



CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.
(Formerly Westbay Ventures Inc.)

MANAGEMENT DISCUSSION AND ANALYSIS

MARCH 31, 2019

CRYPTANITE BLOCKCHAIN TECHNOLOGIES CORP.

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Management Discussion & Analysis

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1.1 Date

This Management Discussion and Analysis (“MD&A”) of Cryptanite Blockchain Technologies Corp. (formerly Westbay Ventures Inc.) (the “Company”) has been prepared by management as of May 30, 2019 and should be read in conjunction with the condensed interim consolidated financial statement and related notes thereto for the three months ended March 31, 2019 and the audited consolidated financial statements and related notes thereto of the Company for the years ended December 31, 2018 and 2017, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) and are reported in United States (“US”) dollars unless otherwise stated.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that may constitute “forward-looking statements”. Forward-looking statements include but are not limited to, statements regarding future anticipated business developments and the timing thereof, regulatory compliance, sufficiency of working capital, and business and financing plans. Forward-looking statements are based on the beliefs, estimates and opinions of the Company’s management on the date the statements are made and they involve a number of material risks and uncertainties. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. 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. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company’s ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

The Company has based the forward-looking statements largely on the Company’s current expectations, estimates, assumptions, and projections about future events and financial and other trends that the Company believes, as of the date of such statements, may affect its business, financial condition and results of operations. Such expectations, estimates, assumptions, and projections, many of which are beyond the Company’s control, include, but are not limited to: management’s expectations regarding the future business, objectives and operations of the Company; the Company’s anticipated cash needs and the need for additional financing; the Company’s ability to successfully complete future financings; the acceptance by the marketplace of new technologies and solutions; the Company’s expectations regarding its competitive position; the Company’s expectations regarding regulatory developments and the impact of the regulatory environment in which the Company operates; the Company’s ability to attract and retain qualified management personnel and key employees; and anticipated trends and challenges in the Company’s business and the markets in which it operates. Assumptions underlying the Company’s working capital requirements are based on management’s experience with other public companies. Forward-looking statements pertaining to the Company’s need for and ability to raise capital in the future are based on the projected costs of operating a cryptocurrency company and management’s experience with raising funds in current market circumstances. Forward-looking statements regarding treatment by governmental authorities assumes no material change in regulations, policies, or the application of the same by such authorities. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements with the risks set forth.

1.2 Overall Performance

Cryptanite Blockchain Technologies Corp. (the “Company” or “Cryptanite”, formerly Westbay Ventures Inc.) was incorporated on June 24, 1986 under the laws of British Columbia.

On March 7, 2018, the Company completed a reverse takeover transaction (the “RTO”), which was effected pursuant to a merger agreement between Westbay Ventures Inc. and ChargaCard Inc. (“ChargaCard”), a private corporation existing under the laws of Delaware with its head office in Boulder, Colorado.

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As part of the transaction, the Company voluntarily delisted its common shares from the TSX Venture Exchange effective February 28, 2018, changed its name to Cryptanite Blockchain Technologies Corp. and commenced trading its shares on the Canadian Securities Exchange (“CSE”) on March 12, 2018, under the symbol NITE.

Pursuant to the RTO, the Company issued an aggregate of 39,558,733 common shares of the Company in exchange for all of the issued and outstanding shares of ChargaCard and 2,000,000 share purchase warrants to warrant holders of ChargaCard. Upon closing of the transaction, the shareholders of ChargaCard owned 70% of the common shares of the Company and, as a result, the transaction is considered a reverse acquisition of the Company by ChargaCard. The Company changed its year end from May 31st to December 31st in order to align the fiscal year periods to that of ChargaCard.

In conjunction with the RTO, the Company raised capital through an equity financing consisting of 8,189,442 common shares of the Company at a price of CAD\$0.45 per share for gross proceeds of CAD\$3,685,249.

On August 7, 2018, ChargaCard incorporated a wholly owned subsidiary in Ukraine, Intellabridge LLC, for provision of the back-office operations of the Company in Ukraine.

On October 9, 2018, the Company incorporated a wholly owned subsidiary in Malta, Cryptanite Ltd., to expand its business to the European market.

General Description of the Business

The Company is in the business of offering its clients a full-service blockchain and cryptocurrency application ecosystem including end-to-end cryptocurrency solutions and software for buying, spending, sending and exchanging cryptocurrencies. The ecosystem also includes a payment processing and recurring billing software platform, and client-to-client financing by allowing customers to pay for goods and services in monthly installments.

The Company also provides small and medium businesses with the technological support to build blockchain mobile and web applications. During the first quarter ended March 31, 2019, the Company generated most of its revenue from IT consulting and development services.

Products

Cryptanite’s platform currently offers three core products and services designed to leverage blockchain technologies:

1. Cryptanite Mobile App

The Cryptanite app is a peer-to-peer cryptocurrency marketplace, making it easy for users to purchase, trade, send and receive cryptocurrencies and tokens. The app is available in the Apple and Google Play stores. The Cryptanite App also includes a variety of pre-configured cryptocurrency bundles such as the “HODL” bundle, and “SIZE” bundle making it easy for users to build a diversified portfolio of cryptocurrencies. The App is designed to provide a secure, easy-to-use and frictionless process to buy, exchange and store a diversified collection of several dozen crypto tokens, including Bitcoin, Ethereum, Ripple, Stellar and Dash.

Additional features which are currently in R&D phase include:

The Cryptanite “Chat” feature: is an instant messaging “chat” which allows users to communicate on the platform, share ideas, further enhancing the Cryptanite ecosystem.

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The Cryptanite expert network which ranks the top performing cryptocurrency traders and Twitter influencers and allows users to track their tweets and benefit from their expertise. The web version of the product went live in Q2 2018 and plans to integrate into the Cryptanite app in 2019.

DollaCoin: is a stable coin which will be linked to the US Dollar and will allow users to store tokens in their decentralized DollaBank account. The target market is primarily mobile underbanked people globally. The coin is currently in development and scheduled for alpha release in 2019.

Cryptanite Payments (CryptaPay)

Cryptanite has developed a payments app that makes it easy for users to spend their cryptocurrencies at retail locations. The app is currently in beta. Cryptanite is exploring integration of the core features into the Cryptanite app.

Third-Party Applications

The Cryptanite App Marketplace, is currently in stealth mode, and designed to enhance the Cryptanite ecosystem by adding third-party applications. Cryptanite is working with existing and potential partners to add several apps every month to the marketplace. The marketplace is currently in the final stages of testing and scheduled for release in December 2019. Third-party apps will be added in the marketplace in 2019.

2. Blockchain Consulting & Professional Development Services

In December 2018, the Company entered into an agreement with One Feather Mobile Technologies Ltd (“OneFeather”), a British Columbia-based technology and consulting service provider focused on First Nations communities, to develop a comprehensive suite of blockchain-based software products including Smart Status Cards, vote management systems, member registrar management systems, digital wallets, and financial management and accounting solutions. This consists of a digital solution for First Nation sovereign identity and status card renewal, a government requirement that often remains incomplete due to the nature of the current renewal process. The Company will provide a development solution utilizing blockchain technologies to enable more efficient status card renewal and status verification.

Cryptanite will develop and deploy OneFeather’s Smart Status Cards. These cards will bring a number of banking benefits to users deriving revenue from monthly client card fees and typical banking transaction fees.

Additionally, Cryptanite will create OneFeather’s digital wallet, a solution designed to address a number of issues faced by First Nations communities in Canada. Users will be able to register their sovereign identity on the wallet and easily integrate their Smart Status Card. Product features include full support of an inaugural First Nation cryptocurrency and token rewards, along with the ability to verify claims and transactions, issue GST rebate entitlements, and even allow for peer-to-peer transfers with other First Nations.

Furthermore, Cryptanite has been contracted to further develop existing financial management and accounting software for OneFeather. This easy-to-use, cloud-based software is being designed specifically for Canadian First Nations. Featuring Smart Status Card and digital wallet integration, the suite will intend to produce an integrated application programming interface (API) compatible with the Canadian Federal Government, allowing for streamlined reporting, auditing, and money transfers.

The Company will be engaged in this project for an initial 6 month term and expects to realize approximately \$500,000 in revenue from the project.

The Company is in discussions with several other potential clients to provide software technology resources and build applications on a fee-based business model.

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3. ChargaCard

ChargaCard is a P2P payment processing platform for the informal credit markets. The platform makes it easy for individuals to pay their bills in installments and for service sector businesses to get paid on time and in full. The platform helps improve the receivables turnover ratio of service sector businesses and obviates the need for collection agents.

1.3 Selected Annual Information

		Year ended December 31, 2018		August 29, 2017 (Date of incorporation) to December 31, 2017)
Total revenue	\$	1,106,362	\$	Nil
Gross profit	\$	17,793	\$	Nil
Net loss from continued operations	\$	(6,772,537)	\$	(233,360)
Net loss for the period	\$	(6,997,843)	\$	(233,360)
Loss per share from continued operations	\$	(0.18)	\$	(0.36)
Loss per share	\$	(0.19)	\$	(0.36)
Total assets	\$	972,301	\$	1,795,150
Total long term liabilities	\$	Nil	\$	Nil
Cash dividends declared per share for each class of share	\$	Nil	\$	Nil

The year ended December 31, 2018 was the second year of operations of the Company since its incorporation. The Company completed its RTO on March 7, 2018 and incurred a total of \$3,211,128 in listing expenses, which comprised approximately 47 percent of the Company's net loss from continuing operations for 2018.

1.4 Results of Operations

Three months ended March 31, 2019

During the three months ended March 31, 2019, the Company recorded a net loss of \$162,242 (2018 - \$3,882,856), which included a loss of \$192,536 from continued operations (2018 - \$3,882,856) and gain from the discontinued operations of \$30,294 (2018 - \$Nil) that was realized through the sale of 48 units of crypto-mining equipment. During the first quarter of 2018, the Company completed its RTO with ChargaCard and incurred a total of \$3,211,128 in listing expenses, which primarily attributed to a significantly higher net loss reported by the Company in the comparative period.

Continued operations

Revenues and profit

During the three months ended March 31, 2019, the Company earned \$245,305 in revenues mainly from development and IT services pursuant to its contract with OneFeather. Cost of sales totaled \$60,852 resulting in gross profit of \$184,453 or 75%.

During the three months ended March 31, 2018, the Company earned \$4,207 in revenue for web development and design and other IT services. Cost of sales totaled \$2,896, resulting in gross profit of \$1,311 or 31%.

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General and administrative expenses

The Company's general and administrative expenses for the three months ended March 31, 2019 were \$382,103 compared to \$666,966 for the same quarter in 2018. The decrease in general and administrative expenses was primarily a result of decreases in share-based compensation expense, advertising and marketing, consulting and professional fees that were paid last year in connection with the RTO.

The significant variations in operating expenses in the comparative quarters included the following:

- Advertising and marketing decreased by \$87,132 due to a decrease in marketing activities of the Company. In 2018, the Company carried out various marketing programs in North America and Europe to increase investors' awareness of its business activities, launch and branding of the Company's software application products. The marketing programs were significantly reduced this year following the Company's cost saving initiative.
- Amortization increased by \$6,325 due to increased book values of office computer equipment and furniture acquired by the Company's operating subsidiaries in 2018.
- Application development costs increased by \$45,144 as a result of development of new applications, which include development costs of \$56,956 (2018 - \$41,506) for the Cryptanite App and \$29,694 (2018 - \$Nil) for the iHalo project.
- Consulting fees decreased by \$29,000. Consulting fees recorded in the first quarter of 2018 were paid to a related party in connection to the RTO. There were no similar fees incurred during the current reporting quarter. (See section 1.9 Related Parties Transactions)
- Management fees and salaries increased by \$5,140, which include head office and overseas management fees. (See section 1.9 Related Parties Transactions)
- Office and administration increased by \$4,600 for general corporate expenditures for its operating offices in Boulder, Colorado, and Kyiv, Ukraine, and the Company's corporate office located in Vancouver, British Columbia. Administration expenses include \$22,566 paid to a related party. (See section 1.9 Related Parties Transactions)
- Professional fees decreased by \$28,222 due to a decrease in legal fees of \$70,358 partially offset by an increase in accounting, tax and audit fees of \$42,136. The legal fees incurred in the first quarter of 2018 were related to completion of the RTO, purchase of a real estate property in Colorado, trademark registrations and other corporate advisory services. The increase in accounting and audit fees during the current reporting quarter was related to the Company's 2018 year-end audit and tax services.
- Regulatory and transfer agent fees increased by \$5,263 due to an increase in regulatory fees of \$3,990 and transfer agent fees of \$1,273. The Company's consolidated financial statements are considered a continuation of the financial statements of ChargaCard, which was a private entity prior to the RTO completed on March 7, 2018. As a result, the comparative period regulatory and transfer agent fees were significantly lower.
- Rent and utilities increased by \$10,473 for its office rental space in Vancouver, BC, and Kyiv, Ukraine.

The Company's lease commitments are as follows:

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On March 1, 2018, the Company entered into a sublease agreement with a company for a portion of the office premises located in Vancouver, BC for a period of 2 years and 9 months, expiring November 30, 2020, in exchange for CAD\$2,050 per month plus applicable taxes.

On February 26, 2018, ChargaCard entered into a sublease agreement for office rental space located in Kyiv, Ukraine, for a period expiring July 15, 2019, in exchange for US\$4,560 per month plus applicable taxes.

- Share-based compensation decreased by \$197,011 as there were no stock options granted during the current reporting period. In the comparative first quarter of 2018, the Company recorded share-based compensation of \$200,067 on 620,000 stock options granted to a consultant in connection with the RTO. During the current reporting quarter, the Company recorded \$3,056 for the vested portion of the stock options granted to the President of the Company in April 2018. (See section 1.9 Related Parties Transactions)
- Travel expenses decreased by \$20,736 as management had fewer travel plans for the current period.

Other expenses

Other expenses included loss on digital currency sales and exchange transactions of \$12,111 (2018 - \$1,436), a revaluation gain of \$17,931 (2018 - a loss of \$4,667) as a result of marking to market the Company's digital currencies held in inventory and a write-off of a computer equipment of \$787 (2018 - \$Nil).

During the first quarter of 2018, the Company recorded a listing fee expense of \$3,211,128, which was approximately 83% of the net loss reported during the period. The expense is comprised of the fair value of common shares of the Company retained by the former shareholders of the Company and fair value of the finder's fees shares issued in connection with the RTO less the net assets of the Company at March 7, 2018, as well as, other direct expenses of the RTO. There were no similar expenses recorded during the current reporting quarter.

Discontinued operations

During the three months ended March 31, 2019, the Company recorded a gain of \$30,294 from the discontinued operations to recognize the net proceeds received on the sale of 48 units of crypto-mining equipment.

The Company conducted crypto-currency mining activities from April to July 2018 and recorded a revenue of \$4,457 from the provision of transaction verification services and generation of ZCash tokens as rewards. Direct costs of the mining activities were \$4,706 and included electricity charges and rental costs. After relevant consideration, management decided to discontinue its crypto-mining operations and to liquidate the crypto-mining equipment.

The equipment was purchased by ChargaCard during 2018 to mine crypto-currencies using its "Unicorn" proprietary systems architecture. The carrying value of the crypto-mining equipment of \$225,056 was included in a loss from discontinued operations for the year ended December 31, 2018. During the current reporting quarter, the Company sold 48 units of the equipment for net proceeds of \$30,294 and recognized the gain from the sale accordingly.

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1.5. Summary of Quarterly Results

The following is a summary of certain unaudited financial information for each of the seven quarters since inception on August 29, 2017:

Quarter ended	Revenues	Gross Profit	Net Loss from continued operations	Net loss	Loss per share from continued operations
March 31, 2019	\$ 245,305	\$ 184,453	\$ (192,536)	\$ (162,242)	\$ (0.00)
December 31, 2018	424,796	7,277	(1,764,395)	(1,989,701)	(0.02)
September 30, 2018	677,359	9,205	(704,645)	(704,645)	(0.02)
June 30, 2018	–	–	(420,641)	(420,641)	(0.00)
March 31, 2018	4,207	1,311	(3,882,856)	(3,882,856)	(0.14)
December 31, 2017	–	–	(199,702)	(199,702)	(0.01)
September 30, 2017	–	–	(33,658)	(33,658)	(0.00)

March 31, 2018 –the quarter included listing expenses, share-based compensation on stock options granted, and increased operations following the completion of its RTO resulting in a significant loss.

June 30, 2018 – the Company’s operational activities were consistent with Q1 before considering non-recurring items including share-based compensation and listing costs.

September 30, 2018 – the Company expanded its sales products to telecommunication services, increased its advertising and marketing initiatives and utilized additional contracting services to develop the Company’s business.

December 31, 2018 – In the fourth quarter, the Company recognized impairment losses on the facility that is offered for sale, its investments in the JV Company and Canyon Capital’s iHalo project, impairment allowance on the data service security deposit and losses on discontinued crypto mining operations, which resulted in a significant increase in net loss. General operating expenses were consistent with the previous quarters.

March 31, 2019 – the Company generated a profit of \$184,453 from the OneFeather application development project which offset its general operating expenses of \$381,975.

1.6/1.7 Liquidity and Capital Resources

The Company reported working capital of \$511,984 at March 31, 2019 compared to working capital \$669,462 at December 31, 2018, representing a decrease in working capital of \$157,478.

As at March 31, 2019, the Company had net cash on hand of \$160,148 compared to \$360,405 at December 31, 2018, representing a decrease of \$200,257.

During the three months ended March 31, 2019, the Company used \$244,461 (2018 - \$651,720) of its cash in operating activities.

The Company generated \$31,529 (2018 – spent \$725,585) from its investing activities, which included:

- Sale of digital currencies of \$53,573, net (2018 – purchase of digital currencies of \$52,617);
- Acquisition of equipment and furniture of \$12,044 (2018 - \$247,005);
- Investment of \$10,000 (2018 - \$20,000) in a software development project. ChargeCard entered into a Shareholder’s Agreement with a group of three individuals on February 28, 2019, amended on March 21, 2019, for provision of the investment loan and incorporation of a common legal entity, in which the

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Company will acquire a 3.35% interest of shares. The investment loan is non-interest bearing and is refundable to ChargaCard from profits generated by the product after a one year hold period.

In the comparative first quarter of 2018, the Company acquired a property and building in Nederland, Colorado for \$335,242. This facility was to be used as a data center for its cryptocurrency mining operations. The facility remains vacant and was not used in the Company's operations to date. As of December 31, 2018, management made an assessment of the market value of the facility and recognized an impairment loss of \$63,122 against its carrying value. As at December 31, 2018, the remaining carrying value of the property of \$305,209, which also includes leasehold improvements, was reclassified to assets held-for-sale following management's decision to offer the facility for sale. The facility is currently advertised for sale with Colorado-based real estate broker firm, RE/MAX Alliance.

During the three months ended March 31, 2018, the Company completed its equity financing in connection to the RTO for net proceeds of \$4,642,964, of this amount, \$1,711,213 was included in subscription receipts as at December 31, 2017. There were no financing activities conducted during the three months ended March 31, 2019.

The Company's current assets excluding cash consisted of the following:

	March 31, 2019	December 31, 2018
Government sales tax credits	\$ 1,732	\$ 10,761
Trade receivable (OneFeather)	68,250	-
Due from the sale of crypto-mining equipment	23,983	-
Other receivables	6,733	6,104
Total Receivables	100,698	16,865
Deposit with the digital currency exchange	31,960	24,105
Prepaid insurance	8,192	17,653
Other prepaids	25,185	32,672
Total prepaids	65,337	74,430
Digital currencies at fair market value	47,000	95,781
Assets held-for-sale	305,209	305,209

Current liabilities as at March 31, 2019 consisted of trade payables and accrued liabilities of \$158,747 (December 31, 2018 - \$175,510), due to related parties of \$7,561 (December 31, 2018 - \$7,618) and deferred revenues of \$100 (December 31, 2018 - \$100).

The other source of funds includes a security deposit of \$355,018 that the Company paid to a provider of telecom data services pursuant to a Data Service Agreement dated August 9, 2018. The Data Service Agreement was terminated by the Company in January 2019. The Company's management was not able to collect the deposit back by February 21, 2019 as per the terms of the Data Service Agreement and recognized an impairment allowance of \$365,018 on the security deposit in the consolidated statement of loss as of December 31, 2018. As a result, the balance of the security deposit is not included in current assets in the statement of the financial position of the Company as at March 31, 2019. On April 18, 2019, the Company entered into an additional agreement with the telecom data service provider, whereby the remaining balance of the security deposit to be repaid to the Company, on an installment basis, by June 30, 2019. As of the date of this report, the Company collected \$10,000 of the security deposit balance.

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Other significant investments

- (1) On July 10, 2018, the Company and ChargeCard signed an agreement (“JV Agreement”) with BRC Blockchain Resources Corp. (“BRC”), a corporation existing under the laws of the Province of British Columbia, to create a joint venture company, BRC Cryptanite Mining Corp. (“JV Company”), for the purchase, assembly, siting and operation of mobile cryptocurrency mining equipment to be located in the United States.

Under the terms of the agreement, the Company made a contribution of \$55,000, representing a 20% initial capital in the JV Company. The Company also issued a non-interest bearing loan of \$520,000 to the JV Company to fund the purchase and assembly of cryptocurrency mining equipment as per the terms of the JV Agreement.

As at December 31, 2018, JV Company did not generate any income from the crypto-mining operations and has not repaid any amounts of the loan. The Company’s management determined that the investment was impaired and expensed the investment of \$575,000 in the consolidated statement of loss for 2018.

- (2) On April 2, 2018, the Company signed a Revenue Participation Agreement (“RP Agreement”) with Canyon Capital LLC (“Canyon Capital”), a corporation with directors in common, existing under the laws of the State of New Mexico, USA. Pursuant to the RP Agreement, the Company agreed to provide application development services for the iHalo project, and, in return, would earn a 10% royalty from the gross revenue from the project.

On January 3, 2019, in consideration of the services provided and pursuant to the terms of the RP agreement, Canyon Capital issued Chargecard a Revenue Participation Note (“RPN”) in the amount of \$86,829.

As at March 31, 2019, the Company incurred a total of \$116,523 (December 31, 2018 - \$86,829) in software development costs in connection with the iHalo project. To date, Canyon Capital did not generate any income from the project, and no royalties have been earned by the Company. The Company’s management determined the investment was impaired and expensed the investment of \$86,829 in the consolidated statement of loss in 2018. The development costs of \$29,694 incurred by the Company during the three months ended March 31, 2019 has been expensed.

Risk Factors and Uncertainties

The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future. As at March 31, 2019, the Company has an accumulated deficit of \$7,393,317 including a loss for the three months ended March 31, 2019 of \$162,114 (2018 - \$3,882,856).

The Company’s revenue comprised mainly from development and IT consulting services. The Company’s own application products have not generated significant revenue to date. In the past, the Company incurred losses on transactions with crypto-currencies and its crypto-mining activities. The market for cryptocurrency and blockchain-related businesses has experienced significant volatility over the last 12 months that impacted the Company’s business. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern.

The other sources of funds potentially available to the Company are through the exercise of outstanding stock options and share purchase warrants. See Item 1.15 – Other Requirements – Summary of Outstanding Share Data.

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There can be no assurance, whatsoever, that any or all of these outstanding exercisable securities will be exercised. During the three months ended March 31, 2019, 184,299 share purchase warrants expired unexercised.

The Company has and may continue to have capital requirements in excess of its currently available resources. Although the Company has been successful in raising funds in the past, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

The Company can be exposed, in varying degrees, to a variety of financial related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts, which is mainly held with reputable US and Canadian banks. Therefore, credit risk on the Company's cash deposits is assessed as relatively low.

The Company's secondary exposure to credit risk is on its receivables, which consists of trade receivables and refundable government sales taxes. The Company uses short term credit terms with its customers to minimize that risk.

The Company is exposed to higher credit risks on its digital currencies that are held on different crypto exchange platforms. Management chooses reliable and legitimate platforms for its crypto transaction to minimize that risk.

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 manages liquidity risk by continuously monitoring cash requirements to ensure that it is able to meet its short term and long term obligations and operational plans.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account earns interest income at variable rates and is subject to the movement in interest rates. Management considers the interest rate to be minimal.

(b) Foreign currency risk

The Company and its subsidiaries operate internationally, and during the year were exposed to foreign exchange risk arising from currency fluctuations, primarily with respect to the USD/ CAD dollar rate.

Management regularly monitors exposure to foreign exchange risks, but does not have a current hedging policy in place.

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As at March 31, 2019, the Company had cash of CAD \$44,640. A 10% change in the US dollar versus the Canadian dollar would give rise to a gain/loss of approximately \$3,340 of its cash.

(c) *Price risk*

The Company is exposed to digital currencies price risk due to the volatility of the industry.

The Company is not subject to any externally imposed capital requirements.

1.8 Off-Balance Sheet Arrangements

The Company did not enter into any off-balance sheet arrangements.

1.9 Related Party Transactions

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers.

The remuneration of management fees to key personnel were as follows:

Three months ended March 31,		2019		2018
Chief Executive Officer ⁽²⁾	\$	22,500	\$	22,500
Chief Operating Officer ⁽¹⁾		22,500		22,500
Chief Technology Officer ⁽³⁾		30,000		24,205
President ⁽⁴⁾		11,734		12,389
Total	\$	86,734	\$	81,594

- (1) Management fees paid to the Chief Operating Officer pursuant to an Operations Management and Product Development Services contract dated December 4, 2017. The contract is for a one year term with an extension for renewal for an additional year at the end of the original term.
- (2) Salary of the Chief Executive Officer.
- (3) Salary of the CTO of ChargaCard, who has been appointed to the Board of Directors of the Company effective January 1, 2019.
- (4) Management fees paid to Katmando Holdings Inc., a company owned by the President of the Company, pursuant to a consulting agreement dated April 30, 2018, which was terminated effective January 31, 2019, and a new consulting agreement dated February 1, 2019 for provision of commission-based consulting services.

Other related party transactions and balances

- (a) On March 1, 2018, the Company entered into an administrative agreement with Varshney Capital Corp. ("VCC"), a company controlled by a common director.

Pursuant to this agreement during the three months ended March 31, 2019, the Company paid \$22,566 (2018 -\$7,910) for administrative fees to VCC.

- (b) As at March 31, 2019, \$380 (December 31, 2018 - \$600) in cost recoveries was due from companies with a director in common. The amounts were included in receivables and collected subsequent to the period ends.

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- (c) On February 1, 2019, the Company entered into the new service agreement with Katmando Holdings to provide professional development services to the Company in exchange for a performance-based commission fee until January 31, 2021.

Pursuant to the terms of the revised agreement, \$2,245 (December 31, 2018 - \$Nil) was advanced to Katmando Holdings Inc. for April 2019 consulting services. The amount is included in prepaid expenses as at March 31, 2019.

As at March 31, 2019, \$ Nil (December 31, 2018 - \$7,037) was due to Katmando Holdings Inc. The amount was paid subsequent to year end.

- (d) As at March 31, 2019, \$7,561 (2017 - \$581) was due to a director of the Company Praveen Varshney for reimbursement of an audit retainer paid on behalf of the Company. The amount was paid subsequent to March 31, 2019.

- (e) During the three months ended March 31, 2019, the Company recognized \$3,056 (2018 - \$Nil) in share-based compensation for the vested portion of the stock options granted to the President of the Company in 2018. On April 1, 2018, the Company issued three blocks of 100,000 stock options, for a total of 300,000, incentive stock options to the President of the Company for the purchase of up to 300,000 common shares of the Company at an exercise price of CAD \$0.60 per share. Each block of stock options are subject to vesting provisions and expires between September 21, 2019 and 2021.

- (f) During the three months ended March 31, 2018 in connection with the RTO and concurrent private placements, the Company issued 2,000,000 share purchase warrants to VCC exercisable at a price of CAD\$0.10 per share expiring September 9, 2019. ChargaCard also paid \$29,000 to VCC for consulting and advisory services provided in connection with the RTO.

- (g) During the year ended December 31, 2018, ChargaCard engaged in a software application development project with Canyon Capital, a company controlled by the CEO and COO of the Company. As at March 31, 2019, the Company incurred software development costs of \$116,523 (December 31, 2018 - \$86,829) in connection with this project.

1.10 Fourth Quarter

On October 9, 2018, the Company registered and established Cryptanite Ltd, a wholly owned subsidiary in Malta to establish blockchain technologies, decentralized systems and next generation applications.

During the fourth quarter ended December 31, 2018, the Company earned revenues of \$424,796 primarily from its telecommunication data services sales resulting in a gross profit of \$7,277. The Company terminated its Data Service Agreement with the provider of telecom data services on January 22, 2019.

On December 17, 2018, the Company entered into a research and development services contract with One Feather Mobile Technologies Ltd., pursuant to which the Company agreed to provide development services to its client utilizing blockchain technologies for a 6 month period. The total consideration of the contract is US \$500,000 that will be billed monthly in arrears. Subsequent to the year ended December 31, 2018, \$245,000 was billed under this contract for the development services provided by Intellabridge.

During the fourth quarter ended December 31, 2018, the Company entered into a Corporate Branding and Marketing Agreement with Serpentcoin Ltd and paid \$66,000 with respect to this contract. The agreement was cancelled in December 2018.

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1.11 Proposed Transactions

None

1.12 Critical Accounting Estimates

Not applicable to venture issuers.

1.13 Changes in Accounting Policies including Initial Adoption

Our significant accounting policies are set out in Note 3 of the audited consolidated financial statements for the year ended December 31, 2018.

IFRS 16 - On January 13, 2016, the IASB issued IFRS 16, Leases, which replaced IAS 17, Leases. IFRS 16 sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact the new standard is expected to have on its financial statements.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that are expected to have a material impact on the Company.

1.14 Financial Instruments and Other Instruments

The Company's financial instruments at March 31, 2019 are as follows:

		<i>FVTPL</i>	<i>Amortized cost</i>
Financial assets			
Cash	\$	160,148	\$ -
Receivables		-	98,966
Investments		85,000	-
		245,148	98,966
Financial liabilities			
Accounts payables		-	103,147
Due to related parties		-	7,561
	\$	-	\$ 110,708

The Company has classified its cash and investments as financial assets at FVTPL. Receivables and deposits are classified as loans and receivables, and trade payables and due to related parties are classified as other financial liabilities, all of which are measured at amortized cost.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- i) Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

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ii) Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

iii) Level 3 – Applies to assets or liabilities for which there are unobservable market data.

Cash deposits have been measured at fair value using Level 1 inputs. The carrying value of receivables, accounts payables and due to related parties approximate their fair value because of the short-term nature of these instruments or their ability of prompt liquidation.

1.15 Other Requirements

Summary of Outstanding Share Data as at May 30, 2019:

Authorized - Unlimited common shares without par value

Issued – common shares: 56,471,844 (includes 10,589,160 in escrow shares)

Stock Options – 920,000 options

Warrants – 2,000,000 warrants

Additional disclosures pertaining to the Company's management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

On behalf of the Board of Directors, thank you for your continued support.

“John Eagleton”

John Eagleton

Director & CEO