TAAL Distributed Information Technologies Inc.

MANAGEMENT'S DISCUSSION & ANALYSIS
For the year ended December 31, 2019

Date of Report: May 26, 2020

The following management's discussion and analysis ("**MD&A**") for TAAL Distributed Information Technologies Inc. ("**TAAL**" or the "**Company**") should be read together with the accompanying annual audited consolidated financial statements and the notes thereto for the year ended December 31, 2019, which are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Readers should also refer to the Company's audited financial statements and accompanying notes for the fourteen-months ended December 31, 2018 and the Company's accompanying MD&A dated April 30, 2019. All amounts are stated in Canadian dollars unless otherwise indicated.

In this MD&A, unless the context requires otherwise, all references to "we", "us" "our", "TAAL", and the "Company" refer to TAAL Distributed Information Technologies Inc., including its subsidiaries, and all references to "Management" refer to the directors and executive officers of the Company.

Cautionary Note Regarding Forward-Looking Information

This MD&A includes certain statements that may be deemed forward-looking statements and information, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements") and relate to the Company's future performance or to future events. 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", "intends", "aims", "anticipates", "will", "projects", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events, results or conditions "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements, by their very nature, are subject to numerous risks and uncertainties, some of which are beyond the Company's control, and are not guarantees of future performance. Forward-looking statements and information are based on the opinions and estimates of Management at the date the statements are made, as well as a number of assumptions made by, and information currently available to, the Company, all of which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Factors that could cause actual results to differ materially from those in forward-looking statements include factors discussed in the sections "Cautionary Statement Regarding Forward-Looking Information" in disclosure made by the Company and "Risk Factors" and elsewhere in the Form 2A Listing Statement, dated July 31, 2018 filed with the Canadian Securities Exchange available for review on SEDAR. To the extent any forward-looking statements in this MD&A constitutes future-oriented financial information or financial outlook, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. The Company undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances other than as required by applicable laws.

Readers are cautioned that any such forward-looking statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

Defined Terms

As a dynamic industry, the blockchain and Digital Assets industry is constantly evolving, and nowhere is this more evident than in the rapidly changing lexicon of words used to describe the many activities, products, services and technology associated with it. For convenience, we have put together the following list of defined terms that are used throughout this document, and have the following meanings:

Term	Definition
Blockchain Infrastructure	A general term for Hashing Equipment, which run Hashing operations on a SHA (Secure Hash Algorithm)-256 based blockchain network for the purpose of earning Block Rewards.
Block Rewards	The rewards on the Bitcoin network obtained for Proof-of-Work, which are comprised of: (i) Transaction Fees; and (ii) a Block Subsidy.
Block Subsidy	A Block Subsidy refers to the newly minted Digital Assets that are one of the two parts of a Block Reward that result from successfully building a block in process of Hashing.
Digital Assets	We use the term Digital Assets to mean the digital coins or tokens that form the Block Subsidy of Hashing. Bitcoin SV (BSV) is an example of a Digital Asset.
Digital Asset Mining	Digital Asset Mining refers to Hashing operators whose business activity is primarily focused on acquiring Block Subsidies, as distinct from businesses that are focused on earning Transaction Fees and providing value-added services on the blockchain.
Digital Asset Mining Pool	To reduce payout variance of Block Rewards, Digital Asset Mining operators can organize themselves into integrated Digital Asset Mining Pools to combine their Hashrate over a network in an effort to build blocks collectively. When successful, the Hashrate contributors to the "pool" split the Block Subsidies, less a pooling fee, proportionate to each Hashrate contributor's share of Hashrate. As such, instead of infrequent larger, single payouts for solving a single block on their own, such pooling of Hashrate, in theory, provides participating Hashrate contributors with smaller, more frequent payouts, resulting in a higher and more stable income stream.
Halving	An event built into the source code of the Bitcoin SV (BSV) blockchain, and other bitcoin derived systems such as the so-called Bitcoin Core and Bitcoin Cash blockchains, which divides the rewarding of Block Subsidies in newly minted Digital Assets in half and is programmed to occur at the creation of every 210,000th new block, or approximately every four years. The third Halving Event occurred on April 10, 2020 for the Blockchain SV (BSV) blockchain, and occurred on April 8, 2020 and May 11, 2020 for the Bitcoin Cash and Bitcoin Core blockchains, respectively.
Hashrate	We use this term to refer to the computational processing power measured in hash/second when running SHA-256 operations, which is analogous to FLOPS (floating point operations per second) and is indicative of the amount of capital expended on Blockchain Infrastructure to support the blockchain network.
Hashing	A general term we use to refer to the cryptographic computing operation of Hashing Equipment on SHA-256 based blockchains, for which Proof-of-Work, Block Rewards are earned in the form of Block Subsidies and Transaction Fees.
Hashing Rig	Specialized ASIC (application-specific integrated circuit) computers that are optimized for Hashrate capacity to execute secure hashing algorithms that result in Block Rewards. Other commonly used terms for Hashing Rigs are "mining rigs," "mining servers," "transaction processing equipment," and sometimes, erroneously, as "cloud computers."
Hashing Equipment	Hashing Rigs and their associated infrastructure (such as blockchain node servers).
Network Node	Network node in bitcoin blockchains refer to nodes that contribute to building blocks or extending the blockchain. Not what is commonly called "full nodes,"

	which are simply validating nodes, but do not participate in the activity of building blocks.
Proof-of-Work	Proof-of-Work is the consensus algorithm used in the bitcoin blockchain networks and is an attestation of the amount of energy spent in the production of hash. This algorithm confirms transactions and results in the creation of a new block to add to the blockchain.
Transaction Fees	Transaction Fees refer to those fees generated from processing and verifying transactions and are claimed by the Transaction Processing entity that created the block. They can be earned as part of the transactions themselves or directly via processing contracts.
Transaction Processing	The process of validating transactions and time stamping them by sequencing them into blocks, which are then published and added to and thereby extending the associated blockchain. As remuneration for so doing, the Transaction Processing operator is paid a Transaction Fee as described above. We are graduating to this term to describe our Hashing activity as we are no longer focused solely on Block Subsidies.
Zero-Confirmation Transaction	Also sometimes referred to a zero-conf or expressed as 0-conf, these are transactions that have yet to be confirmed and verified in a block. Such 0-conf transactions expose the counterparties to possible double spend risk.

Additionally, the Company presents certain non-IFRS ("**IFRS**" refers to International Financial Reporting Standards) financial measures to assist readers in understanding the Company's performance. For additional definitions please see the section Non-IFRS Financial Measures, below.

OVERVIEW

TAAL is a vertically integrated business engaged in the management of professional-grade, highly scalable Blockchain Infrastructure for enterprise clients and upon which we will deliver value-added services to support and enable businesses building customized blockchain-based solutions and applications. We will drive revenue by granting access to and utilization of a variety of proprietary products, platforms, licenses and services, and intend to continue to add to these product offerings. For us, 2019 was a year of transition and preparation for the future, including a corporate name change, exiting and disposing of non-core businesses and assets, and making arrangements for the transition to a Transaction Processing-based business model.

In the coming year, Management believes that the blockchain and Digital Assets industry will face some of its biggest development challenges, starting with the seminal bitcoin Halving event (see below—About the Halving). We believe this new industry dynamic will create a shift over the following four-years to the next Halving event that may cause market participants to face considerable challenges. For the prepared, however, we believe that such challenges may also represent unique opportunities.

To this end, we are positioning ourselves to face these changes as an industry leader and innovator in this sector, by taking a long-term view of the potential of blockchain technology and executing our strategic vision, which may include strategic new hires and the acquisition of key businesses that we believe will survive the transition to a new economic model based on blockchain informational and Transaction Processing services. We believe that this Transaction Processing model will require a blockchain technology that supports limitless scalability, unbounded transactional volume, and profits earned by those that process the most transactions, not operations with the highest Hashrate. We believe that blockchain is the one supported by the Bitcoin SV network and TAAL will focus its attention and resources on this protocol.

Accordingly, we intend to invest in the future of Bitcoin SV, and, therefore, in the near-term, we are reviewing potential opportunistic acquisitions of additional Hashing operations and Hashing Equipment that may become available following the Halving. We believe that maintaining and scaling the number of nodes joining the network has the added benefit of increasing the security of the Bitcoin SV network, as more machines are available to confirm and approve transactions and maintain the blockchain. Additionally, in the coming fiscal year, we will be focusing on developing and delivering new value-added services, as we believe the industry will transition from a subsidized Digital Asset Mining model to a Transaction Processing network model. Several initiatives we are exploring in this area are data storage enhanced by blockchain timestamping and data integrity guarantees, which will allow us to offer solutions that improve upon traditional cloud storage, while also offering portability. We also believe that we will be able to offer execution of financial and other transactions without a third-party intermediary, utilizing smart contracts written on the Bitcoin SV (BSV) blockchain.

We firmly believe that TAAL is best positioned to offer these innovative services and develop many groundbreaking technologies.

Highlights

Highlights from our fiscal year ended December 31, 2019; as this was the initial year of operation for all revenue generated, no relevant comparative information is available:

- Revenue from Digital Asset Mining was $15,489,528, which commenced operation on May 1, 2019. Site operating costs for the year ended December 31, 2019 were $11,741,450, which resulted in Digital Asset Mining profit margin of 24%.
- Revenue from Fleet Management Services was $1,087,893 in fees from the Management Services Agreement (defined below) pursuant to which we maintain and manage third-party Hashing Equipment for CoinGeek (see details below).
- Revenue from Software Development and Licensing was $568,383, all of which we generated from licensing our TAAL Orchestrator software.
- We had adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) of $1,288,262 for the year ended December 31, 2019, which is calculated by adjusting EBITDA to exclude share-based payments, fair value losses or gains on re-measurement of Digital Assets, impairment charges, and costs associated with one-time transactions (see details below).
- We had working capital of $22,048,009 as of December 31, 2019, of which $11,024,009 is unallocated (see Liquidity and Capital Reserves below), providing liquidity for at least the next twelve-months.
- We will continue to explore corporate mergers and acquisitions that support our strategic vision.
- We intend to make a number of strategic new hires strengthening our technology expertise and supporting management of the company.
  - We are in discussions with a number of technical experts that could benefit our initiative to exploit the intellectual property included in the IP Licensing Agreement (defined below), and could result in developments and innovations of new technologies, such as a blockchain explorer and infrastructure platform, and a platform for monetization of APIs and microservices.
  - We also intend to further strengthen management with senior new hires to build and execute our strategic vision, and diversify the forms of capital available to the Company to support existing and future undertakings.
- We had Operating Expenses totaling ($10,394,904) of which our most significant expense, outside of selling, general and administrative expenses, related to non-cash impairment charges against Hashing Equipment of ($5,840,057). Management has taken a conservative approach in writing down Hashing Equipment value until such equipment is operational again after the Halving.

Business Analysis

Our existing business is divided along the following general revenue lines:

- Digital Asset Mining, in which we operate Blockchain Infrastructure principally for Block Rewards;
- Fleet Management Services, in which we manage for a fee a fleet of Hashing Rigs placed with third party hosting service providers; and
- Software/Hardware Development and Licensing, in which we develop new software and hardware, and earn fees for the use of these licenses and revenue from the sale of the products. As we transition to a more Transaction Processing oriented business, we expect to see increased growth in this revenue line.

Digital Asset Mining:

Our Digital Asset Mining commenced operation on May 1, 2019 as a result of the acquisition (the "**Freschette Transaction**") of all of the issued and outstanding shares of Freschette Limited ("**Freschette**"), previously owned by Calvin Ayre ("**Mr. Ayre**"). Freschette is a corporation formed under the *International Business Companies* Act, Cap. 222 of the laws of Antigua and Barbuda, which owns and operates Hashing Equipment in the Republic of Kazakhstan, representing 270 petahash per second (PH/s) of Hashrate. In connection with the acquisition of Freschette, we issued an unsecured convertible debenture for $24,148,077.01 accruing interest at 15% *per annum*, and which terms we satisfied in whole on maturity on May 1, 2020 by issuing common shares of the Company to Mr. Ayre valued at $3.00 per share. We took the strategic decision to put a moratorium on the Digital Asset Mining business segment as of May 8, 2020 in advance of the uncertainty and potential opportunities the Halving may represent (see discussion below).

Fleet Management Services:

On November 8, 2019 the Company's subsidiary, TAAL Technologies SEZC (the "**TAAL Tech**"), entered into a management services agreement (the "**Management Services Agreement**") with Bigfoot Holdings Group Ltd. ("**CoinGeek**"), an affiliate of Mr. Ayre, to provide it and certain of its affiliates with turn-key management services and oversight over globally-owned Blockchain Infrastructure totaling over 200,000 Hashing Rigs representing a Hashrate of approximately 3 exahash.

Software Development and Licensing:

Through TAAL Tech, we also entered into a license agreement with CoinGeek (the "**Orchestrator License Agreement**"), for the use by it and its affiliates of the proprietary custom software solution used for Hashing Equipment fleet management called TAAL Orchestrator ("**TAAL Orchestrator**"). TAAL Orchestrator conducts and coordinates Digital Asset Mining Pools of Hashing Rigs providing full visibility and transparency to end-users to track performance and perform other functions previously unavailable to industry participants. In consideration of acquiring the original source code used for TAAL Orchestrator, we will pay $2,860,258 to a development firm, the Workshop Technologies Ltd., in four installments over the eighteen-months from the effective date of the license, June 1, 2019. As of the date of this MD&A, we have completed three of the four payments due to the developer, with only the final payment of $639,764 due to be paid September 2020. In collaboration with leading U.K. blockchain research and development firm nChain Limited, a subsidiary of nChain Holding Group Ltd. ("**nChain**"), we have enhanced this software solution to create operational performance optimization, efficiencies and internal controls over our and our client's Digital Asset Mining operations.

In the future, we intend to expand our services by exploiting the extensive portfolio of filed and pending intellectual property that we acquired access to through the IP Licensing Agreement with nChain (see below—Strategic Partners). This portfolio is essential to realizing our strategic vision of building an organization based on Transaction Processing fees for Bitcoin SV and its blockchain network. While a significant advantage of this arrangement with nChain is collaboration and sharing of resources, including senior technical software engineers, we are in discussions with a number of new hire candidates, and are also exploring several potential acquisition or partnership targets we believe will give us an even greater advantage in further development of these and other innovative products.

Notable Changes to Business and Financial Status

During the year ended December 31, 2018, we changed our fiscal year-end from October 31 to December 31, to better align our fiscal year-end with the blockchain and Digital Assets industry norm.

On August 29, 2019 the Company entered into a definitive agreement with Mr. Ayre and certain affiliated companies (the "**CoinGeek Purchase Agreement**") to purchase the shares of several companies owned by Mr. Ayre in exchange for: (i) the issuance of 80,000,000 common shares in the capital of the Company and 827,000,000 non-voting participating shares; (ii) the aggregate value of all prepayment balances or advances for hosting services advanced by the target companies; and (iii) a profit share agreement for certain jurisdictions.

We also exited the following businesses that we believe do not contribute meaningfully to our core businesses:

- On January 7, 2019, the Company announced that it and Future Farm Developments Ltd. entered into a binding letter of intent pursuant to which the parties wound up their hardware distribution joint venture and the Company acquired sole ownership of Arasystems Technology Corp., the joint venture company.
- We suspended our ASIC chip development program following an independent audit of results on January 22, 2019, in which initial pre-tape-out simulation testing of its prototype FPGA (field programmable gate array) ASIC microchip for Hashing on SHA-256 associated networks produced results inconsistent with design parameters.
- In March 2019, we sold all of the 730,000 shares of Universal mCloud Corp. we acquired in 2018, for total proceeds of $292,200 and representing a $80,500 gain on the sale, which we recognized in this fiscal year ending December 31, 2019.

- In advance of the Halving, we halted our Digital Asset Mining operations in Kazakhstan from May 8, 2020. Whilst this means that we will not be generating any revenue from this business segment, Management believes that pausing these operations is a prudent measure while we assess the impact the Halving may have on these activities. We believe, further, that this moratorium may result in a reduction of our overhead and operating expenses, as we will not be incurring these expenses to operate the Hashing Equipment, and will limit our exposure to potential losses from any volatility in the price of the Digital Assets that form the Block Subsidies of our Digital Asset Mining operations. Consequently, we believe this decision will have a net positive impact on our cash flow statement under the current contractual and market conditions.
- On November 8, 2019 the Company entered into a binding letter agreement with Mr. Ayre and the other parties to the agreement, to terminate the CoinGeek Purchase Agreement (the "**Termination Agreement**"). The Termination Agreement provided for:
  - the termination of the CoinGeek Purchase Agreement with a waiver from Mr. Ayre of the liquidated damages due to him thereunder;
  - the reimbursement of amounts expended by the Company in connection with prepayments and logistics costs in preparation of taking control of the assets and operations of the companies that were to have been sold under the CoinGeek Purchase Agreement; and
  - the parties agreed to work together in good faith to negotiate a restructured transaction reflecting current market conditions and a revised valuation.

Industry Trends

The blockchain and Digital Assets industry is highly competitive and characterized by frequent and constant change, including in business models and technologies, and this is especially relevant to the pending Halving (see below). Every dynamic shift in the development of the Bitcoin SV blockchain is an opportunity to discover, develop, and explore new technologies, ideas, product, and applications that may further transform our industry and our business. At TAAL, we endeavor to push the boundaries of what is possible in our industry through new business and technology development initiatives, which are constantly innovating, and identifying challenges and opportunities to meet market and client demands.

About the Halving:

The greatest challenge to face Management after year-end 2019 is the so-called Halving. In 2020, we will pass the third network-wide Halving event in the development of the Bitcoin blockchain network, which takes place approximately every four-years, or, to be more precise, every 210,000 blocks. Upon the Halving, the Block Subsidy component of the Block Reward is reduced by half. For the Halving in 2020, therefore, the Block Subsidy declined from its current 12.5 coins to 6.25 coins per block successfully processed on the Bitcoin SV (BSV) network on April 10, 2020, and on the Bitcoin Core (BTC) network on May 11, 2020. This process will end when the total supply of 21 million coins is awarded in each network, which, at the current pace of Hashing, is predicted to occur around the year 2140. Realistically, however, this will likely occur, in economic terms, around 2040 due to the long tail that is structured into the Block Rewards (assuming the price of Digital Assets does not keep pace with the Halving schedule, i.e., does not double in economic value at each event, thus resulting in a point where the value of the Block Subsidy is small enough to be economically irrelevant).

The cutting in half of the Block Subsidy presents a critical challenge for those in the Digital Asset Mining space, and many operations will likely not be profitable and may be forced to suspend operations or face other consequences to their business model in the near future. If enough Digital Asset Mining operators suspend operations causing fewer or no additional blocks to the blockchain network on which those specific Digital Assets are built, resulting in cessation of the confirmation of new transactions, some blockchain networks may stall and no longer remain relevant. As the rewards dwindle to zero in the decades ahead, if not this Halving, then a future Halving event could potentially destabilize the security of a blockchain network due to the lack of underlying economic incentives.

Unlike those who have based their business model on a reliance upon the Block Subsidy portion of Blockchain Rewards and by extension, a constant doubling in value of the Digital Assets to compensate for the high fixed costs of hardware and operational overhead, we are already adjusting and preparing for this paradigm shift to Transaction Processing and a value-added service business model. Traditionally, the Blockchain Infrastructure operating business has been a race to own the highest Hashrate so that operational profit from the Block Subsidy can be maximized. Going forward we believe that the volume of Transaction Processing on the network will take on greater importance, as the economic dominance of the Block Subsidy will wane due to increased competition and scarcity. Companies that can offer the best, most efficient, and innovative services to support Transaction Processing are more likely to succeed than companies that just rely on having the highest Hashrate.

Despite the deleterious effect the Halving is expected to have on the profitability of Digital Asset Mining operations, such speculative activities are likely to continue for some time; however, we believe that the companies that reposition themselves as Transaction Processing operators on reliable infrastructure, and which provide value-added services for the industry will not need to engage in such a risky activity as a material part of their businesses. Of course, we cannot be sure what will happen with the price of Bitcoin, and if the last two Halvings are anything on which to base an opinion, the price may once again double and save those Digital Asset Mining operators who have bet their business on this unpredictable market event. Whatever the outcome, we are positioned to take advantage of either scenario, and intend, at any rate, to continue to diversify our business model away from the more speculative part of the Block Rewards.

Genesis Protocol Update:

The Bitcoin SV network successfully completed the Genesis hard-fork protocol update on February 4, 2020. This update is code-named Genesis because it includes a set of protocol restoration changes that represent an almost complete return to the original Bitcoin protocol, as documented in the white paper by Bitcoin's pseudonymous creator Satoshi Nakamoto. In our opinion, the major changes addressed by this upgrade of the Bitcoin SV (BSV) network are expected in the long term to significantly and positively impact the blockchain and Digital Assets industry and all participants. With the industry focused on supporting transaction generating applications and solutions for enterprise users looking to build upon the blockchain, the number of transactions (payment and data type transactions) that are written to the blockchain are increasing rapidly.

Management believes a key beneficial change for Hashing operators caused by this update is the elimination of any default block cap set by protocol developers in the node software. As such, we can now control the consensus of the block caps and thus transaction capacity of the blockchain network, depending on market and contractual conditions. We expect this change to be advantageous to us as it opens the door to unbounded transaction growth, without needing approval of protocol developers, and enabling a steady and increasing revenue channel based on Transaction Fees.

A summary of changes made in the Genesis update, authored by the Bitcoin SV Node team at an nChain Limited, is available here: https://bitcoinsv.io/2020/01/15/changes-for-the-genesis-upgrade/. In short, Genesis unlocks many technical capabilities that were always possible in Bitcoin making it easier for engineers and developers to build innovative applications on the Bitcoin blockchain that leverage micropayments, data interchange, and on-chain data storage.

Our Growth Strategy

Those who understand the Bitcoin Hashing protocol know that the Block Subsidy was programmed to disappear. It stands to reason, therefore, that if we, as a Transaction Processing operator (a term that we are graduating to, as we are no longer just 'miners' of Digital Assets), are to have a sustainable business in the long-term, we need to change our business to rely less on the Block Subsidies, and build value-added services focused on Transaction Processing. The value of a blockchain is only realized when used at scale, and the business of Transaction Processing (building blocks) on a blockchain is only sustainable if a constant and massive daily flow of transactions to be processed exists, which will make relying on the network coded Block Subsidy unnecessary. The year 2020 may mark the inflection point at which Digital Asset prices no longer cover the cost of Hashing, and where building blocks for Transaction Processing and value-added services will become the new source of income. As such, we are already focused on developing a fiat-based revenue and business channel dedicated to the custom processes of blockchain transactions for enterprise clients building upon the Bitcoin SV (BSV) blockchain. In this new regime of Transaction Processing, the markets will likely evolve to one where the Digital Asset price is based on use rather than speculative trading. Further, the increasing trend for blockchain data storage may open up new potential revenue streams for Blockchain Infrastructure companies capable of providing the ability to store and retrieve data embedded in blockchain transactions and will become a service for which we will see an increase in demand.

Management believes that the Company is well positioned to be a leader in this transformation of Blockchain Infrastructure companies from market speculators to Transaction Processing operators and valued-added service providers. We have been planning for this transition and are working on strategic deals that differentiate us from the competition. To this end, our initiatives in 2020 to implement this growth strategy and our strategic vision include:

1. Preserve cash repatriated from the Termination Agreement and unallocated from working capital for use in strategic acquisitions and operations.

2. Explore new business opportunities and reduce costs by becoming more vertically integrated through acquisitions of energy efficient Blockchain Infrastructure and building partnerships with manufacturers to lead the development of the next generation of energy efficient hardware.
3. Diversify revenue streams by building professionally managed services and licensing offerings in connection with providing turn-key solutions for enterprise scale Blockchain Infrastructure. Acquire human resources, technology and intellectual property to support these initiatives.
4. Explore options to upgrade and optimize our Hashing Equipment to improve efficiency and earnings.
5. Exploit IP available through the IP Licensing Agreement to provide value-added services on the blockchain.
6. Selected elements of our strategic vision:
    - Transaction processing, using M/API, bulk volume contracts, dynamic rates and client tiering;
    - Offering managed services for Hashing Equipment hosting, Hashing contracts and "TAAL Pool", a public blockchain Digital Asset Mining Pool that we will manage with TAAL Orchestrator;
    - Providing services and pilot projects stemming from the filed patent application related to the Device (see below);
    - Exploring blockchain data storage services, and
    - Developing Internet-of-Things agents and services.

Recent Developments:

We have been improving our Blockchain Infrastructure and streamlining systems in preparation for scaling of operations. As part of this initiative, we intend to mark publicly all blocks written to the Bitcoin SV blockchain, including our own as well as those of our clients under managed services agreements, as "TAAL" with each "Miner ID" signature. In a Proof-of-Work system, Hashrate is the key component of the security model of a public permission-less blockchain, such as Bitcoin SV, as it is indicative of the amount of capital spent on Blockchain Infrastructure to support the network. The amount of this capital investment and deployed resources acts as a strong deterrent against dishonesty in a decentralized system. Miner ID is another method implemented on Bitcoin SV as a way for Transaction Processing operators to provide definitive proof of identify and build a reputation of trust among the public and clients. Signing all the blocks with a company's public key allows anyone to show proof of the blocks that a block builder creates on the blockchain, enhancing auditability and reporting. Miner ID is currently only implemented on the Bitcoin SV platform.

We announced on April 2, 2020 that we had filed a patent application for a Hashing device (the "Device" -- https://webfiles.thecse.com/sedar_filings/00036887/2004021816432817.pdf) with the United Kingdom patent office, an important step in realizing the Company's strategic vision and in leveraging the power of Blockchain Infrastructure technologies in applications for Transaction Processing for general computational tasks. Management believes that the Hashrate that is deployed in Blockchain Infrastructure, such as Digital Asset Mining facilities, can be leveraged for other complementary purposes, apart from generating blocks and securing the blockchain. This patent deals with the generation of a significant stream of high-quality random numbers which has, in the past, been cumbersome and expensive due to the need for random environmental inputs. In turn, these high-quality random numbers have multiple use-cases, including complex and advanced computational applications, such as artificial intelligence (AI) modelling scenarios within scientific, medical research and financial modeling simulations, which are in high demand. Using this method of generating random numbers, we believe we will be able to deliver an improved environment and random inputs to advanced users of computer-based simulations and AI systems. The patent's technology further supports our strategic vision for Blockchain Infrastructure and enterprise services, particularly in our view that Bitcoin SV technology can be used for value-added applications outside of traditional transaction processing and payments use-cases.

As announced by the Bitcoin SV node team on April 3, 2020, we also confirmed the release of our beta implementation of M/API, a merchant/miner API (https://bitcoinsv.io/2020/04/03/miner-id-and-merchant-api-beta-release/), which is expected to allow the public to send transactions directly to us for processing, query real-time transaction processing fee rates and confirm the status of a transaction. Such an implementation of M/API will allow for further growth and innovation of the Bitcoin SV platform, as well as build the foundation for the SPV (simplified payment verification) overlay node network, whose Zero-Confirmation Transaction security is based on direct block builder interaction. This in turn will allow for tighter integration of applications with Transaction Processing operators and for future fixed rate Transaction Processing in fiat currency. As part of this announcement, we made our beta M/API endpoints available to our partners and clients. This is part of an initiative that is under construction and explores the possibility of guaranteeing Zero-Confirmation Transactions, where Transaction Processing operators, like us can confirm through M/API if the funds have been spent and, if they have not, to possibly provide insurance against a double-spend.

Strategic Partnership:

On April 20, 2020 we announced a strategic licensing agreement with nChain effective as of April 20, 2020 for ten-years to use key elements of its intellectual property patent portfolio (the "**IP Licensing Agreement**").

The IP Licensing Agreement with nChain provides TAAL with non-exclusive access and rights over ten-years to develop advanced blockchain transactional systems on top of nChain's existing granted, pending and future filed patent applications in the area of specialized blockchain transaction handling, processing, storage, retrieval and display. Further, this agreement opens the door for the Company to work even more closely with nChain to develop advanced Blockchain Infrastructure solutions that form the foundation of Management's strategic vision to provide Transaction Processing services to address the increased growth in high volume transactions emerging from business and enterprise investment in blockchain solutions. Pursuant to the IP Licensing Agreement, the Company will pay nChain US$1,000,000 in licensing fees over the first year of the agreement.

nChain's extensive portfolio of blockchain-related patents gives us a competitive advantage in the growing but nascent market of blockchain solutions. TAAL is committed to developing its Blockchain Infrastructure solutions on the Bitcoin SV network and, accordingly, has licensed the portfolio for sole use on the Bitcoin SV blockchain network.

nChain is a global leader in advisory, research, and development of open blockchain technologies. Established in 2015, the UK-based company is one of the most active developers of intellectual property and software in the blockchain and Digital Assets industry, with a focus on bringing to market enterprise-grade open blockchain solutions for global business. The nChain Group includes a blockchain research and development center based in the U.K., which focuses on the original Satoshi Nakamoto blockchain protocol and designs that are embodied in the Bitcoin SV platform. In addition to an expansive portfolio of patents, the nChain Group has further enhanced its leadership position in blockchain development through a recently completed acquisition of CREA, a blockchain development firm from Slovenia, establishing nChain as a powerhouse in terms of blockchain development and solutions. We see nChain and its portfolio as key to executing on some of our strategic objectives relating to expanding the use of Blockchain Infrastructure, Transaction Processing, and developing software solutions that leverage the blockchain to deliver innovative solutions to traditional and developing markets.

With this IP Licensing Agreement, we believe we have taken another important step toward assembling the necessary components to deliver novel and unique solutions in blockchain processing on the Bitcoin SV platform, which we expect to become an important revenue stream as the impacts of the further Halving of Block Subsidies occurs again in 2024. This transaction is consistent with the Company's strategic vision to decouple its historical Digital Asset Mining operations from depending primarily on Block Subsidies that are impacted by the Halving. Instead, Management sees the future of Transaction Processing on the Bitcoin SV blockchain as Transaction Fee and services based and is finalizing a 5-year strategic vision, which it expects to communicate to the market later in 2020.

Strategic Appointments:

In the first quarter of the 2020 fiscal year, our Board of Directors (the "**Board**") made several strategic changes to our executive team to better align it with the organization's strategic vision. To this end, the Board announced the appointment of Jerry D. Chan to the position of President and Chief Executive Officer ("**CEO**") and Satoshi Kitahama to the position of Chief Financial Officer ("**CFO**"). Additionally, Angela Holowaychuk transitioned from CEO to the role of Chief Operating Officer and Yevgeniy Meshcherekov from CFO to Vice President of Finance. Messrs. Chan and Kitahama bring a wealth of expertise that together adds up to nearly fifty-years of experience in financial technology industries.

Mr. Chan holds a BASc in Electrical Engineering from the University of Waterloo and is a fifteen-year veteran of Wall Street technology, having worked at Goldman Sachs and JPMorgan Technology in the FX, FICC, and Equities GSAT trading desks in both New York and Tokyo. He has expertise in financial systems, global markets, risk management and trading systems. Prior to joining us, Mr. Chan headed the Digital Asset Solutions department of SBI Group, a financial conglomerate in Japan which has a significant investment in the blockchain industry, and also worked as Regional Manager for the Bitcoin Association. Mr. Chan's vision is that blockchain technologies will bring on a revolution to the existing financial and economic markets, kickstarting a new era of monetization of the Internet.

Mr. Kitahama holds an AB in East Asian Languages and Cultures with a concentration in Political Science and Economics from Columbia University in the City of New York. Mr. Kitahama's finance career spans three continents, starting in New York with Wertheim Schroder & Co. in equity capital markets followed by a transfer to London and a transition through a variety of roles of increasing responsibility that included syndicate and leveraged capital markets, and structured, corporate and acquisition/leveraged finance with Merrill Lynch International, Deutsche Bank AG London and Credit Suisse First Boston (Europe) Limited. He took these skills with him to Tokyo, where he built and ran the specialty finance and M&A businesses at Shinsei Bank Ltd., which team he took with him to the Royal Bank of Scotland plc in Tokyo, where he headed the bank's leveraged finance business across Asia. Prior to joining us, Mr. Kitahama was a principal in the investment advisory firm he helped found, focusing on financial technology businesses, which included advising Coinmint LLC on its security token offering.

These appointments are the first of several key appointments that we expect to announce as the executive team is built out to accommodate the leadership necessary to deliver against our strategic vision.

SELECTED ANNUAL FINANCIAL INFORMATION

(In dollars, except percentages and per share amounts)	2019	2018	2017
Revenue	$17,145,804	$ -	$ -
Adjusted EBITDA	$1,288,262	$(4,055,611)	$(208,927)
Net loss	$(12,392,318)	$(9,779,750)	$(218,899)
Basic loss per share	**$(0.98)**	**$(1.41)**	**$(0.09)**
Diluted loss per share	$(0.98)	$(1.41)	$(0.09)
Total assets	$46,776,428	$21,975,539	$621,862
Total non-current financial liabilities	$ -	$ -	$ -

DISCUSSION OF OPERATIONS

The Company had increased revenues and increased net loss and comprehensive loss in the year ended December 31, 2019 compared to the fourteen months ended December 31, 2018 as a result of activities from the Freschette Transaction and subsequent Digital Asset Mining operations.

The Company generated $15,489,528 in Digital Asset Mining revenue from its Digital Asset Mining operations in the year ended December 31, 2019, with Digital Asset Mining operations commencing on May 1, 2019. The site operating costs for the year were $11,741,450 which represent the costs incurred in Hashing for the same operating period. The Company recorded $7,156,429 in depreciation and amortization expenses related to its Hashing Equipment and Digital Asset Mining Pool management software. As this was the initial year of operations, no relevant comparative information is available.

The Company generated $1,087,893 fee revenue in the year ended December 31, 2019 pursuant to the Management Services Agreement.

The Company generated $568,383 in software licensing revenue during the year ended December 31, 2019 through licensing TAAL Orchestrator, its proprietary Digital Asset Mining Pool management software, to third parties. This arrangement was formalized in the Orchestrator License Agreement effective as of June 1, 2019.

A substantial part of our operating expenses related to operating our Hashing Equipment at the sites of our Digital Asset Mining operations, which was $11,741,450. Due to the short livable life of the Hashing Rigs in particular (2-3 years), depreciation and amortization expenses made up approximately a third of our costs of revenues, which was $7,156,429.

The Company continued to generate revenue from its planned operations, and because of recorded impairment on its Hashing Equipment, incurred a higher net loss of $12,392,318 for the year ended December 31, 2019 compared to a net loss of $9,779,750 for the fourteen months ended October 31, 2018.

Expenses for the year ended December 31, 2019 were $10,394,904 compared with expenses of $5,032,604 for the fourteen months ended December 31, 2018. The notable differences in expenses for the year ended December 31, 2019 compared to fourteen months ended December 31,2018 included impairment of equipment in the amount of $5,840,057 compared to $NIL, professional fees of $1,645,906 compared to $837,091, and share-based payments of $438,755 compared to $1,493,333 respectively.

Loss on revaluation of Digital Assets as at December 30, 2019 of $10,070 represented an adjustment to the value of Digital Assets held in inventory to the market value as at the reporting date.

The Company had a positive Adjusted EBITDA of $2,581,279 for the year ended December 31, 2019.

		2019
Net loss	$	(12,392,318)
Interest income		(252,337)
Depreciation and amortization		7,156,429
EBITDA		**(5,488,226)**
Revaluation of digital assets		10,070
Gain on sale of digital assets		(1,293,017)
Share-based payments		438,755
Impairment of equipment		5,840,057
Share of loss on joint venture		127,253
Los on acquisition on joint venture		1,733,870
Gain on sale of marketable securities		(80,500)
Adjusted EBITDA	**$**	**1,288,262**

The following table summarizes the maximum number of common shares outstanding as at December 31, 2019, and as of the date of this MD&A, if all outstanding stock options and warrants were converted to common shares.

	As at December 31, 2019	As at the date of this MD&A
Common shares	13,822,998	23,079,761
Non-voting participating shares	-	2,279,215
Options to purchase common shares	410,000	525,000
Share purchase warrants	3,983,650	3,446,700

If all the Company's options and warrants were exercised as of the date of this MD&A, the Company would receive $28,461,489 in total gross proceeds on those exercises. For further information and details concerning outstanding share data, options, and warrants, refer to the audited consolidated financial statements for the year ended December 31, 2019.

SELECTED QUARTERLY FINANCIAL INFORMATION

(In dollars, except and per share amounts)

	Q4	**Q3**	**Q2**	**Q1**	**Two months ended**	**Q4**	**Q3**	**Q2**	**Q1**
	Dec, 31, 2019	**Sept, 30, 2019**	**Jun, 30, 2019**	**Mar 30, 2019**	**Dec. 31, 2018**	**Oct. 31, 2018**	**July 31, 2018**	**Apr. 30, 2018**	**Jan. 31, 2018**
	$	$	$	$	$	$	$	$	$
Total revenues	**5,460,419**	**7,380,758**	**4,304,627**	**-**	**-**	**-**	**-**	**-**	**-**
Net comprehensive income / loss	**(10,046,695)**	**(636,275)**	**(790,195)**	**(1,031,870)**	**(1,194,490)**	**(5,745,844)**	**(1,671,525)**	**(401,387)**	**(766,504)**
Basic and diluted loss per share	**(0.79)**	**(0.05)**	**(0.06)**	**(0.08)**	**(0.10)**	**(0.50)**	**(0.50)**	**(0.10)**	**(0.20)**

We have omitted discussions of 2018 and 2017 results where it would be redundant to the discussion previously included in the MD&A of our 2018 and 2017 financial statements. Moreover, with the change in our business in 2018, and addition of new businesses to support those initiatives, our business revenue lines are not comparable with previous results. We began Digital Asset Mining operations in May 2019, which accounts for the revenue starting in Q2 2019. Monthly variation in revenue is due in large part to seasonal changes in the cost of electricity, which results from fluctuation in hydroelectric generation based on the quantity of water available during the wet (summer) and dry (winter) seasons in Asia, and from market price changes in the Digital Assets that were produced from the operations. TAAL does not hold significant positions in our Digital Assets produced, and typically spot liquidates Digital Assets produced. As a result, we neither materially benefit nor suffer any material loss from holding a position; however, we also believe that we may lose opportunities that may come from better management of our Digital Assets. To this end, we may explore some treasury controls and portfolio management plans. In the future, we hope to enter better hedging and structured trades to ensure stability from our Blockchain Infrastructure management operations as well as focusing more on stable transaction processing fees and value-added services businesses, which will result in fiat currency cashflow and less exposure to capital market price fluctuations.

NON-IFRS FINANCIAL MEASURES

This MD&A presents certain non-IFRS financial measures to assist readers in understanding the Company's performance. These non-IFRS measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Management uses these non-IFRS measures to supplement the analysis and evaluation of operating performance.

Throughout this MD&A, the following terms are used, which are not found in the Chartered Professional Accountants of Canada Handbook and do not have a standardized meaning under IFRS.

- "**EBITDA**" (Earnings before Interest, Taxes, Depreciation, and Amortization). EBITDA represents net income or loss excluding net finance income or expense, income tax or recovery, depreciation, and amortization.
- "**Adjusted EBITDA**" represents EBITDA adjusted to exclude share-based payments, fair value loss or gain on re-measurement of Digital Assets, write-offs, and costs associated with one-time transactions.
- "**Digital Asset Mining Profit**" represents gross profit (revenue less cost of revenue), excluding depreciation from Digital Asset Mining operations (vs. Transaction Processing profit).
- "**Digital Asset Mining Profit Margin**" – represents Mining Profit as a percentage of revenue. Digital Asset Mining Profit and Digital Asset Mining Profit Margin show the cash expenses against the revenue without the impact of non-cash accounting policies such as depreciation.

FINANCIAL CONDITION

Off-Balance Sheet Arrangements

The Company is not committed to any off balance sheet arrangements.

Key Management Compensation

The Company considers its executive officers and directors to be key management. The Company incurred management and directors fees, salaries and wages, professional fees and share-based payments totaling $1,266,835 for the year ended December 31, 2019 compared to $1,870,368 for the period ended December 31, 2018 in respect of services provided to the Company.

Transaction with Related Parties

During the year ended December 31, 2019, the Company was charged $325,584 in software development services by nChain's subsidiary in connection with the further development of the Company's proprietary Digital Asset Mining Pool management software, TAAL Orchestrator. Stefan Matthews, Chairman of the Board, is also the Chairman of nChain. The Company has an ongoing agreement for services with nChain's subsidiary on an as needed basis. These arrangements were made on terms equivalent to those that prevail in arm's length transactions. Mr. Matthews did not participate in the Board decision to engage nChain's subsidiary. nChain and its subsidiary are not considered "related parties" of the Company for purposes of Multilateral Instrument 61-101 – *Protection of Minority Shareholders in Special Transactions*.

Liquidity and Capital Resources

As a result of the Freschette Transaction, the Company's income generating operations now consist primarily of Digital Asset Mining operations. The Company's financial success and continuation as a going concern will be dependent on, among other things, the extent to which it can successfully maintain and optimize profitable operations and generate funds therefrom and develop new income streams from management services, software licensing, specialized blockchain informational services, Transaction Processing services, blockchain data storage services and/or raise equity capital or borrowings sufficient to meet current and future obligations. No assurance can be provided that any future equity or debt capital raises would be successful, or available to us on favorable terms.

The Company had working capital of $22,048,009 as at December 31, 2019.

TAAL intends to use its working capital as at December 31, 2019 as set out below:

Description	$CAD allocated
Explore options to upgrade and optimize Hashing Equipment to improve efficiency and earnings	2,190,000
General and administrative expenses for ensuing 12 months	8,834,000
Unallocated working capital	11,024,009
Total	**$22,048,009**

In 2019, we made capital expenditures that related to hardware purchases, including, 20,500 hashing rigs in connection with the Freschette Transaction, 2,500 MicroBT upgrade kits, and office computer equipment for employees that totaled $2,189,114. In the near future, we expect to see an increase in expenditures as we expand our talent pool with senior appointments, including the strategic appointments detailed above, as well as key technical appointments. In certain circumstances, however, we may be required, for sound business reasons, to reallocate funds. Pending such use, the Company intends to invest the available funds in short-term, investment grade, interest-bearing securities and other marketable securities.

For the year ended December 31, 2019 net cash provided by operating activities was $391,710, which does not include the Digital Assets obtained through Digital Asset Mining operations, but not converted to cash. For the year ended December 31, 2019, cash used in investing activities was $5,092,002 and was used to acquire a perpetual license and source code for custom Digital Asset Mining Pool management software (TAAL Orchestrator). For the year ended December 31, 2019 cash provided from financing activities was $1,208,686, which was the total proceeds on options and warrants exercised during the period.

As at December 31, 2019, the Company had current assets of $44,188,111 consisting primarily of cash and cash equivalents of $15,622,778, accounts receivable of $2,219,781, Digital Assets of $49,401, prepaid expenses and other current assets of $3,884,539 and receivable for terminated acquisition of $22,097,527.

As a result of the Freschette Transaction, the Company began to generate Digital Assets related revenue in 2019. The Company anticipates that its Digital Asset Mining activities will be applied to the most profitable SHA-256 asset at the time of computing activity. This may change over time and Management will effect the appropriate operational decisions to ensure that computing power adapts and is allocated based on current market conditions and the overarching strategic vision of the Company. As a general policy, revenues generated over and above the cash operating expenses to maintain the Digital Asset Mining operations may be invested in other SHA-256 derived Digital Assets at the discretion of the Management and/or the Board.

Since June 1, 2019 the Company has also generated income from the Orchestrator License Agreement. The Company entered into the Management Services Agreement effective November 8, 2019 pursuant to which it expects to earn recurring income. Management of the Company is actively seeking additional opportunities to license TAAL Orchestrator and provide management services to third parties in enterprise scale Blockchain Infrastructure operations.

The Company may require additional capital to maintain operations if its operations continue to be unable to produce positive cash flow. The Company's ability to arrange financing in the future will depend, in part, upon the prevailing capital market conditions, the market and demand for Digital Assets as well as its business performance. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to it or at all. If the Company raises additional financing through the issuance of common shares from its treasury, control of the Company may change, and existing shareholders will suffer additional dilution.

Risks & Uncertainties

An investment in securities of the Company involves a high degree of risk, should be considered highly speculative due to the nature of the Company's business and should only be made by persons who can afford the risk of loss of their entire investment. The Company's risk exposures and the impact of the Company's financial instruments are summarized below.

Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and other foreign currencies will affect the Company's operations and financial results. The Company settles its revenue and incurs expenses in US dollars and therefore the fluctuation in foreign currencies in relation to the Canadian dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of equity. The only foreign currency the Company holds are US Dollars and a 10% decline against the Canadian Dollar would negatively impact the Company by approximately $915,000.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to significant interest rate risk relating to its convertible debenture and accounts payable. The interest rate on the convertible debt is fixed and the accounts payable are not subject to any interest. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash is limited because of the short-term nature of the investments.

Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices, other than those arising from interest rate risk and foreign currency risk. The Company is not exposed to any significant price risks with respect to its financial instruments.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consists primarily of cash and cash equivalents, trade and other receivables. Cash and cash equivalents are maintained with highly rated financial institutions and may be redeemed upon demand. The company is exposed to a significant concentration of credit risk with respect to its trade accounts receivable balance because of its dependence on one customer (see Note 6). All accounts receivable balances are expected to be settled in full when due and because of the nature of the counterparty.

The Company's maximum exposure to credit risk at the end of any period is equal to the carrying amount if these financial assets as recorded in the consolidated statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the Company's cash flow projections. If future cash flows are fairly uncertain, liquidity risk increases. The Company manages liquidity risk through the management of its capital structure. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash and cash equivalents. The Company's cash and cash equivalents are held in corporate bank accounts available on demand.

Halving risk

In May 2020, the bitcoin daily reward halved to 6.25 bitcoin per block mined, or approximately 900 bitcoin per day in aggregate. At the reward level of 6.25 coins, this halving may have a potential adverse impact on the Company's profitability. It is unlikely that the network difficulty rate and price would remain at current levels when the bitcoin rewards per block are halved, given the historical data on bitcoin prices and network difficulty rate after a halving effect. The Company believes that the halving of the block hashing rewards will be offset by other market fundamentals including network difficulty rate and price of bitcoin which may offset the impact of halving sufficiently for the Company to maintain its profitability. Management notes there is a risk the halving will have adverse impacts on the profitability of blockchain mining and render the Company unprofitable.

Risk of not realizing the benefits of forks

Although no group or individual controls the source code to a blockchain network, if enough participants in the network representing a significant majority of the Hash rate were to agree on certain modifications, those changes could be implemented and the blockchain network would then be subject to those new protocols and modified software. If, however, less than a significant majority consent by downloading the altered software or upgrading and implementing the changes to the software, then, two networks will emerge: one represented by the pre-modification source code, and the other a new network using the modified source code. This division is described as a "fork" in the network, so-called because the modification will result in two incompatible "prongs."

The Company may not be able to realize the economic benefit of a fork, either immediately or ever, which could adversely affect its value. If the Company holds a digital asset that splits into two assets, industry standards would dictate that the Company would be expected to hold an equivalent amount of the old and new assets following the fork. However, the Company may not be able, or it may not be practical, to secure or realize the economic benefit of the new asset for various reasons, such as risks related to custody of new assets or the holdings in the old assets, or that the costs of taking possession and/or maintaining ownership of the new digital asset exceed the benefits of owning it. Additionally, laws, regulation or other factors may prevent us from benefitting from the new asset even if there is a safe and practical way to custody and secure the new asset.

Pandemic Risk

In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. The expected impact on global commerce are anticipated to be far reaching. To date there have been significant stock market declines and the movement of people and goods worldwide has become restricted. Management is actively monitoring the situation and is taking appropriate steps as needed to ensure minimal disruption to the Company's operations. There is a risk the COVID-19 pandemic will disrupt the Company's operations and the movement of hardware as well as its investments generally.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the audited consolidated financial statements:

Digital assets

Management has elected to apply the IFRIC guidance noted that the entity may act as a broker-trader of digital assets who under IAS 2 paragraph 3(b), measure their inventories at fair value less cost to sell.

Digital assets are initially recognized on the statement of financial position at fair value, which is determined using the closing price on the date of receipt. This is considered a level 2 financial instrument, and subsequently remeasured at each reporting date to fair value. Management applies the average costing to calculate gains and losses on digital assets. Unrealized gains and losses, as well as realized gains or losses on the sales of digital assets to cash are included in the profit and loss in accordance with the Company's treatment of its digital assets as an actively traded commodity.

The Company's determination to classify its digital assets as current assets on its consolidated statement of financial position is based on (a) Management's internal decision to sell its digital assets for cash almost immediately after they have been earned and (b) Management's assessment that its digital assets have available liquid markets to which the Company may sell such assets at any given time.

Asset acquisitions

At the time of acquisition, the Company determines whether what is acquired meets the definition of a business, in which case, the transaction is considered a business combination, and otherwise it is recorded as an asset acquisition. The Company also considers the option to identify concentration of fair value in an acquisition; identifying whether substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset or group.

For an asset acquisition, the asset is recorded at cost and acquisition related costs are capitalized. No goodwill is recorded and no deferred tax asset or liability arising from the assets acquired or liabilities assumed are recognized upon the acquisition of the assets.

For a business combination, assets and liabilities assumed are generally measured at their acquisition-date fair values.

Intangible assets

Intangible assets acquired are measured on initial recognition at cost. Following the initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses (if any). Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization expense of intangible assets with finite lives is included within the cost of revenue category, consistent with the nature of the intangible assets.

The following are used in the calculation of amortization

Asset class	Amortization years
Software licenses	5
Domain names	15

Residual values and useful lives of intangible assets are reviewed at each reporting date or whenever changes in circumstances occur. In addition, intangible assets are subject to impairment testing. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in operations.

Equipment

Equipment acquired by the Company is initially recognized at its acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by Management. Equipment is subsequently measured at cost less accumulated depreciation and any impairment charges.

The cost of servicing and repairs are recognized in the consolidated statements of loss and comprehensive loss as an operating expense, as incurred. Subsequent costs are capitalized if it is probable that the future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the consolidated statements of loss and comprehensive loss as an expense, as incurred.

Depreciation commences when equipment is considered available for use. Depreciation is recognized in earnings or loss over the estimated useful lives of each part of an item of equipment and is in line with the pattern of use of the future economic benefits. Depreciation is computed on a straight-line basis and adjusted for any impairment and disposal charges.

The following rates are used in the calculation of depreciation and amortization:

Asset class	Amortization years
Hashing rigs	2
Infrastructure	2-3

An item of equipment and any significant parts initially recognized is derecognized upon disposal or when no future economic benefits are expected from the continued use of the asset. Any gain or loss arising on the disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of loss and comprehensive loss.

Depreciation methods, useful lives and residual values are reassessed each reporting date and any changes arising from the assessment are applied prospectively.

Impairment of non-financial assets

The Company's tangible and intangible assets are reviewed for indications of impairment at each financial position date. If indications of impairment exist, an asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the consolidated statements of loss and comprehensive loss when incurred. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Revenue from contracts with customers

During the year ended December 31, 2019, the Company had three revenue generating streams – digital asset mining, software licensing services to third party and fleet management services.

The Company recognizes revenue from the provision of transaction verification services within various SHA-256 Proof-of-Work based blockchains, and as consideration from these services, the Company receives digital assets. Revenue is measured based on the fair value of the digital asset received.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the production and mining of digital assets and Management has exercised significant judgement in determining the appropriate accounting treatment for the recognition of revenue. In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies which could result in a change in the Company's financial position and earnings.

The Company measures revenue at the fair value of the consideration received, which is the market value of the digital assets.

The Company generates revenue by licensing its software to third party and revenue is charged monthly as a percentage of digital assets generated by its cloud computing and pool management software. The services are delivered as the third party utilizes the Company's software to process transactions on the blockchains.

The Company generates revenue from managing third party hashing rigs and revenue is charged per active rig under management during the period. The Company's management team utilizes its knowledge of business and monitors and maintains fleets on behalf of the third parties to ensure they are operating effectively and efficiently. The Company currently manages a fleet for one group and also licenses its software to the same group.

Investment in joint arrangements

Investments in joint arrangements are accounted for using proportionate consolidation when the arrangement is considered to be a joint operation, and by use of the equity method in circumstances where the arrangement is considered to be a joint venture for accounting purposes.

Under proportionate consolidation, each party accounts for its proportionate share of an arrangement's assets, liabilities and operations statement items on a line for line basis within its own financial statements.

The equity method involves recording the initial investment at cost and subsequently adjusting the carrying value of the investment for the Company's proportionate share of the profit and loss, other comprehensive income and loss and any other changes in a joint venture's net assets, such as further investments and dividends.

The Company's proportionate share of a joint venture's profit or loss and other comprehensive income or loss is based on the most recent financial statements of that joint venture. Adjustments are made to align any inconsistencies between the Company's accounting policies and those of the joint venture before applying the equity method. Adjustments are also made to account for any depreciable assets based on their fair values at the acquisition date of the investment and for any impairment losses recognized by the joint venture.

Taxes

Income tax expense is comprised of current and deferred tax. Current and deferred income tax is recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current income taxes are the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred income tax assets and liabilities are presented as non-current

Share-based payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the consolidated financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed using the graded vesting method over the vesting period based on the Company's estimate of shares that will eventually vest. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Compensation expense on share purchase options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes valuation model. The expected life used in the model is adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations

All equity-settled share-based payments are reflected in contributed surplus until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital along with any consideration paid. If the options expire unexercised, the amount recorded remains in contributed surplus.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Share-based payments for an asset acquisition

The Company acquired a group of assets that do not compromise a business by issuing a financial instrument. The identification if such financial instruments are within the scope of IFRS 2 – share based payments requires significant judgement given that is based on the interpretation of the substance of the contractual arrangement. IFRS 2 applies to transactions where either the entity or the counterparty has a choice of whether the entity settles the transaction in cash (or other assets) or buy issuing equity instruments. While the cash payments may not be based on the price of the equity instruments, this would not prevent the instrument from being in the scope of IFRS 2. This standard will impact how the instruments are classified and measured both on initial recognition and subsequent measurement. The consideration paid will include future issuance of common shares related to a convertible note. The equity settled share-based payment transactions are measured at the fair value of the goods received.

New and amended standards adopted by the Company

IFRS 16 - Leases

The Company has adopted IFRS 16 on January 1, 2019 and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. There was no material impact as a result of the Company's adoption of IFRS 16 and therefore, there were no reclassifications or adjustments arising from the new leasing rules recognized in the opening balance sheet on January 1, 2019.

The Company has applied the following practical expedient permitted by IFRS 16: IFRS 16 C10 states a lessee may elect not to apply the requirements in paragraph C8 to leases for which the lease term ends within 12 months of the date of initial application. The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered before the transition date the Company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an arrangement contains a Lease.

The Company has a services contract with a third party to host and maintain its fleet of hashing rigs. The Company concluded it does not qualify as a lease due the agreement including hosting space, power, support services and security. In this case the majority of the contract cost is related to power consumption, the Company has no control over the space and the contract can be terminated with 60-day notice. Payments associated with this agreement are expensed as incurred. The Company leases an office on a month-to-month basis. The Company does not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Payments associated with these leases are recognized as the expenses are incurred.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

• the supplier has a substantive substitution right;

• the Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
• the Company has the right to direct the use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

Amendments to IFRS 3 *Business Combinations*

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations*. The amendments are intended to assist entities to determine whether a transaction should
be accounted for as a business combination or as an asset acquisition. The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments to IFRS 3 are effective for annual reporting periods beginning on or after December 31, 2019 and apply prospectively. Earlier application is permitted. The Company has elected to early adopt.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.