronounced mining profitability decreases than Bitcoin Core. Therefore, the Company shut down all its CryptoGlobal operations and was able to complete this Canadian segment restructuring by May 31, 2019. As of June 1, 2019, the Company only had one operating location, the United States datacenter in Montana.

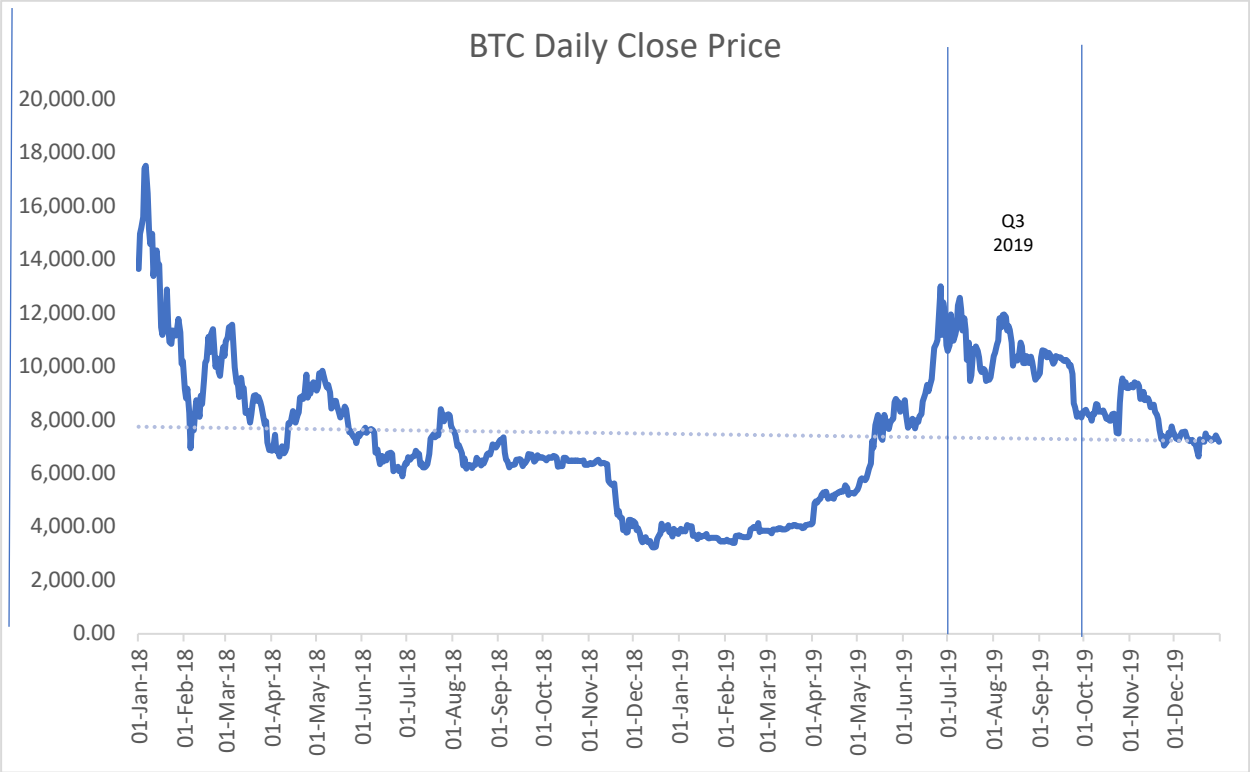
The Company's operating costs totaled $4,625,526 for the quarter ended September 30, 2019, consisting primarily of mining asset amortization and power related costs. The Company also incurred increased consulting, general and administrative costs in the quarter as part of its restructuring efforts. The Company had early adopted IFRS 16, leased assets, which capitalizes leased assets. The Company's depreciation expense of $739,171 for the quarter included $268,624 of depreciation of these assets, which correspond mostly to leased operating sites.

The Company incurred other items that are non-cash and not expected to reoccur including; (i) a fair value remeasurement loss on digital assets of $612,828 due to the decrease in the market price of cryptocurrencies during the quarter; (ii) a loss of $946,656 in fair value change of electrical contracts being recognized as derivative instruments and (iii) loss on prepaid deposits of $117,236 related to the cancellation of the Spokane electrical expansion.

The Company recorded an operating loss of $559,686 for the quarter prior to the inclusion of the other items, such as the foreign exchange, revaluations and liquidations of digital assets; other income which created a net loss of $2,071,958 for the quarter; and, a net loss of $1,054,571 year-to-date.

On November 29, 2018, the Company announced a $2,650,000 project financing debt facility had been committed by one of the Company's banking partners to allow for an increase to its power capacity from 20MW to 60MW. Due to municipal regulatory changes in Missoula County in early 2019, the expansion project was canceled and a total of $231,683 that had been drawn for project financing was repaid by May 29, 2019. Subsequent to the end of Q3, the Company renegotiated with the landlord a new debt support agreement which now provides financial support for purchasing crypto mining equipment. See the "*Subsequent Events*" section for further details.

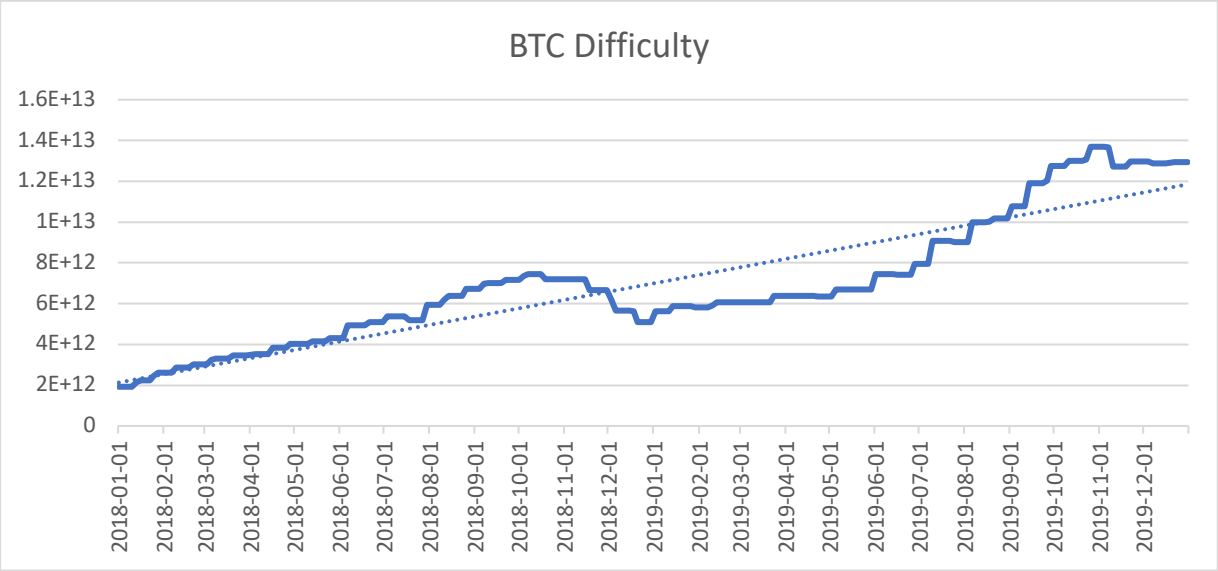
The Company ordered over $3 million of new servers in 2019 and expects to increase its hash rate from 167 PH/s to 215 PH/s by end of 2019 with minimal fluctuation in its operating costs. The Company intends to order additional servers with the aforementioned renegotiated loan and projects its hash rate will increase to between 285-300 PH/s. See the "*Subsequent Events*" section for further details.



	2018	2019			% Change		
BTC Prices	31-Dec-18	Q1 2019	Q2 2019	Q3 2019	% Q3 vs Q2	% Q3 vs Q1	% Q3 vs Dec 31
Average	$ 3,743	$ 3,799	$ 7,301	$ 10,382	42%	173%	177%
Min	-	$ 3,399	$ 4,158	$ 8,104	95%	138%	-
Max	-	$ 4,143	$ 13,016	$ 12,574	(3%)	204%	-

Reference: https://coinmarketcap.com/currencies/Bitcoin

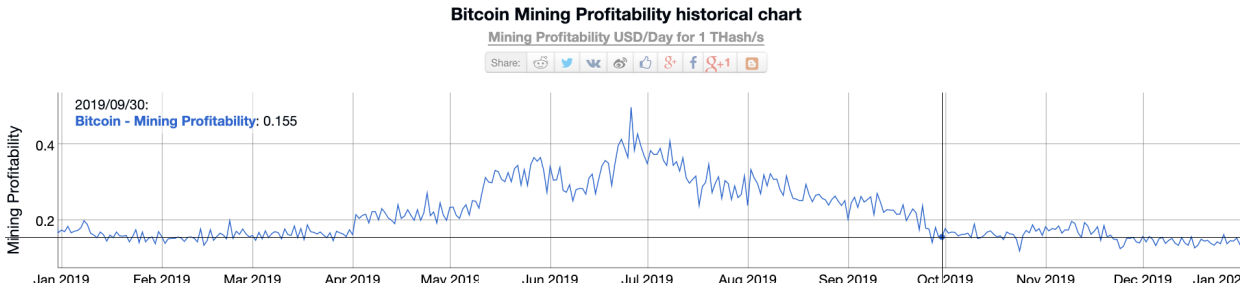
In Q3 average BTC prices increased by 173% and 42% vs Q1 and Q2 respectively. As displayed above, the average price in Q3 2019 for BTC was $10,382 vs the average of $3,799 in Q1 2019. Average BTC prices rose in Q2 and Q3 2019 while difficulty saw a similar result.



BTC mining difficulty, which determines the competitiveness of mining cryptocurrency, is a key indicator of ability to generate revenue for a miner. Bitcoin Core mining difficulty has increased almost 600% from January 1, 2018 to September 30, 2019[1], while BTC prices have been volatile but have not increased at the same rate.

Monitoring cryptocurrency prices and mining difficulty assists the Company in determining our ability to generate positive gross margin. The general trendline for difficulty is still on the rise, therefore miners must continue to reinvest into new equipment and reduce operating expenses to remain competitive versus their peers. The Company proactively invested in next generation equipment in the quarter (more details are noted in the "*Subsequent Events*" section.)

[1] https://www.blockchain.com/charts/difficulty?timespan=2years



Mining profitability per Terahash was $2.671 USD / Terahash per day in December 31, 2017, and by the December 31, 2018, the profitability had dropped to $0.166 USD / Terahash per day, a decrease of 94%. The profitability as at September 30, 2019 was approximately $0.155 USD / Terahash per day[2]. There was still a challenging operating environment for cryptocurrency miners in 2019 to achieve profitable gross margins since the marginal revenue generated from mining improved only for a short window of time in Q2 2019 before returning to Q1 2019 profitability levels.

Due to decreasing prices and profitability in Q3 2019, the Company was impacted in the following areas:

- Reduced hash rate and hosting sales based on uneconomical terms for customers; and,
- Reduced self-mining revenue per Company-owned server.

The Company implemented strategies in late 2018 and throughout 2019 to preserve working capital and reduce costs. The primary result was exiting out of high fixed cost data centers owned by CryptoGlobal, shifting equipment to our Montana facility (which has a much lower electrical rate), and reducing overhead expenses as much as possible. The Company's net loss up to September 30, 2019 was $1,054,571 despite the challenging crypto environment and compared to a loss of $15,116,051 up to September 30, 2018.

[2] https://bitinfocharts.com/comparison/bitcoin-mining_profitability.html

Financial Performance

Selected Quarterly Information

	YTD September 30, 2019 Total	YTD September 30, 2018 Total
Revenue	$ 10,681,880	$ 7,365,123
Income/(Loss) from Ops	$ (1,355,782)	$ (1,790,183)
Shares	245,019,670	135,490,776
Diluted Shares	247,037,478	135,490,776
Per Share Basis	$ (0.01)	$ (0.01)
Per Diluted Share Basis	$ (0.01)	$ (0.01)
Total Income/(Loss)	$ (1,054,571)	$ (15,116,051)
Shares	245,019,670	135,490,776
Diluted Shares	247,037,478	135,490,776
Per Share Basis	$ (0.00)	$ (0.11)
Per Diluted Share Basis	$ (0.00)	$ (0.11)
Total Assets	$ 24,527,070	$ 47,618,944
Total Liabilities	$ 17,538,723	$ 12,380,458
Total Equity	$ 6,988,347	$ 35,238,486

As at September 30, 2019, the Company had $24,527,070 in total assets with $6,411,043 in total current assets. The Company focused on streamlining operations in 2019 while cryptocurrency prices recovered gradually in the year. By Q3 2019, the Company had aggregated all its mining assets at its Montana facility, use a shareholder loan to secure new mining equipment and negotiate accounts payable to ensure sufficient working capital to operate the business.

Summary of Quarterly Results

	2017	2018				2019		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	$ 361,635	$ 1,548,193	$ 1,856,531	$ 3,960,399	$ 3,683,995	$ 2,807,449	$ 4,168,592	$ 3,705,840
Income/(Loss) from Ops	$ 199,621	$ 279,809	$ 363,109	$ (2,433,100)	$ (1,826,385)	$ (825,992)	$ 29,895	$ (559,686)
Shares	13,427,402	45,116,865	77,308,656	135,490,776	183,447,052	212,296,927	241,317,133	245,019,670
Diluted Shares	13,427,402	45,116,865	77,308,656	135,490,776	183,537,463	215,099,666	246,862,339	247,037,478
Per Share Basis	$ (0.01)	$ 0.01	$ 0.00	$ (0.02)	$ (0.01)	$ (0.00)	$ 0.00	$ (0.00)
Per Diluted Share Basis	$ (0.01)	$ 0.01	$ 0.00	$ (0.02)	$ (0.01)	$ (0.00)	$ 0.00	$ (0.00)
Total Income/(Loss)	$ 242,999	$ (1,779,856)	$ (7,489,175)	$ (5,847,020)	$ (28,951,399)	$ (1,068,975)	$ 2,086,362	$ (2,071,958)
Shares	13,427,402	45,116,865	77,308,656	135,490,776	183,447,052	212,296,927	241,317,133	245,019,670
Diluted Shares	13,427,402	45,116,865	77,308,656	135,490,776	183,537,463	215,099,666	246,862,339	247,037,478
Per Share Basis	$ (0.02)	$ (0.04)	$ (0.10)	$ (0.04)	$ (0.16)	$ (0.01)	$ 0.01	$ (0.01)
Per Diluted Share Basis	$ (0.02)	$ (0.04)	$ (0.10)	$ (0.04)	$ (0.16)	$ (0.00)	$ 0.01	$ (0.01)

Hyperblock started operations in October 2017 and started generating revenue in December 2017, therefore 2018 was the first full year of operations. In Q3 2018, Hyperblock completed its acquisition of Project Spokane and CryptoGlobal, therefore generating additional sales versus prior year. Hyperblock incurred significant goodwill impairment charges, impairment of mining equipment, and losses on write downs of its digital assets based on cryptocurrency prices decreasing throughout 2018. In 2019, the Company focused on restructuring its operations and consolidating its equipment at its Montana facility. The Company's 2019 year-to-date losses were $1,054,571 versus a loss of $15,116,051 in 2018.

Third quarter comparison September 30, 2019 to September 30, 2018

In 2018, the Company had an operating loss of $2,433,100 whereas in 2019 the Company had a loss from operations of $559,686. Cryptoglobal had higher electrical prices and various crypto mining equipment and facilities that did not generate satisfactory operating results, leading the Company to shut down those operations in 2019 while incurring higher professional and consulting fees. The Company had closed its Canadian operations completely by the end of May 2019. As part of its capital management and its divesture of Canadian operations, the Company signed an agreement with Atlantic Crypto to sell its Canadian GPU servers for approximately $1 million with a closing date of May 31, 2019. As of the date of this report, the Company has collected full payment and exited the facility. The Company reported a gain on disposal of this equipment totaling $653,315 in Q3 2019.

The Company acquired equipment from its hosting clients at significant discounts due to the difficult operating environment in the second half of 2018 and Q1 2019. The equipment acquisitions were completed in Q3 2019 and enabled the Company to capitalize on the sharp rise in prices in the quarter.

Liquidity and Capital Resources

The Company's cash and cryptocurrency balances as at September 30, 2019 were $1,083,379 in cash and $1,299,200 in cryptocurrency. The Company uses certain reputable exchanges to convert digital assets to fiat currency that can be executed within one business day. As at September 30, 2019, the Company had $2,338,376 in mining equipment, $3,741,675 in a strategic investment in Coinsquare, and $1,516,856 in sales taxes receivable.

The Company's total liabilities at September 30, 2019, were $17,538,723. This is comprised of $4,327,717 of accounts payable and accrued liabilities; a promissory note payable of $3,744,346 to Spokane as part of the July 2018 acquisition, an entity controlled by a senior executive of the Company; and, a $2,000,000 shareholder loan to a senior executive of the Company. The other major liabilities include $977,033 in current lease liabilities, $5,542,971 in long term lease liabilities, and $851,695 long term liability for an electrical contract.

The Company also has total commitments of $30,794,683, see *"Commitments"* section for more information. Commitments includes obligations under its energy contracts.

The Company expects to be able to repay its liabilities and fulfill its commitments by raising adequate financing from its shareholders and/or from external financing, as well as execute on strategic initiatives discussed throughout this MD&A to develop profitable operations that generate free cash flow.

The Company manages its capital structure in accordance with its strategic objectives and responds to changes in economic conditions and the risk characteristics of the underlying assets. The Company monitors the return on capital, which is defined as total equity. The Company is not subject to externally imposed capital requirements.

As part of the 2018 year-end financial statement audit process, the Company noted a significant discrepancy in the working capital provided at closing by the CryptoGlobal Corp to HyperBlock Inc. The Company found that CryptoGlobal significantly overstated its working capital position by understating its accounts payable as at the time of the close on July 10, 2018. CryptoGlobal had a requirement to deliver CAD$4 million in net working capital as defined in the purchase agreement. The Company calculated the net working capital actually provided at close was CAD$488,651 as defined in the purchase agreement, therefore there was a shortfall of CAD$3,511,349. In addition, the Company determined on the July 10 close, Cryptoglobal inaccurately repaid a related-party loan of CAD$1,040,000 to Rob Segal, the CEO and a director of CryptoGlobal due to representing to the Company that CryptoGlobal had met the CAD$4 million working capital requirement. The net proceeds of these two amounts is $2,471,349 that could be owed. The Company is considering its legal options based on this shortfall and will keep investors apprised of the results of this review. If these funds are returned, they would boost the Company's working capital.

Coinsquare Investment

As of the September 30, 2019, the Company owned 322,165 shares of the Canadian cryptocurrency exchange known as Coinsquare. The shares were determined to have a fair value of CAD$5,000,000. Coinsquare is currently an unlisted private company. The Company's intent is to hold these shares for the near future.

Share Capital

As of the quarter ended September 30, 2019, the Company has issued and outstanding share capital comprised of 245,520,648 Common Shares, 4,380,314 stock options, and 2,225,000 restricted share units. There was no share capital activity for the three months ended September 30, 2019. Refer to the statement of changes in Equity in the condensed consolidated financial statements for a summary of share capital activity.

Capital Management

The Company's equity capital consists of Common Shares. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to identify, evaluate and then acquire equipment, other assets, or an interest in a business. The Company does not have any externally imposed capital requirements to which it is subject. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares.

Related Party Transactions

Related party transactions were recorded at their exchange amounts.

During the period ended September 30, 2019, the cumulative loan from the CEO was $2,000,000. The loan was converted to a long term liability with a maturity date of July 31, 2021 and an interest rate of 15% payable each quarter.

As at September 30, 2019, included in accounts payable and accrued liabilities is $Nil (December 31, 2018 - $159,422) in amounts owing to directors for unpaid salaries, wages and benefits.

Off-balance Sheet Arrangements

The Company has not had any off-balance sheet arrangements from the date of its incorporation to the date of this MD&A.

Commitments

The Company is committed to payments for electrical contracts as follows:

	Electrical Contracts	
Within 1 year	$	9,116,963
Later than 1 year not later than 5 years	$	21,677,720
	$	30,794,683

The Company has secured fixed electrical pricing for its main crypto mining facility in Montana. The Company had secured an additional 10 MW three-year power contract at a competitive rate in Q1 2019 to be used by the Company's datacenter expansion. Power was scheduled to begin flowing in September 2019 but is now being resold at a loss back to the vendor due to the County's disruption of the expansion project (See *"Subsequent Events"* section).

Financial Instruments and Business Risks

A list of the Company's risk factors is detailed in the Unaudited Consolidated Interim Financial Statements for quarter ended September 30, 2019, and available on the Company's issuer profile on SEDAR at www.sedar.com. The disclosure in this MD&A is subject to, and should be read in conjunction with, the risk factors outlined in the Financial Statements.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash or equity, including potential issuance of options or warrants. The Company has a working capital deficit and requires additional financing to meet its current obligations.

Market Risk

The Company is at risk due to the volatility in the pricing of its digital currency mined by the Company and held in inventory – wide fluctuations in price, speculation, negative media coverage (highlighting for example, regulatory actions and lawsuits against industry participants) and downward pricing (and in particular Bitcoin Core) may adversely affect investor confidence, and ultimately, the value of the Company's digital currency inventory which may have a material adverse effect on the Company, including an adverse effect on the Company's profitability from current operations. The Company is also at risk due to the volatility of network hash rates (and lag between network hash rate and underlying cryptocurrency pricing), which may have an adverse effect on the Company's costs of mining. The Company is also at risk due to volatility in

energy (electricity) pricing, which is a key factor in the Company's profitability of its mining operations.

Derivative and Financial Instruments Risk

The Company is subject to certain contract risks due to the electricity purchase contracts entered into as part of its intended expansion of its Montana facility. 10 MW in electricity contracts were entered in Q1 2019. In Q3 2019, the Company could no longer consume for its own uses the electricity delivered under the contracts due to regulatory changes that occurred subsequent to entering into the contracts. Therefore, the Company is selling the power back and is subject to pricing fluctuations in the market. Any changes in fair value are recorded in the Company's income statement.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is limited and only relates to its ability to earn interest income on cash balances 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.

Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure. Accounts receivable from one customer of $25,950 was overdue at September 30, 2019 (Dec 31, 2018 - $485,870) and was not considered to be impaired.

Risks and Uncertainties

Foreign and Digital Currency Risk

As at September 30, 2019, the Company has certain assets and liabilities denominated in CAD. The Company does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows. The following CAD amounts are presented in USD to demonstrate the effect of changes in foreign exchange rates on the balance sheet:

	As at September 30, 2019
	CAD$
Cash	150,000
Sales taxes recoverable	2,023,902
Accounts payable	(5,047,657)
Net exposure	(2,873,755)
US dollar equivalent	(2,170,018)

Based on the net CAD dollar denominated asset and liability exposures as at September 30, 2019, a 10% fluctuation in the Canadian/US exchange rates would impact the Company's earnings (loss) for the quarter ended September 30, 2019, by approximately $287,376.

Security Risks

Cryptocurrencies are controllable only by the possessor of both the unique public key and private key relating to the local or online digital wallet in which the Cryptocurrencies are held. The Cryptocurrency network requires a public key relating to a digital wallet to be published when used in a spending transaction and, if keys are lost or destroyed, this could prevent trading of the corresponding Cryptocurrencies. Security breaches, computer malware, and computer hacking attacks also have been a prevalent concern in the respective Cryptocurrency exchange market since the launch of the Cryptocurrencies' network. Any security breach caused by hacking could cause loss of Cryptocurrency investments.

Mining Difficulty Risk

The Bitcoin Core, Bitcoin Cash, and other cryptocurrency mining networks contain a feature which automatically adjusts the so-called mining difficulty of the network. Difficulty automatically increases as more mining servers are added to the network, anywhere in the world. As Mining Difficulty increases, the crypto-denominated revenue per mining server decreases. Historically, these increases have caused devastating impacts to miners, globally. The Company has no way to effectively counteract these increases.

Cryptocurrency Network Risk

The open-source structure of the Bitcoin Core, Bitcoin Cash, Ethereum, and Litecoin network protocols means that the core developers of these cryptocurrency networks and other contributors are generally not directly compensated for their contributions in maintaining and developing the Bitcoin Core network protocol. A failure to properly monitor and upgrade these network protocols could damage the respective currency's network.

Going Concern Risk

The Company commenced trading in July 2018 and has a limited history. No assurance can be provided that historical performance will be indicative of future performance. The ability of the Company to continue as a going concern is dependent upon its ability to achieve profitable operations, obtain additional capital, and receive continued support from its shareholders. The Company was able to successfully raise an additional $2 million in debt from the Company's CEO in 2019.

Regulatory Risk

In terms of regulatory risks, governments may take action in the future that prohibit or restrict the right to acquire, own, hold, sell, use, or trade digital currencies or exchange digital currencies for fiat currency. Such restrictions, while impossible to predict, could result in the Company liquidating its digital currencies inventory at unfavorable prices which may have a material adverse effect on the Company.

The Company was not impacted by regulatory risk in 2018. In 2019, as noted in the subsequent events section, Missoula County, Montana, limited the Company's ability to expand its 20MW facility to 60 MW due to electrical usage restrictions for cryptocurrency miners. The sudden change forced the Company to cancel the expansion while also incurring professional and operating expenses. The Company will look to expand into other regions that provide less regulatory risk in the future.

Cryptocurrency is still a relatively nascent industry, with evolving regulatory and compliance requirements. The Company is publicly listed on the Canadian Securities Exchange ("CSE") that requires additional approvals by securities commissions and public accountancy boards for approval of its various public filings. The regulatory requirements can change expeditiously and with minimal notice to the Company to adjust. The Company works closely with its auditors and legal professionals to meet all its regulatory requirements but if the changes are made without enough notice, this may impact the Company's ability to prepare mandatory disclosures in a timely manner or satisfy securities requirements to trade in public markets. The Company proactively works to address these concerns, but this is a risk for the Company and the industry itself.

Digital Assets and Risk Management

Digital assets are measured using level two fair values, determined by taking the rate from Coinmarketcap.com. Digital asset prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation, and global political and economic conditions. The profitability of the Company is directly related to the current and future market price of digital assets; in addition, the Company may not be able liquidate its inventory of

digital assets at its desired price, if required. A decline in the market prices for digital assets could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its sales of digital assets. Digital assets have a limited history and the fair value historically has been very volatile. Historical performance of digital assets is not indicative of their future price performance. The Company's digital assets currently consist of Bitcoin Core, Bitcoin Cash, Ethereum and Litecoin.

Significant Accounting Policies and Recent Accounting Pronouncements

See Note 3 of the Condensed Interim Consolidated Financial Statements for the quarter ended September 30, 2019 for more information on all the significant accounting policies.

Management's Report on Disclosure Controls and Procedures and Internal Control over Financial Reporting

Management is committed to delivering timely and accurate disclosure of all material information. Disclosure controls and procedures ensure that reporting requirements are satisfied, and that material information is disclosed in a timely manner. Due to the limitations on the design and implement cost-effective policies for disclosure controls and procedures and internal control over financial reporting, the officers are not making representations that such controls and procedures would identify and allow for reporting material information on a timely basis, nor are they representing that such procedures are in place that provide reasonable assurance regarding the reliability of financial reporting.

However, as permitted for TSX Venture issuers, the CEO and CFO have certified that after reviewing the consolidated interim financial statements for the quarter ended September 30, 2019 and this MD&A of the Company, there are no material misstatements or omissions, and the filing materially presents the interim consolidated financial position and interim consolidated results of operations and cash flows for the quarter ended September 30, 2019 and all material subsequent activity up to February 28, 2020.

Subsequent Events

Subsequent to September 30, 2019 but prior to the financial statement approval date the following significant subsequent event items occurred:

a) *Promissory Note of $2 million for Server Upgrades*
Hyperblock raised $2 million through issuance of a secured promissory note to the Company's Chairman and CEO. The note is due on July 31, 2021, and carries an interest rate of 15%. These funds were used to purchase T17 and S17 Bitmain servers. The Company ordered the equipment as of September 30, 2019, and received the S17 servers in Q4 2019.

b) Bank of Montana Loan

On January 10, 2020, the Company renegotiated a new secured loan agreement with the Bank of Montana and the landlord, for up to $3,540,000 in financing with a three-year amortization that will allow the Company to purchase next generation servers. The loan has an interest rate of approximately 15% and provides the landlord with common share warrants up to 15% of the principal amount withdrawn. As of the release of these financial statements, the Company had incurred transaction costs of $36,000 and had sent deposits to Bitmain for $2,059,867. The servers are expected to be delivered by the end of Q1 2020 and will increase the hash rate at the Montana data center to 285 – 300 Ph/s.

c) *Investor Review*

In January 2019, the founders of CryptoGlobal, Rob Segal and James Millership, requested that an Inspector be appointed pursuant to s.161 of the Ontario Business Corporations Act to review the financial terms of the acquisition of CryptoGlobal transaction which were approved as part of a plan of arrangement dated July 10, 2018. Mr. Segal and Mr. Millership have sought to recover from the Company any expenses arising in connection with the review. The Inspector was appointed by the court in July 2019. The Company confirms, as of the date of these financial statements, that there is no insolvency proceeding against it and that it believes there is no other material information relating to its affairs that has not been generally disclosed. No legal claim has been submitted against the Company and no provision has been recorded at September 30, 2019, in relation to this matter. The Company has incurred legal and inspector expenses of approximately $600,000 CDN up to the date of this filing, excluding extra expenses incurred by the auditors and internal staff time to complete this review. The Company currently expects the Inspector's final report to be completed by the end of Q3 2020.

d) Resale of excess power

In February 2019 the Company committed to purchasing 5 megawatts of power starting September 1, 2019 to November 30, 2019 and subsequently 10 megawatts of power starting December 1, 2019 to September 30, 2022 at a fixed rate of $38/ MWh. This power was contracted to support the expansion of the data center in Montana and to mitigate volatility in electrical expenses. The expansion was subsequently canceled by Q3 2019 due to regulatory limitations by the local County. The Company is still obligated to buy this power and the value of the commitment is included in the *"Commitments"* section above. The Company is actively working with its local power distributor to increase its 20 MW capacity to partially absorb the 10 MW contract. As of the issue date of this management discussion and analysis, the Company has agreed to sell the unused power to the original vendor at $23.75/MWh from March 1, 2020 to Feb 28, 2021, a loss of $14.25/MWh. This increase in operating expense will be realized in electrical expenses incurred.

Additional information and other publicly filed documents relating to the Company are available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR"), which can be accessed at www.sedar.com.