Canada Computational Unlimited Corp.

# Management's Discussion and Analysis

For the years ended December 31, 2021 and December 31, 2020

Dated March 10, 2022

**Management Discussion and Analysis for the years ended December 31, 2021 and 2020**

The following management's discussion and analysis ("MD&A) concerns the financial situation, operating results and cash flows of Canada Computational Unlimited Corp. ("CCU" or the "Company") for the years ended December 31, 2021 and 2020. The discussion should be read in conjunction with the Company's audited financial statements and related notes for the year ended December 31, 2021, and related notes thereto. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All monetary amounts are reported in Canadian dollars unless otherwise noted. These documents, as well as additional information on the Company, are filed electronically through the *System for Electronic Document Analysis and Retrieval* (SEDAR) and are available online at www.sedar.com.

**Forward-Looking Statements**

Certain statements in this MD&A are forward-looking statements or contain forward-looking information which may include, but are not limited to, statements with respect to the future financial or operating performance of CCU and its projects, business strategy, corporate plans, objectives and goals, as well as the market conditions applicable to CCU. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements include, among others: expectations regarding foreign exchange rates; statements relating to the business and future activities of, and developments related, to CCU; statements based on the audited financial statements of CCU; the expected success of business activities; expectations for other economic, business, regulatory and/or competitive factors related to CCU in general; the business objectives and milestones of CCU; the amount and principal uses of available funds, including the funds to be used for anticipated investments; and other events or conditions that may occur in the future.

Forward-looking information and statements are based on current expectations, beliefs, assumptions, estimates and forecasts about the Company's business and the industry and markets in which it operates, as of the date of this MD&A. Although the assumptions made by the Company in providing forward looking information or making forward looking statements are considered reasonable by management at the time, there can be no assurance that such assumptions will prove to be accurate.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of CCU to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled "*Risk Factors*" in the filing statement filed in connection with the Qualifying Transaction (as defined below) (the "Filing Statement"), including risks relating to cryptocurrency mining, risks related to CCU's cryptocurrency Mining Operations; risks related to the price of Bitcoin and other Cryptocurrencies; risks related to governmental regulation and enforcement; volatility of the common shares of the Company (the "Common Shares"); cybersecurity risks; risks related to electrical power and Internet; and tax risks. Although CCU has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein and in the Filing Statement are made as of the date of the respective document in which they are contained and, other than as required by law, CCU disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

**Glossary**

| |
|---|
| "**ASIC**" means an application-specific integrated circuit customized for Mining. |
| "**Bitcoin**" or "**BTC**" is a peer-to-peer payment system and the digital currency of that system, which uses open source cryptography to control the creation and transfer of such digital currency. |
| "**Blockchain**" is a growing list of records, called Blocks, that are linked together using cryptography. |
| "**Block Reward**" means the award of a cryptocurrency to a miner that successfully adds a Block to the Blockchain. |
| "**Difficulty**" is a measure of how difficult it is to mine a Block in terms of computing power and energy spent. |
| "**Ether**", "**ETH**" or "**Ethereum**" are used interchangeably and refer to the native token of the Ethereum Network, a global, open-source platform for decentralized applications. |
| "**Hashrate**" is a measure of mining power whereby the expected revenue from mining is directly proportional to a miner's hashrate normalized by the total hashrate of the network. |
| "**Hosting**" means the commercial activity of renting space, for a fee, to host ASIC or cryptocurrency mining equipment to other companies. |
| "**Lightning Network**" is a layer two protocol for Bitcoin that is layered on top of the Bitcoin Blockchain to allow cheap and instant payments. |
| "**Mining**" refers to the provision of computing capacity (or hashing power) to secure a distributed network by creating, verifying, publishing and propagating blocks in the blockchain in exchange for rewards and fees denominated in the native token of that network (i.e. Bitcoin or Ethereum, as applicable) for each block generated. |
| "**Mining Equipment**" means a single computer system that performs the necessary computations for Mining. |
| "**Network difficulty**" is a measure of how difficult it is to find a hash below a given target. |

**Non-IFRS Performance Measures**

This MD&A makes reference to certain measures that are not recognized under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore not necessarily comparable to similar measures presented by other companies. The Company uses non-IFRS measures including "Adjusted EBITDA" and "Mining Profit" as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from Management's perspective. The following tables reconcile non-IFRS measures used by the Company to analyze the operational performance of the Company, to its nearest IFRS measure and should be read in conjunction with the audited consolidated statement of operations and comprehensive income (loss) and audited consolidated statement of cash flows included in the audited consolidated financial statements for the years ended December 31, 2021 and 2020.

*Mining Profit*

Mining profit represents gross profit (revenue less cost of revenue), excluding depreciation and revenue and site operating costs directly attributable to hosting revenue and other revenue.

The following is a reconciliation of gross profit to the non-IFRS measure of mining profit.

| | 2021 | 2020 |
|---|---|---|
| **Gross profit** | **$ 2,567,506** | **$ 837,067** |
| Add (deduct) | | |
| Hosting | (1,592,909) | - |
| Other | (108,128) | (1,680,650) |
| Site operating costs attributable to hosting | 1,184,489 | - |
| Depreciation | (819,915) | (77,463) |
| Mining Profit (loss) | $ 1,231,043 | $ (921,046) |

*Adjusted EBITDA*

Adjusted EBITDA represents net income (loss) excluding finance income, finance expense, income taxes, depreciation and amortization, and adjusted for non-cash and one-time non-recurring transactions. The Company uses it to assess profitability.

| | 2021 | 2020 |
|---|---|---|
| **Net income (loss)** | **$(1,729,669)** | **$(855,424)** |
| Add (deduct) | | |
| Finance expense | 513,894 | 679,754 |
| Finance income | (753) | (453) |
| Income taxes | 4,077 | 0 |
| Depreciation | 819,915 | 837,067 |
| EBITDA | (392,536) | 660,944 |
| Share based payments | 250,315 | 17,823 |
| Gain (loss) on use of digital assets | (252,320) | (363,658) |
| Loss on disposal of property, plant and equipment | 0 | 41,649 |
| Listing costs expended | 1,048,725 | 0 |
| Listing expenses | 709,247 | 0 |
| Insurance reimbursement | - | - 24,039 |
| Finder's fees | 520,600 | 0 |
| Loss (gain) on loans payable | (515,704) | 0 |
| Adjusted EBITDA | $ 1,368,327 | $ 332,719 |

**Company**

Canada Computational Unlimited Corp. (formerly, Capricorn Business Acquisitions Inc.) was incorporated on May 7, 2008 under the *Business Corporations Act* (Ontario). On September 8, 2021, the Company announced the completion of its "Qualifying Transaction", as defined under Policy 2.4 – *Capital Pool Companies* of the TSX Venture Exchange (the "Exchange"). The Qualifying Transaction was completed through a reverse takeover of Canada Computational Unlimited Inc. ("CCU Inc."). Upon completion of the Qualifying Transaction, the business of CCU Inc. became the business of the Company as a result of CCU Inc. becoming a wholly-owned subsidiary of the Company.

Canada Computational Unlimited Inc. was incorporated under the *Business Corporations Act* (Québec) on November 16, 2017.

The Company's head office is located at 66 Wellington Street West, Suite 5300, Toronto, Ontario, M5K 1E6, Canada and its sole place of business is located at 289 Dugas, Joliette, Québec J6E 4H1, Canada.

CCU was co-founded by technology entrepreneurs Romain Nouzareth and Mathieu Nouzareth in 2017. Since its creation, CCU has operated a high-density computation center built for high-grade cryptocurrency mining, AI data processing and fintech infrastructure located in the city of Joliette in the Province of Québec, with a mandate of social responsibility and environmental care by solely using renewable energy. In 2018, CCU contracted with Hydro-Joliette to purchase up to 20MW of hydro-electrical power to be used for crypto mining. 10 MW are currently used by CCU to produce 242 PHs of Bitcoin (BTC) mining power (hashrate) and 6 GHs of Ethereum (ETH) mining power. CCU is building its mining capacity with the intent to put the remaining 10 MW to use in mid-2022 or earlier.

CCU is led and managed by technology entrepreneurs, electricity and ventilation experts, a strong finance team, and network specialists. Since its inception, CCU has pursued a vision of environmental stewardship and increased performance throughout the cryptocurrency mining process. The availability of energy from renewable sources in the province of Québec has made this endeavor feasible and a great base for future growth.

The Company's main goals are to:

- Secure and validate various blockchains transactions and mint crypto currencies
- Expand globally to increase mining power and transaction revenues using renewable or sustainable energy
- Promote the use of Bitcoin, the Lightning Network, and blockchain technologies
- hold crypto and bitcoin to increase net asset value
- Strategically mine and acquire a significant percentage of the remaining 3 million bitcoins to be mined by 2140

CCU generates revenue from mining, from fees obtained validating the blockchain, and revenue from hosting other miners.

*Cryptocurrency Trends*

Following highs in November 2021, there has been a correction in cryptocurrency prices, generally, continuing in early 2022. The Company has also encountered some electrical curtailment at the request of Hydro Joliette for load-balancing during the winter. Nonetheless, mining economics are still relatively healthy on a historical basis (comparing the last 3 years).

Production and delivery delays have been experienced at some of the major mining equipment manufacturers. If production and delivery delays are solved and mining equipment is delivered and put into production, we expect that network difficulty may rise significantly. If the Bitcoin price rises in step with the increase in Difficulty, Bitcoin mining market conditions would be preserved, otherwise the rise in Difficulty will negatively impact Bitcoin mining market conditions.

**The Facility**

In February 2018, the Company signed a 5-year lease for 9,000 square feet of space, in a 50,000 sq. ft. factory. The Company then started the construction of its first center with performance in mind. With air filtration, negative pressure, and right voltage to operate the center to its best capacity, to make sure of good use of the energy without depletion, and with heat recycling to even push further the environmental approach the company put in place. The lease was first amended on July 1, 2021, extending the lease to June 30, 2026. On December 1, 2021, the leased space was increased to 25,000 sq. ft. In June 2018, the Company signed a 5-year contract for 20MW of power with Hydro Joliette in the city of Joliette, Québec, where the facility is located.

**Custody of assets**

A custodial agreement was entered into with Fireblocks Inc. ("Fireblocks") to provide wallet and vault services to CCU.

Fireblocks is a leading enterprise-grade platform delivering a secure infrastructure for moving, storing, and issuing digital assets. Fireblocks enables banks, fintechs, exchanges, liquidity providers, OTCs and hedge funds to securely manage digital assets across a wide range of products and services. The technology consists of the Fireblocks Network and MPC-based Wallet Infrastructure. Fireblocks serves over 200 financial institutions and has secured over $400 billion in digital assets. Fireblocks has a unique insurance policy that covers assets in storage & transit and offers 24/7 global support.

CCU utilizes the Fireblocks platform to maintain custody, transfer, and secure a material portion of its digital assets. Fireblocks, with locations in New York and Tel Aviv, utilizes a secure hot vault and secure transfer environment to help establish connections between the Partnership's wallets, exchanges, counterparties, and networks. Fireblocks utilizes multi-party computation ("MPC") protection layers to distribute private key secrets across multiple locations to ensure there is no single point of failure associated with the private keys. The use of MPC ensures private keys are never concentrated to a single device at any point in time. Fireblocks is SOC 2 Type II certified and undergoes a SOC 2 review on an annual basis. CCU reviews the Fireblocks SOC 2 report to ensure they maintain a secure technology infrastructure and that their systems are designed and operating effectively. Fireblocks maintains an insurance policy which has coverage for technology, cyber, and professional liability and is rated "A" by A.M. Best based on the strength of the policy and has had no known security breaches or incidents reported to date.

Fireblocks is independent of CCU.

**COVID-19**

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease, which has continued to spread, and related adverse public health developments have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the pandemic and its effects on operations or the Company's ability to raise funds in the future, however, to date, the Company has not been significantly impacted by the pandemic and its effects.

Various COVID-19-related restrictions on travel, work, and movement of goods and supplies, as well as the cumulative impact of the mounting number of lost working days as a result of COVID-19, have already put strain on our manufacturing partners, suppliers and logistics partners to produce and deliver a sufficient number of products needed to meet the global demand for miners. This has had a particularly strong impact on the global supply chain and availability of semiconductors, which are used in the manufacture of the ASIC chips used in the miners we operate. While this has not yet impacted us directly, it may cause supply issues in the future if the restriction continues.

**Highlights of the year ended December 31, 2021**

Financial Highlights

- Revenue from digital assets mined in 2021 grew 163% compared to 2020.
- Revenue from hosting in 2021 grew 1011% compared to 2020.
- Gross profit in 2021 grew to $2,567,506 compared to a gross loss of $141,718 in 2020.
- 71 BTC and 57 ETH minted in 2021
- Working capital increased to $1,568,785 at December 31, 2021, from a deficiency of $823,350 at December 31, 2020.
- Digital assets held at December 31, 2021 was $3,254,131 compared to $653,882 at December 31, 2020.
- Adjusted EBITDA of $1,353,108 in 2021, an increase of 311% from 2020. (Adjusted EBITDA is a non-IFRS performance measure; the most comparable IFRS performance measure is Net Profit or Loss). For the year ended December 31, 2021, CCU had a Net Loss of $1,729,669. Please see the reconciliation of Adjusted EBITDA to Net Loss under the heading "Non-IFRS Performance Measures" above.)

Listing on the TSX Venture Exchange

On September 7, 2021, the Company announced that it completed the Qualifying Transaction and its Common Shares commenced trading on the Exchange on September 16, 2021 under the symbol "SATO".

In connection with the Qualifying Transaction, on June 18, 2021, CCU Inc. completed a non-brokered private placement (the "Concurrent Financing") by way of the issuance of subscription receipts ("Subscription Receipts") at a price of $5.30 per Subscription Receipt, raising gross proceeds of $4,319,902. The proceeds of the Concurrent Financing were placed into escrow pending closing of the Qualifying Transaction. Upon satisfaction of specified escrow release conditions, which included, among other things, the completion or waiver of all conditions precedent to the Qualifying Transaction, each Subscription Receipt was automatically converted into one Class B common share of CCU Inc. (a "CCU Share") (which, upon the closing of the Qualifying Transaction, converted into 10.607 Common Shares, at a deemed price per Common Share of $0.50) and one-half of one CCU Share purchase warrant with each whole warrant entitling the holder thereof to acquire one CCU Share for a period of thirty-six months from the date of issuance, subject to accelerated time of expiry, at an exercise price of $7.96 per CCU Share (which converted into 10.607 warrants to purchase Common Shares at a price of $0.75 per Common Share following the completion of the Qualifying Transaction).

Concurrently with the closing of the Qualifying Transaction, the Common Shares were consolidated on the basis of 2.7 pre-consolidation Common Shares for each post-consolidation Common Share.

Loan repayment

CCU completed the early repayment of loans payable (see related party transactions).

Exercise of warrants

On October 27, 2021, the Company announced that True Global Ventures 4 Plus Fund Pte, Ltd exercised warrants to acquire 3,085,001 Common Shares at a price of $0.75 per Common Share for proceeds of $2,313,750.

Subsequent event highlights

On January 26, 2022, the Company closed a non-brokered private placement and issued 3,912,481 Common Shares at a price of $0.84 per share for gross proceeds of approximately $3,286,484.

## Milestones

| Milestone | Target Date | Estimated total cost | Expenditures to date | Total remaining expenditures |
|---|---|---|---|---|
| Connect 12.5MW of electrical power to the primary grid of Hydro-Joliette's 25 kV line | December 2022 or earlier | $415,000 | $255,534 | $159,466 |
| Connect the primary power and transform it for use inside our infrastructure | December 2022 or earlier | $1,600,000 | $1,354,026 | $245,794 |
| Install Ventilation system | June 2022 or earlier | $712,000 | $841,488 | $0 |
| Install Network component such as switches, routers and firewalls | June 2022 or earlier | $41,000 | $26,717 | $14,283 |
| Construction work | June 2022 or earlier | $300,000 | $205,168 | $94,832 |

## Selected annual financial information

| **For the years ended** | **2021** | **2020** | **2019** |
|---|---|---|---|
| | $ | $ | $ |
| Revenue | 6,118,420 | 1,860,089 | 2,144,636 |
| Gross profit (loss) | 2,567,506 | (141,718) | 529,261 |
| Expenses | 2,244,646 | 477,995 | 1,083,399 |
| Net income (loss) | (1,729,669) | (855,424) | (1,005,748) |
| Basic loss per share | (0.03) | (0.01) | - |
| Fully diluted loss per share | (0.03) | (0.01) | - |
| Cash flows from (used in) operating activities | (2,513,102) | 350,946 | (31,487) |
| Cash flows from (used in) investing activities | (3,716,588) | (247,676) | (229,463) |
| Cash flows from (used in) financing activities | 6,758,480 | 81,541 | 314,980 |
| Increase (decrease) in cash in year | 528,790 | 184,811 | 54,030 |
| **As at December 31** | **2021** | **2020** | **2019** |
| Total Assets | 12,502,686 | 3,125,578 | 3,363,333 |
| Total long-term financial liabilities | 1,153,980 | 361,123 | 1,638,202 |
| Cash dividends declared for all classes of shares | Nil | Nil | Nil |

***Results of Operations for the years ended December 31, 2021 and 2020***
*Financial highlights*

| | 2021 | 2020 | % Change |
|---|---|---|---|
| Revenue | 6,118,420 | 1,860,089 | 229% |
| Cost of revenue | 3,550,914 | 2,001,807 | 77% |
| Gross profit (loss) | 2,567,506 | (141,718) | N/A |
| Gain (loss) on use of digital assets | 252,320 | 363,658 | -31% |
| Revaluation of digital assets | - | 94,608 | N/A |
| Expenses | (2,244,646) | (477,995) | 370% |
| Operating income (loss) | 575,180 | (161,447) | N/A |
| Other (charges) income | (2,300,772) | (693,977) | 232% |
| Profit (Loss) before income taxes | (1,725,592) | (855,424) | 102% |
| Deferred income taxes | (4,077) | - | N/A |
| Net income (loss) | (1,729,669) | (855,424) | 102% |
| Total comprehensive income (loss) | (1,713,172) | (697,530) | 146% |
| Gross mining profit | 1,231,043 | (921,046) | N/A |
| EBITDA | (392,536) | 660,944 | -159% |
| Adjusted EBITDA | 1,368,327 | 332,719 | 311% |

(i) Included in net loss is $2,278,572 of charges directly related to the Qualifying Transaction, of which $1,569,325 are non-cash costs.

*Revenue*
For the year ended December 31, 2021, CCU mined 71 Bitcoin and 55 Ether, resulting in revenue of $4,417,383, compared to 123 Bitcoins mined in 2020 with revenue of $1,680,650. The lower number of Bitcoin mined is primarily the result of the Bitcoin "halving" event, which occurred in May 2020 and resulted in the block reward cut 50-50 to decrease the rate of inflation and raise the price of BTC over the course of a few months or even years (and is the process of maintaining the supply of Bitcoin). However, overall digital asset mining revenue increased because of the significant price appreciation of Bitcoin, more than offsetting the volume impact of the Bitcoin halving event. In addition, early 2020 production was initially impacted by COVID-19 lockdowns, although the overall impact was minimal. In addition, the commencement of mining Ether in 2021 provided an additional source of mining revenue.

CCU earned hosting revenue of $1,592,909 in 2021, compared to $143,439 in 2020. Hosting contracts are where CCU operates mining equipment on behalf of third parties within its facilities. The increase in hosting revenue was the result of utilizing our 5MW energy and infrastructures which was ready to be used by signing on additional hosting contracts when CCU was in the process of getting listed and could not raise additional money to buy miners. The strategy was to add a different revenue stream directly paid in fiat money.

Other revenue for the year ended December 31, 2021 and 2020 was $108,128 and $36,000, respectively. This consisted of $36,000 management revenue in 2021 and 2020, and an additional $72,128 of shipping cost from the hosting contracts in 2021.

The cost of revenue for the year ended December 31, 2021 was $3,550,914, compared to $2,001,807 in 2020. These costs directly relate to the costs incurred for Mining Bitcoin and include site operating costs such as electricity, salaries and benefits, share-based payments (related to those employees whose salaries are included), and depreciation. While there was an increase in the mining cost per Bitcoin (primarily as the result of the Bitcoin halving), there was a slight offsetting decrease in the depreciation expense for the year. Cost of revenue also increased as hosting increased, as well as an increase in salaries due to the increase in personnel required to support the operations.

Below is a breakdown of the cost or revenue for the years ended December 31, 2021 and December 31, 2020:

| | 2021 | 2020 |
|---|---|---|
| **Cost of revenue** | **$** | $ |
| Site operating costs | 2,247,291 | 1,069,454 |
| Salary and benefits | 233,393 | 77,463 |
| Share based payments | 250,315 | 17,823 |
| Depreciation and amortization | 819,915 | 837,067 |
| | 3,550,914 | 2,001,807 |

CCU had a gain on the use of digital assets of $252,320 in 2021, compared to $363,658 in 2020. This gain is the result of exchanging Bitcoin for cash, debt payments, purchase of property, plant and equipment and for services.

*Expenses*

In 2021, the Company was focused on completing its listing on the Exchange (completed September 16, 2021), and building out its mining Centre One. Expenses for the year are broken out below. The most significant items being the listing fees which represented costs directly related to the Qualifying Transaction. Other expense items increased as the Company's operations grew compared to 2020, and additional expenses (consultants, professionals and administrative) were required to support the growth of operations and to assist with the listing process. Consultant fees also increased due to a contract to find new electricity slots for Center Two.

A summary of expenses for the years ended December 31, 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| **Expenses** | **$** | **$** |
| Professional fees | 487,956 | 166,510 |
| General and office | 1,756,690 | 293,875 |
| Loss on disposal of property, plant and equipment | - | 41,649 |
| Insurance reimbursement | - | (24,039) |
| | 2,244,646 | 477,995 |

*Other charges/income*

Other charges/income in 2021 represented charges of $2,300,772 compared to $693,977 in 2020 and is broken out in the table below. The gain on loan payable represented the early settlement of the loan paid in Bitcoin (see related party transactions).

| | 2021 | 2020 |
|---|---|---|
| **Other charges (income)** | $ | $ |
| Foreign exchange loss (gain) | (4,480) | 14,223 |
| Unrealized foreign exchange loss (gain) | 28,490 | - |
| Finance expense | 513,894 | 679,754 |
| Listing costs expended (i) | 1,048,725 | - |
| Other listing expenses (i) | 709,247 | - |
| Finder's fees (i) | 520,600 | - |
| Loss (gain) on loans payable | (515,704) | - |
| | 2,300,772 | 693,977 |

(i) The listing cost expended is the fair value of common shares of the Company retained by the former shareholders of Capricorn. Finder's fees were also a cost related to the listing process. These were one-time, non-cash expenses. Other listing costs comprised professional fees directly related to the listing.

The Company had a comprehensive loss of $1,713,172 in 2021 compared to a comprehensive loss of $697,530 in 2020. Comprehensive income was the result of adding the revaluation of digital assets to the net loss for the period. The Company had a revaluation gain of $16,497 in 2021, compared to $157,894 in 2020. The gain is the result of adjusting the value of the digital assets held in inventory to their market value at the reporting date.

***Selected Quarterly Information***

The following table summarizes CCU's financial information for the last eight quarters:

| **Financial Results** | **Q4 2021 $** | **Q3 2021 $** | **Q2 2021 $** | **Q1 2021 $** | **Q4 2020 $** | **Q3 2020 $** | **Q2 2020 $** | **Q1 2020 $** |
|---|---|---|---|---|---|---|---|---|
| Revenue | 2,026,598 | 1,847,077 | 1,142,636 | 1,102,109 | 458,664 | 358,831 | 453,952 | 588,642 |
| Gross Profit (Loss) | 190,399 | 1,042,631 | 630,471 | 704,005 | (110,865) | (155,814) | (58,676) | 79,931 |
| Total Expenses | 360,815 | 720,958 | 910,187 | 252,686 | 174,206 | 77,701 | 92,594 | 113,947 |
| Net Income (Loss) | (512,590) | (1,004,354) | (467,458) | 254,733 | (329,194) | (233,590) | (191,033) | (205,313) |
| Basic profit (loss) per share | (0.007) | (0.016) | (0.187) | 0.102 | (0.132) | (0.093) | (0.076) | (0.082) |
| Fully-diluted profit (loss) per share | (0.007) | (0.016) | (0.187) | 0.091 | (0.132) | (0.093) | (0.076) | (0.082) |

Revenue generated from the Company's mining operations is the primary contributor to the quarterly variations in revenue and net income or loss. Increase in Q2 2021 expenses related to the Company's efforts to list on an exchange and incurred additional legal and other professional fees related to the listing. These expenses also flowed into Q3, as the Transaction closed Sept 2021.

**Fourth Quarter**

The quarter represented the first full quarter after completing the Qualifying Transaction. This enabled the Company to focus on business and building out its facility in Juliette. The increase in revenues during the fourth quarter compared to previous, was due to an increase in average price of Bitcoin for the period.

***Liquidity and Capital Resources***

As at December 31, 2021, CCU had a working capital of $1,568,785, (December 31, 2020 – working capital deficiency of $823,350).

Net cash used by operating activities for the year ended December 31, 2021 was $2,516,311, cash used in investing activities amounted to $3,713,380 related to the purchase of equipment and deposits on electricity supply agreements. Cash provided by financing activities was $6,758,480 being $6,873,791 of proceeds from the private placements (and the exercise of warrants), offset by the repayment of notes payable ($39,499) and lease payments of $104,923. The Company also received cash of $29,111 on the Transaction.

As at December 31, 2021, CCU had cash on hand of $794,324 (December 31, 2020 - $294,025) and digital assets of $3,254,131 (December 31, 2020 - $653,882).

CCU's ability to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business is dependent upon maintaining sustained profitability. There are various risks and uncertainties affecting CCU's operations including, but not limited to, the viability of the economics of Bitcoin mining, the liquidity of Bitcoin, and CCU's ability to maintain the security of its digital assets and execute its business plan.

CCU's strategy to mitigate these risks and uncertainties is to execute a business plan aimed at maintaining security, operational efficiency, revenue growth, and overall mining profitability while managing operating expenses and working capital requirements, including the securing of additional financing as needed through loans/equity investments. However, given the volatility in financial markets it may be difficult to raise financing when needed. Failure to implement CCU's business plan could have a material adverse effect on its financial condition or financial performance. Accordingly, there are material risks and uncertainties that cast significant doubt over CCU's ability to continue as a going concern.

As noted earlier, subsequent to the year end, to help alleviate the liquidity issue the Company closed a private placement financing for proceeds of $3,286,484. The Company intends to use the net proceeds from the private placement for general working capital purposes

**Related Party Transactions**

The Company has entered into consulting agreements with two of the directors (Romain Nouzareth and Mathieu Nouzareth) and two officers (Fanny Philip and Kyle Appleby). The consulting fees charged by the directors and officers totaled approximately $944,953 for the year ended December 31, 2021, compared with $233,335 in 2020.

On June 30, 2019, CCU entered into bitcoin loan agreements (the "BTC Loan Agreements") pursuant to which it borrowed a total of 118.4743 BTC from eight shareholders of CCU (collectively, the "Lenders"). Pursuant to the BTC Loan Agreements, Romain Nouzareth, Mathieu Nouzareth, Julien Romanetto and Frédéric Montagnon initially each loaned to CCU 5 BTC, 2.18 BTC, 60 BTC and 39.64 BTC, respectively.

The BTC Loan Agreements provided CCU the ability to elect to repay in BTC according to pre-established phases as described in the BTC Loan Agreements:

Early Repayment Phases:

Phase 1: Each month until the mining equipment is connected, the Borrower will pay each Lender 0.075 BTC.

Phase 2: From the time the mining equipment is operational until the Borrower has repaid each Lender 3 BTC, the Borrower will pay to such Lender 85% of the BTC created using the mining equipment, less the electricity costs and the pool costs (1%) (the "Contribution Margin").

Phase 3: For 18 months after the end of Phase 2, repayment of 50% of the Contribution Margin.

No security was granted by CCU on any of its assets in connection with the BTC Loan Agreements, nor were there any securities of CCU Inc. or the Company to be issued in repayment of the BTC Loan Agreements.

*Repayment of the BTC Loan Agreements*

CCU made all payments required under Phase 1 of the BTC Loan Agreements until connection of the mining equipment. Following the completion of Phase 1 CCU and the Lenders agreed to proceed with the early repayment of all outstanding indebtedness under the BTC Loan Agreements and the payment of all other amounts owed to the Lenders pursuant to Phase 2 and Phase 3 of the BTC Loan Agreements (the "Early Repayment"). The Company decided to proceed to the Early Repayment in order to reduce the Company's indebtedness and free mining capacity for other purposes. As of the date of the Early Repayment, a total of 12.1643 BTC were still outstanding and owed to the Lenders by CCU, representing an aggregate amount of $641,123. CCU settled the repayment in Bitcoins.

The result of the Early Repayment is that CCU has no further indebtedness under the BTC Loan Agreements. The payment of the balance was made in BTC and resulted in a gain on settlement of debt.

**Off-Balance Sheet Arrangements**

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

**Financial Instruments and Business Risks**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

*Fair value*

The fair value of the Company's financial instruments, including cash, trade and other receivables, accounts payable and accrued liabilities, approximates their carrying value due to their short-term nature. The fair value of borrowings, except the loan payable, approximate their carrying amounts based on actualized cash flows (Level 2).

Digital assets and loan payables are measured at fair value using the quoted price on Cryptocompare (Level 2).

The conversion option is measured at fair value using the Monte Carlo option pricing model (Level 2).

*Credit Risk*

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's exposure to interest rate risk is limited and relates to its ability to earn interest income on cash balances. Changes in short term interest rates will not have a significant effect on the fair value of the Company's cash account.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash and digital assets.

The Company has a planning and budgeting process to help determine the funds required to support the Company's normal spending requirements on an ongoing basis and its expansionary plans.

*Currency Risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Company. The Company's functional currency is the Canadian dollar and most purchases are transacted in Canadian dollars. Management currently does not hedge its foreign exchange risk.

*Digital assets and risk management*

Digital assets are measured using the rate from Cryptocompare.

Digital asset prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of digital assets; in addition, the Company may not be able liquidate its inventory of digital assets at its desired price if required. A decline in the market prices for digital assets could negatively impact the Company's future operations.

The Company has not hedged the conversion of any of its sales of digital assets.

Digital assets have a limited history and the fair value historically has been very volatile. Historical performance of digital assets is not indicative of their future price performance. The Company's digital assets currently solely consist of bitcoin and bitcoin cash.

**Critical Accounting Estimates and Accounting Policies**

The preparation of these financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future years if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Income from digital assets mining*

The Company recognizes income from digital assets mining from the provision of transaction verification services within digital asset networks, commonly termed cryptocurrency mining. As consideration for these services, the Company receives digital assets from each specific network in which it participates ("coins"). Income from digital asset mining is measured based on the fair value of the coins received. The fair value is determined using the spot price of the coin on the date of receipt. The coins are recorded on the statement of financial position, as digital assets, at their fair value less costs to sell and re-measured at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of coins for traditional (fiat) currencies are included in profit or loss in accordance with the Company's treatment of its digital assets as a traded commodity.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the mining and strategic selling of digital assets and management has exercised significant judgement in determining appropriate accounting treatment for the recognition of income from digital assets mining for mining of digital assets. Management has examined various factors surrounding the substance of the Company's operations, including the stage of completion being the completion and addition of a block to a blockchain and the reliability of the measurement of the digital assets received.

*Going concern*

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements.

*Leases - Incremental borrowing rate*

Judgment is applied when determining the incremental borrowing rate used to measure the lease liability of each lease contract, including an estimate of the asset-specific security impact. The incremental borrowing rate should reflect the interest rate the Company would pay to borrow at a similar term and with similar security.

*Income, valued added, withholding and other taxes*

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the year in which such determination is made.

*Useful lives of property, plant and equipment*

Depreciation of data miners and equipment are an estimate of its expected life. In order to determine the useful life of computing equipment, assumptions are required about a range of computing industry market and economic factors, including required hashrates, technological changes, availability of hardware and other inputs, and production costs.

*Digital asset valuation*

Digital assets consist of cryptocurrency denominated assets and are included in current assets. Digital assets are carried at their fair value determined by the spot rate less costs to sell. The digital asset market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital assets would have a significant impact on the Company's earnings and financial position.

**Capital Management**

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

**Share Capital**

As of the date of this MD&A, the Company has issued, and outstanding share capital comprised of 70,782,229 Common Shares and 5,039,319 stock options and warrants.

**Risk Factors**

The Company's business is subject to a number of risk factors which are described in the Filing Statement which was filed on SEDAR on August 26, 2021. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the Common Shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the Common Shares could decline, and shareholders may lose all or part of their investment.

Global Economy

The global economy's ability to recover will partly depend on decisions made by the Kremlin. In recent weeks, Russian troops have massed at the Ukraine border and marched on Kyiv and other Ukrainian cities, while the United Nations, the North Atlantic Treaty Organization (NATO), the United States and the European Union and each of their member states adopted unprecedented sanctions against Russia. It is impossible to predict what Russia intends to do, nor the impact the sanctions while have, but a continuing invasion would almost certainly lead to significant economic disruptions worldwide that could impact the Company, it vendors and suppliers, and impose significant costs on the Company, including costs related to capital equipment and shipping.