

# VOYAGER

**VOYAGER DIGITAL LTD.**

(formerly VOYAGER DIGITAL (CANADA) LTD.)

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND NINE MONTHS  
ENDED MARCH 31, 2021**

**DATED: May 25, 2021**

## Introduction

The following Management's Discussion & Analysis ("MD&A") of the financial condition and results of the operations of Voyager Digital Ltd. (formerly Voyager Digital (Canada) Ltd.) (the "Company" or "Voyager") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and nine months ended March 31, 2021.

This MD&A has been prepared in compliance with the requirements of Form 51-102F1, in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations*. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine months ended March 31, 2021 and the audited annual consolidated financial statements of the Company for the fiscal years ended June 30, 2020, and June 30, 2019, together with the notes thereto. Results are reported in United States dollars unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the three and nine months ended March 31, 2021, are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as of May 25, 2021, unless otherwise indicated.

The consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. This MD&A contains forward-looking statements that involve risks, uncertainties and assumptions, including statements regarding anticipated developments in future financial periods and our future plans and objectives. There can be no assurance that such information will prove to be accurate, and readers are cautioned not to place undue reliance on such forward-looking statements. See "Caution Regarding Forward-Looking Statements".

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Voyager's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

## Caution Regarding Forward-Looking Statements

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

- Our expectations regarding our revenue, expenses, operations and future operational and financial performance;
- Our cash flows;

- Popularity of cryptocurrencies;
- Our plans for and timing of geographic expansion or new offerings;
- Our future growth plans;
- Our ability to stay in compliance with laws and regulations that currently apply or become applicable to our business both in the United States and internationally;
- Trends in operating expenses, including technology and development expenses, sales and marketing expenses, and general and administrative expenses, and expectations regarding these expenses as a percentage of revenue;
- The reliability, stability, performance and scalability of our infrastructure and technology;
- Our ability to attract new customers and maintain or develop existing customers;
- Our ability to attract and retain personnel;
- Our expectations with respect to advancement in our technologies;
- Our competitive position and our expectations regarding competition;
- Regulatory developments and the regulatory environments in which we operate; and
- Expected impact of COVID-19 on the Company's future operations and performance.

Forward-looking statements are based on certain assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments and other factors we believe are appropriate. Forward-looking statements are also subject to risks and uncertainties which include:

- Decline in the cryptocurrency market or general economic conditions;
- Risks related to managing our growth;
- Our dependence on customer growth, including new customers and growth in the number and value of transactions and deposits;
- Our operating results have and will significantly fluctuate due to the highly volatile nature of crypto;
- A significant portion of our revenue is derived from transactions in Bitcoin and Ethereum. If demand for these crypto assets declines and is not replaced by new crypto asset demand, our business, operating results, and financial condition could be adversely affected;
- The future development and growth of crypto is subject to a variety of factors that are difficult to predict and evaluate. If crypto does not grow as we expect, our business, operating results, and financial condition could be adversely affected;
- We are subject to an extensive and highly-evolving regulatory landscape and any adverse changes to, or our failure to comply with, any laws and regulations could adversely affect our brand, reputation, business, operating results, and financial condition;
- A particular crypto asset's status as a "security" in any relevant jurisdiction is subject to a high degree of uncertainty and if we are unable to properly characterize a crypto asset, we may be subject to regulatory scrutiny, investigations, fines, and other penalties, and our business, operating results, and financial condition may be adversely affected;
- Loss of a critical banking or insurance relationship could adversely impact our business, operating results, and financial condition;
- Any significant disruption in our products and services, in our information technology systems, or in any of the blockchain networks we support, could result in a loss of customers or funds and adversely impact our brand and reputation and business, operating results, and financial condition;
- Regulatory risk, including changes in laws or the interpretation or application thereof and the obtaining of regulatory approvals;
- Counterparty risk and Credit risk;
- Lending risks;
- Technology and infrastructure risks, including their ability to meet surges in demand;
- Cybersecurity risks;
- Fluctuations in quarterly operating results;
- Risks related to the security of customer information;
- Competition in our industry and markets;

- Our reliance on key personnel;
- Our reliance on third party service providers;
- Exchange rate fluctuations;
- Risks related to expanding our marketing and sales;
- Risks related to our ability to adapt to rapid technological change;
- Risks related to terrorism, geopolitical crisis, or widespread outbreak of an illness or other health issue;
- Risks associated with acquisitions and the integration of the acquired businesses; and
- Risks related to international expansion.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Voyager's ability to predict or control. Readers are cautioned that the above does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Readers should refer to those risk factors referenced in the "Risks and Uncertainties" section below.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Voyager's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this document may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. Readers are cautioned that past performance is not indicative of future performance and current trends in the business and demand for digital assets may not continue and readers should not put undue reliance on past performance and current trends. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## **Description of Business**

The Company operates in a regulated environment, and through its Voyager Platform (the "Platform") offers investors, developers and platform providers a fully functional suite of APIs and mobile apps to allow anyone who is legally able to do so the ability to trade, invest, earn and secure digital assets across multiple types of digital assets.

The Company wholly owns HTC Trading, Inc (HTC), a Cayman Island company and Voyager Digital Holdings, Inc. (VDH), a Delaware corporation, which in turn wholly owns each of Voyager Digital, LLC. (VDL), a Delaware limited liability corporation, Voyager IP, LLC (VIP), a Delaware limited liability corporation and VYGR Holding, LLC, a Delaware limited liability corporation which in turn wholly owns VYGR Digital Securities, LLC, a California limited liability corporation. The Company also wholly owns Voyager Digital Brokerage Ltd. and Voyager Digital Brokerage Canada Ltd., both companies having been incorporated under the laws of Canada. The Company also owns LGO SAS and LGO Europe SAS, both companies are incorporated under the laws of France.

The registered office of the Company is Suite 2900 – 550 Burrard Street, Vancouver, BC, V7X 1J5, Canada; and its head office is 33 Irving Place, 3rd Floor, New York, New York 10003.

The Company has two unique distribution models, direct to consumer and business-to-business driven by corporate partners which allow Voyager to reach millions of customers at very low customer acquisition costs.

VDL acts as a “crypto broker,” being a digital agent broker that facilitates users buying and selling of cryptocurrencies delivering deep pools of liquidity. It also offers a single access point to research, manage, trade, and secure cryptocurrencies for novice and sophisticated investors. Some of the services offered by VDL include:

- users can open an account in three minutes or less. VDL utilizes third party service providers for know-your-client and anti-money-laundering checks to ensure fast and secure account openings;
- users are able to trade between fiat and cryptocurrency on a wide variety of core and alternative cryptocurrencies;
- execution of trade orders across a spectrum of exchanges to give Voyager the deepest pool of liquidity;
- minimizing transaction costs by aggregating orders and routing the order flow through the optimal mix of exchanges, by utilizing VDL’s patented smart router technology;
- providing users with data in order for them to manage and track their crypto investments, including delivering news, social feeds and real-time alerts to keep users connected to the market, and providing portfolio tools to track performance, balances and transactions; and
- storing crypto assets in a secure wallet and in a “cold” facility, with 24/7 security. (fiat currency is stored at custodial banks).

VDL has registered as a Money Services Business (MSB) pursuant to the *Bank Secrecy Act* regulations as administered by the Financial Crimes Enforcement Network (FinCEN). VDL entered in the Account Services Agreement with Metropolitan Commercial Bank (the “Bank”), whereby the Bank provides deposit and payment systems for VDL’s customers using a custodial “for the benefit of” account. The Bank is (i) a New York registered bank, overseen by the New York State Department of Financial Services and is (ii) listed on the New York Stock Exchange (symbol: MCB).

On December 10, 2020, the Company acquired the issued and outstanding share capital of LGO SAS, an Autorité des marchés financiers (“AMF”) regulated entity based in France, and LGO Europe SAS, in exchange for 200,000 shares of the Company’s common stock, to be issued in stages in accordance with the terms of the escrow agreement. In addition, the sellers are entitled to 1,000,000 shares of the Company’s common stock after one-year, contingent upon the AMF’s approval of the license application.

Voyager’s common shares are currently listed for trading on the Canadian Securities Exchange (“CSE”) under the symbol “VYGR”. It was previously listed on the TSX Venture Exchange, but moved to the CSE on September 23, 2019. The Company’s common shares are also traded on the OTCQB under the symbol “VYGVF” and on the Borse in Frankfurt under the symbol “UCD2”.

## Quarterly Highlights and Results

	March 31, 2021	June 30, 2020
Cash and Cash Equivalents	\$ 72,583,687	\$ 3,628,861
Cash held for customers	77,746,750	1,581,132
Current Assets	2,684,093,600	37,853,282
Current Liabilities	2,585,269,357	37,604,941
Working Capital	98,824,243	248,341
Adjusted Working Capital (1)	197,060,014	2,445,343
Warrant Liability	98,235,771	2,197,002
Shareholder's Equity	98,282,944	550,962

(1) Adjusted Working Capital defined as Working Capital excluding Warrant Liability, which represents a non-cash fair value measured liability.

- As of March 31, 2021, the Company had total cash and cash equivalents, including cash held for customers of \$150.3 million, an increase of \$145.1 million from June 30, 2020.
- Total Current Assets increased to \$2.7 billion, primarily a result of \$2.4 billion increase in digital currencies and fiat and digital currencies and fiat on loan.
- Adjusted Working Capital increased \$194.6 million primarily due to \$145.1 million from the issuance of common stock and special warrants, \$5.4 million from the exercise of warrants, and a \$57.0 million increase in net digital currencies and fiat position, which represents digital currencies and fiat, as well as, digital currencies and fiat on loan, less digital currency loan payable.

	3 months ended		9 months ended	
	3/31/21	3/31/20	3/31/21	3/31/20
<b>Revenue</b>				
Fees	\$53,735,624	\$214,826	\$57,417,441	\$362,863
Interest Revenue	6,701,777	67,252	8,589,995	79,591
<b>Total Revenue</b>	<b>60,437,401</b>	<b>282,078</b>	<b>66,007,436</b>	<b>442,454</b>
<b>Operating Expenses</b>				
G&A	28,747,942	1,611,967	38,490,223	5,299,469
Product Development	1,638,555	454,476	2,870,842	2,131,435
<b>Total Operating Expenses</b>	<b>(30,386,497)</b>	<b>(2,066,443)</b>	<b>(41,361,065)</b>	<b>(7,430,904)</b>
Operating Income	30,050,904	(1,784,365)	24,646,371	(6,988,450)
Total Other Income/ (Loss)	(98,613,531)	85,816	(106,180,455)	1,791,490
<b>Net and comprehensive loss</b>	<b>(\$68,562,627)</b>	<b>(\$1,698,549)</b>	<b>(\$81,534,084)</b>	<b>(\$5,196,960)</b>

Key Stats	3 months ended		9 months ended	
	3/31/21	3/31/20	3/31/21	3/31/20
Principal Traded Volume	\$5,008,728,395	\$57,743,091	\$5,566,297,843	\$85,292,383
Net Deposits	1,258,565,122	\$7,445,054	\$1,377,688,766	\$14,590,582
Funded Accounts	274,165	11,264	274,165	11,264
Verified Accounts	1,007,641	78,032	1,007,641	78,032
Trades	5,829,201	82,802	6,639,653	127,132

Total Other Income / (Loss) includes: (a) \$13.0 million and \$18.4 million of gains on digital asset exchange for the three and nine months ended March 31, 2021, respectively and \$0.2 million and \$0.4 million of losses of digital asset exchange for the three and nine months ended March 31, 2020; (b) \$19.0 million and \$29.6 million increase in change of fair value of investment for both the three and nine months ended March 31, 2021, respectively; (c) (\$29.8) million and (\$36.1) million for change in fair value of digital currency loan payable for both the three and nine months ended March 31, 2021, respectively; and (d) (\$99.0 million) and (\$116.1 million) for change in fair value of warrant liability for the three and nine months ended March 31, 2021, and (\$0.4) and (\$0.2) million for the three and nine months ended March 31, 2020, respectively.

## Outlook and Overall Performance

**Revenue.** Total revenue for the three months ended March 31, 2021, was \$60.4 million, an increase of \$60.2 compared to the same period in 2020. The increase was due to a \$53.5 million increase in Fees and \$6.6 million increase in interest revenue. Total revenue for the nine months ended March 31, 2021 was \$66.0 million, an increase of \$65.6 million. The increase was due to a \$57.1million increase in Fees and \$8.5 million increase in interest revenue.

### Fee Revenue

Fee revenue for the three and nine months ended March 31, 2021 was \$53.7 million and \$57.4, an increase of \$53.5 and \$57.1 compared to the same periods in 2020. The increase in the three months ended March

31, 2021 compared to the three months ended March 31, 2020 was primarily due to an increase of \$5.0 billion in trade volumes, and an increase in average spread of 70.1 bps. The increase in the nine months ended March 31, 2021 compared to the nine months ended March 31, 2020 was primarily due to an increase of \$5.5 billion in trade volumes, and an increase in average spread of 60.6 bps.

#### *Interest income from custodians*

Interest revenue from custodians for the three and nine months ended March 31, 2021 was \$6.7 million and \$8.6 million. The increase in the both the three and nine months ended March 31, 2021 compared to the three and nine months ended March 31, 2020 was due to an increase in overall AUM to \$2.45 billion from \$230 million at December 31, 2020 and \$35 million at June 30, 2020, as well as an increase in the overall number of coins earning interest.

**Operating expenses.** Total operating expenses for the three months and nine months ended March 31, 2021, were \$30.4 million and \$41.4 million, an increase of \$28.3 million and \$33.9, respectively. The increase in the three months ended March 31, 2021 compared to the three months ended March 31, 2020 was due to an increase in \$27.1 million general and administrative expenses and \$1.2 million in product development. The increase in the nine months ended March 31, 2021 compared to the nine months ended March 31, 2020 was due to a \$33.2 million increase in general and administrative expenses and a \$0.7 million increase in product development.

#### *General and administrative expenses*

General and administrative expenses increased by \$27.1 million and \$33.2 million for the three and nine months ended March 31, 2021 to \$28.7 million and \$38.5 million, respectively. This increase is primarily due to increased marketing costs, interest paid to customers, headcount, customer onboarding costs, , and underlying infrastructure.

#### *Product and development expenses*

Product and development expenses increased by 261% and 35% for the three and nine months ended March 31, 2021 to \$1.6 million and \$2.9 million, respectively. The increase for the three and nine months ended March 31, 2021 is due to increase in development headcount.

Over the next few years, the Company plans on pursuing the below products in order to expand the Company's market opportunity:

- Debit Cards
- Credit Cards
- Desktop (in Beta)
- Loan Programs
- Asset Management and Basket Trading
- Crypto to Stock Trading
- Insurance and Wealth Creation Products

Voyager is focused on the delivery of wealth creation products using digital assets and the blockchain to allow customers to establish and control their own financial freedom.

## **Significant Milestones since December 31, 2020-**

Since December 31, 2020, the Company has been very active in adding customer facing products, raising capital to enhance the liquidity of the Company, creating value-added partnerships and building the management team to position the Company for expansion.

### **Exchange Listings**

The Company is listed on the Canadian Securities Exchange, on the Borse in Frankfurt, and also on the OTCQB market. The Company continuously reviews its exchange listings to evaluate what markets can bring additional exposure to the business.

### **Capital Raising**

Through the date of this MD&A the Company was able to raise significant capital.

In January 2021, the Company closed on a private placement offering of 8,363,637 shares of common stock for gross proceeds of approximately \$46.0 million. In exchange for their services, the agent for the offering received a 7% cash commission and compensation warrants entitled it to purchase 585,455 shares of common stock, at a price of \$5.50 per share for a period of 18 months following the closing of the offering.

In February 2021, the Company closed on a private placement offering of 7,633,588 shares of common stock for gross proceeds of approximately \$100.0 million. In exchange for their services, the agent for the offering received a 7% cash commission.

### **Marketing**

In March 2021, Voyager announced an interest rate hike campaign, "March Interest Mania", allowing customers to earn increased APRs on a select offering of coins. The Company also announced the purchase of a suite at the Oakland A's Coliseum for the 2021 season, becoming the first purchase of a ticket offering in cryptocurrency in Major League Baseball.

### **Subsequent events**

In April 2021, the Company recently announced the following partnerships:

- Partnered with Blockdaemon, a leading blockchain node infrastructure platform with enterprise-grade security and monitoring, to integrate validator nodes on Ethereum, Polkadot and Tezos on the Voyager Platform, with plans to expand the offering to include more digital assets later this year.
- Formed a joint venture with Market Rebellion, a leading provider of trading education, content and tools for independent investors, to operate a new entity focused on providing online brokerage services for equities, options, and futures.
- Pursuing a partnership with Lottery.com, an online platform that provides users with a safe and secure platform to play official lottery games from their mobile phones, through a Memorandum of Understanding pursuant to which both parties will work together towards enabling Lottery.com users to generate payment transactions using the Voyager platform.

## **Presenting at Various Conferences**

The Company attended and presented at various conferences, including the SNN Network Canada Virtual Conference and the Noble Capital Markets Seventeenth Annual Small & Microcap Investor Conference in January. In February, the Company presented at Adelaide Capital's Crypto Day, the A.G.P. Emerging Growth Technology Conference, KBW's Virtual Panel: The Rise of Retail Crypto Investing and Trading, the Diamond Equity Emerging Growth Invitational, and the Singular Research Alpha Leaders Conference. In March, the Company presented at the Sidoti Spring 2021 Virtual Conference, the Q1 Virtual Investor Summit, and the Lytham Partners Spring 2021 Investor Conference. In April, the Company presented at the Global Chinese Financial Forum, H.C. Wainwright & Co.'s Cryptocurrency, Blockchain & FinTech Conference, the Stifel Canada 2021 Cross Sector Insight Conference, the SNN Network Canada Virtual Event, and the Forbes Crypto Webinar. The Company is scheduled to present at CoinDesk's Consensus 2021 in May, as well as the following in June: the 18th Annual Craig-Hallum Institutional Investor Conference, Oppenheimer's Digital Assets Day, 2021 LD Micro Invitational XI, the Piper Sandler Global Exchange and FinTech Conference, the Lytham Partners Summer 2021 Investor Conference, RBC Capital Markets FinTech Conference, and Compass Point's Crypto Conference.

## **Management Team Expansion**

As Voyager continues to grow, the Company continues to add industry leading executives to the day-to-day management team. As of the date of this MD&A, the management team now includes:

Stephen Ehrlich, Chief Executive Officer  
Gerard Hanshe, Chief Operating Officer  
Janice Barrilleaux, Chief Administrative Officer  
Evan Psaropoulos, Chief Financial Officer  
Michael Legg, Chief Communications Officer  
Lewis Bateman, Chief International Officer  
Dan Costantino, Chief Information Security Officer  
David Brosgol, General Counsel  
Akbar Ladhani, Chief Global Data Officer  
Pam Kramer, Chief Marketing Officer

## **FUTURE MILESTONES**

The Company expects to accomplish the following in the next 12 months:

- add additional liquidity providers and exchanges to increase the depth of liquidity;
- expand the business into the European and Canadian marketplaces;
- continue to develop, refine and expand the functionality of the Platform, including but not limited to bank accounts, basket trades, debit cards, margin trading and stock transactions;
- engage in strategic acquisitions and ventures whereby the Company increases its customer base, products and addressable market; and
- obtain New York State Bit License.

## Trends

In the cryptocurrency industry, there exist multiple exchanges offering online trading and wallets and multiple online/mobile players providing components of the cryptocurrency ecosystem. The largest US exchanges are Coinbase, Kraken, Gemini and Binance (US). Their models offer platforms that only send trades singularly to their wholly owned exchange with little or no information available on the platform. VDH differs from the exchanges as it delivers a mobile friendly experience with an ease of use that is unmatched by the exchanges. Additionally, exchanges focus on Institutional volume and not the retail consumer and experience. Voyager's agency brokerage platform searches multiple exchanges for best execution.

The competitive landscape also includes traditional payment and online brokers such as Robinhood, Sofi Invest, Square, and most recently Paypal, which announced a basic cryptocurrency offering. The Company has a competitive advantage versus the traditional players as the Company delivers 50+ coins while the traditional players offer ten or less, interest on 24 coins where the traditional players offer no interest, and the Company offers customers the ability to transfer coins to their own wallet which the traditional players do not offer.

### Trading of Cryptocurrencies

The demand for cryptocurrencies has increased over the past year as cryptocurrencies have become more widely accepted. Customers expect to be able to utilize more efficient and better infrastructures to support the trading of cryptocurrencies. Voyager's platform solves many of the problems facing people or institutions that trade cryptocurrencies, including that:

- the market is highly fragmented, with more than 200 exchanges facilitating trading of cryptocurrencies;
- there is no centralized place or service in which to trade, which means that users often have to open accounts with multiple exchanges in order to make the trades they desire on coins they desire; and
- many of the top tier retail customer exchanges lack a cost-effective fiat on-ramp and off-ramp for customers to turn dollars into digital assets via a secure banking provider.

Customers are demanding a one stop shop where they can trade, earn interest and invest in cryptocurrencies. Voyager provides consumers with the platform to fill this gap and create wealth for consumers.

## Capital Resources, Liquidity, Financial Instruments and Other Risks

### Capital Resources

At March 31, 2021, the Company had cash and cash equivalents, including cash held for customers, of \$150 million, an increase of \$145 million from June 30, 2020. Additionally, due to timing differences related to customer cash deposits in transit, the Company had approximately \$46 million in advances due from customers which customers use to purchase digital assets. The Company holds the customers digital assets until advances due from customers have been received. The \$145 million increase was primarily due to \$132 million from cash from financing activities, including approximately \$145 million raised from the net proceeds of special warrants issued in September 2020 and December 2020, and common stock issued in January 2021 and February 2021, as well as, cash generated from operations of \$13 million

Additionally, the Company held a net digital currencies and fiat position of \$55.6 million, which represents digital currencies and fiat, as well as, digital currencies and fiat on loan, less digital currency loan payable.

This together, with a cash position of \$72.5 million and cash advances from customers of \$46 million, the Company maintained an overall liquidity position of \$174 million.

The unaudited condensed consolidated financial statements have been prepared on a going concern basis, which presumes realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. These unaudited condensed consolidated financial statements do not give effect to adjustments or disclosures that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those presented in these unaudited condensed consolidated financial statements.

The Company has historically funded its operations through the issuance of common stock.

The Company may incur operating losses as it expands its product offering and invests in expanding its customer account base, which could require additional third party financing. Management believes that it has sufficient working capital on hand to fund operations through at least the next twelve months from the date these consolidated financial statements were available to be issued.

The Company's future liquidity and capital funding requirements will depend on numerous factors including its ability to access additional funds to finance its growth and operations, planned development and expenditures through additional equity offerings and through revenue generated from ongoing operations. Failure to implement the Company's business plan could have a material adverse effect on the Company's financial condition and/or financial performance. There can be no assurance that the Company will be successful in generating sufficient revenue from operations, acquiring additional funding, that the Company's projections of its future working capital needs will prove accurate, or that any additional funding would be sufficient to continue operations in future years.

The recent outbreak of the coronavirus, also known as COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have affected economies and financial markets around the world resulting in an economic slowdown. The extent to which COVID-19 may impact the Company's business activities will depend on future developments, such as duration of the outbreak, travel restrictions, business disruptions and the effectiveness of actions taken to contain and treat the disease. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments as well as the impact on the Company's ability to raise capital or financial results and condition of the Company in future periods.

## **Working Capital**

As of March 31, 2021, the Company had net working capital of approximately \$98.8 million compared to \$0.2 million at June 30, 2020. Management has funded operations through a mix of revenue growth, cost management and equity raises.

Cash from operating activities for the nine months ended March 31, 2021 was \$13.3 million compared to cash used for operating activities of \$2.8 million for the nine months ended March 31, 2020. The \$16.2 million increase was due to a \$30.5 million increase in operating income offset by change in working capital, primarily due to net changes between Payables to customers and Digital currencies and fiat as a result of higher volume of activity and assets under management from growth in the business.

The Company recorded cash provided from investing activities of \$87,960 for the nine months ended March 31, 2021 compared to cash used in investing activities of \$112,833 in the nine months ended March 31, 2020.

Net cash provided by financing activities was \$131.7 million for the nine months ended March 31, 2021 compared with \$3.2 million for the nine months ended March 31, 2020. The primary sources of cash for the nine months ended March 31, 2021 were from the issuance of common stock from the January 2021 and February 2021 with net proceeds of \$135 million, the issuance of special warrants from the September 2020 private placement and the December 2020 private placement with net proceeds of \$9.6 million, and the exercising of warrants with proceeds of \$5.4 million, offset by the \$20.0 repayment of digital loan payable.

## **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company generally relies on cash reserves, funds generated from operations and external financing to provide sufficient liquidity to meet budgeted operating requirements.

To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity. The Company's ability to continue as a going concern is dependent on the Company's ability to generate future profitable operations and cash flows and/or management's ability to raise additional financing.

While the Company has been successful in raising capital in the past, and management has a high degree of confidence that this trend of capital raising will continue, there is no assurance that it will be successful in closing further financings in the future. These interim financial statements do not give effect to any adjustments to the carrying value of recorded assets and liabilities, revenue and expenses, the statement of financial position classifications used, and disclosures that might be necessary should the Company be unable to continue as a going concern.

The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities, as applicable. Management and the Board are actively involved in the review, planning and approval of significant expenditures and commitments. Currently, the Company is not exposed to significant liquidity risk.

## **Credit and market risk**

The Company's digital currencies and fiat on loan are exposed to credit risk. The Company limits its credit risk by placing its digital currencies and fiat on loan with high credit quality financial institutions that are believed to have sufficient capital to meet their obligations as they come due and on which the Company has performed internal due diligence procedures. The Company's due diligence procedures may include, but are not limited to, review of the financial position of the borrower, review of the internal control practices and procedures of the borrower, review of market information, and monitoring the Company's risk exposure thresholds. As of March 31, 2021 and as at the date of this MD&A, the Company does not expect a material loss on any of its digital currencies and fiat on loan. As of each reporting period, the Company assesses if there are significant increases in credit risk requiring recognition of a loss or write-down. Such loss or write-down would be reflected in the fair value of the digital currencies and fiat on loan. While the Company intends to only transact with counterparties that it believes to be creditworthy, there can be no assurance

that a counterparty will not default and that the Company will not sustain a material loss on a transaction as a result.

The Company is also exposed to credit and market risk related to customer funding. When customers open an account, they are given a level of instant credit while their funding moves through the US banking system. Customer deposits usually take up to 5 business days for the Company to receive the funds transferred from the Customers Bank through the automated clearing house (ACH) process. Until the funds are actually received by the Company, the Company owns any inventory purchased by the Company at the Customers request. Although the historical risk of failed ACH deposits has been limited the Company has exposure to the failed deposits and thus the related market risks of the coins. The Company attempts to close any open positions as soon as practical when notified of any failed deposits.

#### **Interest rate risk**

The Company is not currently exposed to significant interest rate risk.

#### **Foreign exchange risk**

The Company's functional currency and the reporting currency is the US dollar. Periodically the Company incurs charges on its operations for settlement in currencies other than its functional currency and any gain or loss arising on such transactions is recorded in operations for the period. The Company is not currently exposed to significant foreign exchange risk.

#### **Digital assets and market risks**

In order to ensure an orderly market and to have liquidity on global exchanges, the Company has investments in digital assets which may be subject to significant changes in value and therefore exposed to market risk with the fluctuation in market prices. The Company monitors this risk on a daily, weekly and monthly basis. While the Company intends to have limited direct investment in digital assets, the business model is such that the company earns fees in digital assets and at times may accumulate positions that are subject to market risk.

### **Off Balance Sheet Arrangements**

As of March 31, 2021, the Company did not have any off-balance sheet arrangements.

### **Commitments and Contingencies**

There were no commitments or contingencies, expected or unexpected events, or uncertainties that materially affected the Company's operations, liquidity or capital resources in the interim period ended March 31, 2021, or that are reasonably likely to have a material effect going forward; save and except for the uncertainty pertaining to the Company being able to raise any financing on terms acceptable to it, or at all.

### **Use of Funds**

There are no significant changes from disclosure previously made about how the Company was going to use proceeds from any financing.

### **Related Party Transactions**

There are no significant transactions between the Company and related parties that occurred in the interim period ended March 31, 2021, or that were materially different from the related party transactions that occurred during the fiscal year ended June 30, 2020. There was no material change in the amount of remuneration paid to directors and senior officers from that disclosed in the Annual MD&A. For the nine months ended March 31, 2021, the Company expensed.

- \$0 (nine months ended March 31, 2020 - \$17,139) to Marrelli Support Services Inc. for providing accounting services and services of Vic Hugo as the previous Chief Financial Officer of the Company.
- \$15,921 (nine months ended March 31, 2020 - \$51,497) to Owen Bird Law Corporation for legal services. Jeff Lightfoot, a director of the Company, is a shareholder in the law firm.
- \$106,745 (nine months ended March 31, 2020 - \$407,121) to Fasken for legal services. Krisztian Toth, a director of the Company, is a partner in the law firm.

### **Change in Accounting Policy**

As of March 31, 2021, the Company adopted a voluntary change in its accounting policy for the accounting of Digital currencies and fiat on loan. Previously, Digital currencies and fiat on loan were included in Digital currencies and fiat on the statement of financial position and the Company has reclassified Digital currencies and fiat on loan as a separate line item on the statement of financial position. The Company continues to measure both Digital currencies and fiat, as well as, Digital currencies and fiat on loan at fair value. As such, there is no impact to the statement of loss and comprehensive loss.

Management believes this change in accounting policy results in more prominent and relevant information pursuant to IAS 8. The Company has reclassified prior period balances for comparative purposes.