Newnote Financial

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Months Period Ended

October 31, 2014

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") reviews the activities of Newnote Financial Corp. ("Newnote", or the "Company") and compares the financial results for the three month period ended October 31, 2014 (the "first quarter 2015") with the comparable periods in 2013 (the "first quarter 2014"). This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes for the recently completed financial year and the MD&As for all relevant periods, which has been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), copies of which are filed under the Company's profile on the SEDAR website, www.sedar.com. The Company's reporting currency is Canadian dollars unless otherwise stated. The following information was prepared by management in accordance with the requirements under National Instrument ("NI") 51-102 as at December 30, 2014 (the "report date") and has been approved by the Company's board of directors for release.

DESCRIPTION OF BUSINESS

Newnote was incorporated under the *Business Corporations Act* of British Columbia on August 16, 2010 under the name of Winrock Resources Inc. The Company was engaged in the acquisition, exploration and development of mineral properties. The Company changed its name to Newnote Financial Corp. on April 8, 2014. Newnote is pioneering innovative crypto-currency and Bitcoin related software products and services geared at the growing business segment of this bourgeoning market. It has positioned itself to be a leading contender in delivering opportunities to startup businesses world-wide and continues to create new opportunities for its clients and its shareholders. Newnote has a clear vision on the direction in which this new and unique business is headed and is continually adjusting and adopting new business practices in both technology and the policies & procedures required by banks and securities regulators. The Company completed a prospectus offering and a concurrent listing ("IPO") of its shares for trading on the Canadian National Stock Exchange ("CNSX") on May 28, 2012.

SELECTED ANNUAL INFORMATION

	Year ended July 31, 2014 $	Year ended July 31, 2013 $	Year ended July 31, 2012 $
Financial results:			
Revenue	41,375	-	-
Loss from continuing operations	732,934	-	-
Loss from discontinued operations	50,702	-	-
Net loss for the year	783,636	175,957	171,686
Basic and diluted loss per share			
From continuing operations	0.05	0.02	0.03
From discontinued operations	-	-	-
Balance sheet data:			
Cash	257,592	6,604	132,127
Total assets	302,436	63,361	184,045
Long-term financial liabilities	-	-	-
Shareholders' equity	276,761	20,611	132,584

RESULTS OF OPERATIONS – QUARTER

The Company posted a $161,227 loss during the quarter. Operating income for the period was $2,856. The major general and administrative expenditures for the quarter were: share based payments of $61,500, management compensation of $44,650, website development of $20,000, marketing costs of $12,500, and consulting fees of $8,000. Comparing the current quarter with the previous year's quarter there was a net loss of $135,167. There were 500,000 stock options granted during the current quarter.

SELECTED QUARTERLY FINANCIAL DATA ($)

	October 31, 2014	July 31, 2014	April 30, 2014	January 31, 2014
Financial results:				
Revenue	9,869	41,375	-	-
Loss from continuing operations	161,227	468,791	-	-
Loss from discontinued operations	-	50,568	-	-
Net loss for the period	161,227	519,359	195,893	42,324
Basic and diluted (income) / loss per share				
From continuing operations	0.01	0.04	0.01	-
From discontinued operations	-	-	-	-
Balance sheet data:				
Cash	110,566	257,592	111,479	19,157
Mineral Properties	-	-	50,000	50,000
Total assets	455,834	302,436	292,679	92,242
Long-term financial liabilities	-	-	-	-
Shareholders' equity	409,534	276,761	271,979	48,727

	October 31, 2013	July 31, 2013	April 30, 2013	January 31, 2013
Financial results:				
Revenue	-	-	-	-
Net loss for period	26,060	51,766	37,698	34,420
Basic and diluted (income) / loss per share				
From continuing operations	-	-	-	-
From discontinued operations	-	-	-	-
Balance sheet data:				
Cash	3,385	6,604	17,459	64,124
Mineral Properties	50,000	50,000	50,000	50,000
Total assets	56,461	63,361	81,998	123,676
Long-term financial liabilities	-	-	-	-
Shareholders' equity	(5,449)	20,611	72,378	110,076

The Company was in the exploration phase and as a result had no revenue to report prior to the last quarter of fiscal 2014. Major variations in costs are as follows:

- For the quarter ended October 31, 2012, the major variances from the same period in the prior year were exploration expenses up by $20,000 and share-based payments down by $22,104.

- For the quarter ended January 31, 2013, the major variances from the same period in the prior year were exploration expenses up by $11,671 management compensation was up by $2,275 while professional fees were down by $32,534. The drop in professional fees was primarily due to the quarterly reviews by the auditor prior to the filing of the prospectus.

- For the quarter ended April 30, 2013, the major variances from the same period in the prior year were an increase in professional fees of $6,369 and an increase in regulatory fees of $5,176. Exploration expenses were down by $9,794.

- For the quarter ended July 31, 2013, the major variances from the same period in the prior year were an increase in professional fees of $21,817 which was due to the legal and audit review cost pre listing being capitalized in share issuance costs. There were no share-based payments during the current quarter while the prior year period had a charge of $16,938.

- For the quarter ended October 31, 2013, the major variances from the same period in the prior year were a decrease in exploration expenses of $19,866 and regulatory fees of $3,767.

- For the quarter ended January 31, 2014,the major variances from the same period in the prior year were a decrease in exploration expenses of $11,671 while regulatory fees increased by $9,237 and stock-based compensation increased by $10,500.

- For the quarter ended April 30, 2014, the net loss was substantially higher due to the change in the Company's business. The funds spent in 2014 will translate into revenues later this year.

- For the quarter ended July 31, 2014, the Company posted revenues of $41,375 with a modest income from operations of $7,825. The general and administrative expenses were up significantly due to the change of business focus to the crypto currency financial services.

- For the quarter ended October, 31, 2014, the Company posted revenues of $9,869 with an income from operations of $2,856. A significant expenditure for the quarter was the investment in Coinpayments Inc. for $100,000 cash and 1,500,000 shares with a deemed value of $0.15 per share.

LIQUIDITY AND CAPITAL RESOURCES

The Company currently derives some revenue from operations. Since inception, the Company's activities have been funded through equity financing. The ensuing financings have raised $1,460,331 gross proceeds on 23,514,117 shares. At October 31, 2014 the Company had working capital of $77,034 which included a cash balance of $110,566.

The Company will need to rely on the issuance of equity and develop Bitcoin operating revenues to provide working capital for its administrative expenditures for the ensuing year.

The Company's accounting policies are in accordance with IFRS.

OUTSTANDING SHARE DATA

a) Authorized Share capital: unlimited common shares without par value

b) Issued and Outstanding:

	Number	$ Amount
Balance, July 31, 2013	10,004,000	400,414
Shares issued for private placement	9,680,000	357,200
Shares issued for exercise of warrants	3,744,655	449,359
Shares issued for exercise of options'	693,462	90,772
Shares issued for debt	261,305	93,500
Share issuance costs	-	(60,806)
Balance, July 31, 2014	24,383,422	1,330,439
Shares issued for investment in Coinpayments	1,500,000	225,000
Shares issued for private placement	4,483,668	672,550
Balance, December 30, 2014	30,367,090	2,227,989

c) Stock Options: As of December 30, 2014, the Company has 2,000,000 stock options outstanding to directors, officers and consultants of the Company. These options are exercisable at prices between $0.05 and $0.36 per share for one and a quarter to three years from the date the Company's shares were granted or were are listed for trading on the CSX.

d) Agent Options: As of December 30, 2014, the Company has 72,938 agent options outstanding in connection with the IPO at an exercise price of $0.10 for two years.

e) Warrants: As at December 30, 2014, there are 5,083,668 warrants outstanding with exercise prices ranging from $0.12 to $1.00 per share, exercisable for various periods ranging from 12 to 36 months..

f) Agent Warrants: As at November 28, 2014, the Company had 166,000 share purchase agent warrants outstanding with an exercise price of $0.10 per share that expire on February 28, 2015.

INVESTOR RELATIONS

The Company's investor relations activities, plans and strategies' have started during the year and are still evolving and being evaluated.

COMMITMENTS

The Company has future commitments of $21,840 in fiscal 2015 related to the rental premises for the Company's servers and Bitcoin mining operations.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process. The critical accounting estimates and judgements are detailed in note 2(d) to the Company's audited consolidated financial statements for the year ended July 31, 2014.

RELATED PARTY TRANSACTIONS

Compensation of key management

Key management comprises directors and executive officers. Compensation awarded to key management is as follows:

	Three months ended October 31, 2014 $	Three months ended October 31, 2013 $
Management compensation	44,650	20,000
Share-based payments	61,500	-
	106,150	20,000

FINANCIAL AND OTHER INSTRUMENTS

The Company's financial assets and liabilities consist of cash, amounts due to related parties and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these instruments approximates their carrying value due to the short term nature of their maturity. The Company's financial instruments and their fair values, as well as credit, liquidity and market risks are detailed in note 4 to the Company's unaudited condensed interim consolidated financial statements for the three months ended October 31, 2014.

RECENT ACCOUNTING PRONOUNCEMENTS

New accounting standards not yet adopted

IFRS 9 *Financial Instruments*

IFRS 9 is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains, but simplifies, the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for the Company beginning August 1, 2015. The Company is in the process of evaluating the impact of the new standard.

Applicable to annual periods beginning on or after January 1, 2018.

IFRS 9 *Financial Instruments* (Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39) (2013)

A revised version of IFRS 9 which:

- Introduces a new chapter to IFRS 9 on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
- Permits an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss
- Removes the mandatory effective date of IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalization of the impairment and classification and measurement requirements. Notwithstanding the removal of an effective date, each standard remains available for application.

This standard has no stated effective date.

***Offsetting Financial Assets and Financial Liabilities* (Amendments to IAS 32)**

Amends IAS 32 Financial Instruments: Presentation to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of "currently has a legally enforceable right of set-off"
- the application of simultaneous realization and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

Applicable to the Company's annual period beginning on August 1, 2014.

***Recoverable Amount Disclosures for Non-Financial Assets* (Amendments to IAS 36)**

Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

Applicable to the Company's annual period beginning on August 1, 2014.

OFF-BALANCE SHEET ARRANGEMENTS

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

SUBSEQUENT EVENTS

On December 18, 2014, the Company closed a private placement of 4.48 million units at $0.15 per unit for gross proceeds of $672,550. Each unit is comprised of one common share and one common share purchase warrant. The warrants are exercisable one year at a price of $0.20 per warrant share with an accelerated expiry date if the shares of the Company trade at $0.30 or above for 10 consecutive trading days.

RISKS AND UNCERTAINTIES

The Company is in the mineral exploration and development business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business.

Some of the possible risks include the following:

a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates.

b) The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration or development. Management was successful in accessing the equity markets during the period, but there is no assurance that such sources will be available on acceptable terms in the future.

c) Any future equity financings by the Company for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements. The Company has not completed a feasibility study on any of its deposits to determine if it hosts a mineral resource that can be economically developed and profitably mined.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

OTHER INFORMATION

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

CAUTION REGARDING FORWARD LOOKING STATEMENTS

Some of the statements contained in this MD&A are forward-looking statements, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur.

Forward-looking statements may be identified by such terms as "believes", "if", "expects", "estimates", "may", "could", "should", "will", "intends" and similar expressions. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Although the Company believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements in this MD&A include, but are not limited to, information or statements concerning the Company's expectations for: the Company's current financial resources being sufficient to fund operations; and the Company's ability to obtain additional funds through the sale of equity and revenue from the Bitcoin operations.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors including: changes in general economic conditions and conditions in the financial markets; changes in demand and prices for the Bitcoins the Company expects to acquire; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological and operational difficulties encountered in connection with the Company's activities; and changing foreign exchange rates and other matters discussed in this MD&A.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. Further information regarding these and other factors, which may cause results to differ materially from those projected in forward-looking statements, are included in the filings by the Company with securities regulatory authorities. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.