



## MANAGEMENT DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

This Management Discussion and Analysis (“MD&A”) of BIGG Digital Assets Inc. (formerly BIG Blockchain Intelligence Group Inc.) (the “Company” or “BIGG”) provides analysis of the Company’s financial results for the three and nine months ended September 30, 2019 and should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements and the notes thereto for the three and nine month period ended September 30, 2019 and the audited consolidated financial statements and notes thereto for the year ended December 31, 2018, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

The September 30, 2019 financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements. The Company’s significant accounting policies are the same as those applied in the Company’s annual financial statements as at and for the year ended December 31, 2018, unless as otherwise provided for in the financial statements for the three and nine months ended September 30, 2019. All amounts are expressed in Canadian dollars, unless otherwise stated.

This MD&A is current as at November 29, 2019, the date of preparation, and includes certain statements that may be deemed “forward-looking statements”. We direct investors to the sections “Forward-Looking Statements” and “Risk and Uncertainties” included within this MD&A.

Additional information relating to BIG is available on the SEDAR website at [www.sedar.com](http://www.sedar.com) and on the Company’s website at [www.blockchaingroup.io](http://www.blockchaingroup.io).

### **NATURE OF BUSINESS**

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BIGG Digital Assets Inc. is dedicated to the digital assets and blockchain technology industry. It has two operating business segments: blockchain technology development and digital currency sales brokerage.

The Company’s global blockchain search and analytics operations focus specifically on managing risk. With the exponential growth of digital currency, the global marketplace must navigate increased risks and regulatory compliance. BIGG’s mission is to bring digital currency mainstream - by providing trust and real-time risk evaluation through its language agnostic proprietary platforms. The Company offers business, government and law enforcement clients a suite of forensic solutions, advanced analytics and risk-scoring capabilities to meet security needs and the explosive growth of the digital currency marketplace.

On August 1, 2019, BIGG acquired Netcoins Inc., NTC Holdings Corp. and NTC Holdings USA Corp. (together referred to as “Netcoins”) in exchange for 37,500,000 common shares issued from its treasury. (see “Netcoins Acquisition” below). Netcoins is in the business of developing software to make the purchase and sale of digital currency easily accessible to the mass consumer and investor through brokerage services. Netcoins enables crypto transactions a self-serve crypto purchase portal and an Over-The-Counter (OTC) trading desk. The business of BIGG and Netcoins are highly complementary, and this acquisition is expected to create value for shareholders in both the near and long-term. It has offered BIGG an opportunity to step into the world of digital currency trading, in an immediately operational capacity.

BIGG Digital Assets Inc. was incorporated under the *Business Corporations Act* (British Columbia) on October 17, 2014 under the name American Agri Co. Inc., which was subsequently changed to Acana Capital Corp. (“Acana”). On November 30, 2017, the Company acquired Blockchain Technology Group Inc. (“BTGI”) through a reverse acquisition transaction (“RTO” or “Transaction”) through the closing of a Share Exchange Agreement (the “SEA”) dated September 14, 2017. BTGI, now along with Netcoins, is the continuing business of the Company.

On September 26, 2019, the Company changed its name to BIGG Digital Assets Inc. to better reflect its planned future growth and existing businesses.

At September 30, 2019, the Company had not yet achieved profitable operations, had experienced significant losses and negative cash flows from operations since inception, and has a deficit of \$32,048,442 (2018 - \$25,749,492). It may incur further losses in the development of its business. The continued operations of the Company are dependent on continued support from its directors, its ability to achieve and maintain profitable operations and positive cash flows from operations in the future and upon securing additional financing. There is a risk that additional financing will not be available on a timely

basis or on terms acceptable to the Company. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

## **BUSINESS OVERVIEW**

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BIGG Digital Assets Inc. believes the future of crypto is a safe, compliant, and regulated environment. BIGG invests in products and companies to support this vision.

BTGI's has developed a blockchain-agnostic search and analytics engine, QLUE™, enabling Law Enforcement, RegTech, Regulators and Government Agencies to visually track, trace and monitor digital currencies transactions at a forensic level. Our commercial product, BitRank Verified®, offers a "risk score" for digital currencies, enabling RegTech, banks, ATMs, exchanges, and retailers to meet traditional regulatory/compliance requirements. Both utilize the blockchain, which is fundamentally a digital ledger of transactions with unique characteristics designed to create records that are secure, reliable, transparent, and accessible.

BTGI's operations commenced in April 2015. During the financial year ended December 31, 2015, BTGI spent considerable time and effort building a core analytics platform and block parsing engine code-named 'Blockbits.com'. The analytics platform, a language agnostic platform that can be leveraged to every major programming language via a flexible API architecture, allows for conversion of blockchain data into a format that permits deep analytics.

During the financial year ended December 31, 2016, utilizing the search engine as the structural base, BTGI created its analytics engine for digital currencies called QLUE™ and began development of a second product, BitRank®.

- QLUE™ is an application program interface platform for law enforcement, anti-money laundering (AML), and certified financial examiner (CFE) officers to aid in the fight against financial crimes and terrorist financing involving Bitcoin. It incorporates various techniques and advanced search algorithms to detect suspicious activity within Bitcoin transactions use of "dark web" tools such as TOR and other methods commonly used by criminals to cover illegal activities. QLUE™ was completed during 2016 and Blockchain began certain pilot programs in order to test the software.
- BitRank® is a wallet risk scoring system that uses search and analytics systems to determine safety level of a Bitcoin transaction by ranking the wallet funds involved in prior transactions on the blockchain - delivering transparency regarding the legitimacy of blockchain transactions and indicating whether transactions or accounts are involved or implicated in criminal activities such as money-laundering.

2017 was a pivotal point, with the completion of the RTO Transaction with Acana to become a publicly listed entity.

During 2018, the Company's focus was on building public awareness of its products on a global level, strengthening existing and fostering new relationships within the rapidly expanding blockchain sector, and creating crucial legal partnership and other agreements that will serve as foundation as the Company moves forward.

Thus far in 2019, the Company has seen a strengthening of the crypto markets, marked by an improvement in Bitcoin and digital currency sentiment, as the industry continues to build out and mature.

During the past several months BTGI's focus continued to be on the development of products and services to deliver and enhance transparency, security and compliance. The most recent version QLUE™ was rolled-out during Q3 2019. This tool enables Law Enforcement, RegTech, regulators and government agencies to literally "follow the virtual money". Investigators are able to quickly and visually trace, track and monitor transactions in their fight against terrorist financing, human trafficking, drug trafficking, weapons trafficking, child pornography, corruption, bribery, money laundering, and other cyber crimes. Initially built around Bitcoin, the Company has recently incorporated Ethereum, and is looking toward adding Litecoin and Ripple in the near-term.

With the addition of Netcoins in August 2019, the Company's footprint in the digital assets industry has expanded. Netcoins develops brokerage and exchange software to make the purchase and sale of digital currency easily accessible to the mass consumer and investor with a focus on compliance and safety. There are natural synergies between BTGI and Netcoins.

Netcoins utilizes BitRank Verified® software at the heart of its platform and enables crypto transactions via retail locations globally, a self-serve crypto brokerage portal and an Over-The-Counter (OTC) trading desk.

### Netcoins Acquisition

On August 1, 2019, the Company acquired 100% ownership of Netcoins Inc., NTC Holdings Corp. and NTC Holdings USA Corp. (together referred to as “Netcoins”) by issuing 37,500,000 of its common shares. The acquisition was recognized as a business combination, under IFRS 3 *Business Combinations* (“IFRS 3”), as the assets acquired and liabilities assumed constitute a business. The transaction was accounted for using the acquisition method of accounting whereby the assets acquired and the liabilities assumed were recorded at their estimated fair value at the acquisition date.

The allocation of total consideration to the net assets acquired was as follows:

<b>Purchase consideration:</b>	
37,500,000 common shares issued at \$0.075 per share	\$ 2,812,500
<b>Assets and liabilities recognized as a result of the acquisition:</b>	
Cash and cash equivalents	839,054
Amounts receivable	45,218
Digital currency inventory	147,304
Prepays	8,202
Right-of-use-asset	126,842
Equipment	79,621
Accounts payable and accrued liabilities	(20,788)
Customer deposits	(239,962)
Lease liability	(126,842)
Deferred tax liability	(36,465)
Net identifiable assets acquired	822,184
Add: goodwill	1,990,317
Net assets acquired	\$ 2,812,500

The goodwill is attributable to the workforce and the highly specialized nature of the acquired business and is not deductible for tax purposes. The Company accounted for the acquisition as a business combination using the acquisition method. The accounting for this business combination has not yet been finalized and the Company is reporting provisional amounts for the items for which the accounting is not complete. These provisional amounts may be adjusted during the measurement period, or additional assets or liabilities may be recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

## RESULTS OF OPERATIONS

### Q3 2019 Highlights

- completion of the acquisition of Netcoins Inc., NTC Holdings Corp., and NTC Holdings USA Corp. (collectively, “Netcoins”) on August 1, 2019.
- appointment of Mark Binns as CEO. With over 20 years’ experience in founding and building technology companies, including SAAS-based software businesses, Mark is a Dean’s Honours graduate of the Ivey MBA program and a graduate of the Computer Science Honors program at Acadia University. He has led his companies to PROFIT HOT 50 and PROFIT HOT 100 awards and was nominated by the Dean of the Richard Ivey School of Business for the prestigious business award of Canada’s “Top 40 Under 40”.
- appointment of Robert Whitaker as COO. Robert has been with the Company since late 2017, formerly as Director of Forensics and Investigations. Prior to joining the Company, he was a Supervisory Special Agent at Homeland Security Investigations (HSI) and operating within law enforcement for over 23 years. Mr. Whitaker was previously assigned to HSI Headquarters Illicit Finance and Proceeds of Crime Unit (IFPCU) where he oversaw the Illicit Digital

Economy Program (IDEP). During his distinguished law career Robert also served as the Resident Agent in Charge of the HSI office in Las Cruces, New Mexico, and as a Municipal Police Officer in El Paso, Texas for 8 years.

- integration of BitRank Verified<sup>(R)</sup> into the Netcoins trading and brokerage application. This is in-line with BIGG's vision of bringing greater and enhanced compliance to the digital currency industry.
- retained the services of Renmark Financial Communications Inc. ("Renmark Financial") to provide investor relations activities commencing October 1, 2019. Renmark Financial will help to enhance the visibility of the Company, communicating BIGG's story and unique value proposition to its well established retail broker network throughout Canada and the United States.
- changed the name of the Company to BIGG Digital Assets Inc. to better reflect its planned growth trajectory.

### Summary of Quarterly Information

Selected financial information for each of the eight most recently completed quarters are as follows:

	Revenue (\$)	Operating expenses (\$)	Share-based payments (\$)	Net income (loss) (\$)	Other comprehensive income (loss) (\$)	Basic and diluted income (loss) per share (\$)
Q3 2019	8,888,965	2,538,699	284,320	(3,005,671)	(2,365)	(0.02)
Q2 2019	49,766	1,813,868	38,481	(1,385,603)	2,793	(0.01)
Q1 2019	31,510	1,983,897	154,150	(1,907,676)	(459)	(0.02)
Q4 2018	16,145	2,721,966	262,741	(2,777,303)	(5,783)	(0.03)
Q3 2018	3,746	2,145,960	297,700	(2,116,263)	(228)	(0.02)
Q2 2018	58,926	2,177,063	41,500	(2,097,504)	Nil	(0.02)
Q1 2018	5,669	2,388,432	383,500	(2,634,066)	Nil	(0.02)
Q4 2017	Nil	3,164,464	1,948,959	(13,126,090)	Nil	(0.50)

*\*Note: the comparative information provided above for 2017 is that of Blockchain Technology Group Inc.*

### Three Months Ended September 30, 2019

The Company recorded total revenues of \$8,888,965 (2018 - \$3,746). BTGI revenues were comprised of \$19,519 (2018 - \$Nil) in product sales and \$41,129 (2018 - \$3,746) for services rendered. Service revenues included \$33,410 (2018 - \$Nil) received from the world's first investigator-developed, 8-hour online certification course for digital currency investigations - the Cryptocurrency Investigator Certification Course (available online at [www.CryptoInvestigatorTraining.com](http://www.CryptoInvestigatorTraining.com)) launched by the Company in December 2018. Revenues from Netcoins' digital currency sales during the period of August 1 to September 30, 2019 were \$8,828,317.

Cost of sales was \$8,743,182 (2018 - \$3,637), with BTGI operations at \$10,513, and Netcoins' operations at \$8,732,669. The Company recorded gross margins of \$145,783 (2018 - \$109), representing approximately 2% of total revenues.

The Company reported a net loss of \$3,005,671 for the three-month period ended September 30, 2019, as compared to a net loss of \$2,116,263 for same period of the prior fiscal year.

General and administrative expenses for the three months ended September 30, 2019 totaled \$2,538,699 (2018 - \$2,145,960). Share-based compensation expense was \$284,320 (2018 - \$297,700), which related to the grant of stock options that vested during the quarter and/or amounts accrued for services provided to the end of the period. The Company recorded a foreign exchange loss of \$202,179 (2018 - \$5,546). An unrealized loss on investments in digital currencies of \$326,062 (2018 - \$7,499) was recorded during the period, which resulted from the decrease in the market price of the Company's digital currency investments. During the period, the Company sold some of its digital currency investment holdings and recorded a loss of \$8,941 (2018 - \$Nil). An unrealized loss on inventory of \$102,382 (2018 - \$Nil) was recorded as result of the market price erosion of digital currencies held in inventory. In addition, a foreign exchange gain of \$1,036 (2018 - \$Nil) on inventory was recorded due to the appreciation of the Canadian dollar during the period.

Wages and benefits for three-month period ended September 30, 2019 totaled \$1,092,361 (2018 - \$479,776). This represents an overall increase of \$561,927, compared to the prior three-month period ended June 30, 2019. The increase is attributable to higher staffing levels arising from the Netcoins acquisition, which accounts for \$263,446, as well as one-time payments, at an aggregate \$307,851, made to officers of the Company.

Corporate activity levels increased slightly over those of the prior year with office expenses rising by \$9,534 to \$244,114 (2018 - \$234,582), which included: bank charges of \$7,633 (2018 - \$2,544); office expenses of \$26,990 (2018 - \$11,697); office rent of \$31,167 (2018 - \$25,643); telecommunications of \$4,180 (2018 - \$1,773); insurance of \$20,043 (2018 - \$Nil), and computer and internet expenses of \$154,101 (2018 - \$192,925). Amortization of equipment was \$99,036 (2018 - \$29,727), with \$10,831 (2018 - \$Nil) recorded against intangible assets.

Expenditure on advertising and promotion totaled \$60,367 (2018 - \$313,191). Costs paid included meals and entertainment of \$3,259 (2018 - \$13,355) and conference and other promotional expenses of \$57,108 (2018 - \$299,836). During 2019, the Company selectively attended and participated in trade shows and conferences to further grow its relationships and reputation within the digital assets community. Travel costs also decreased – down \$40,750 to \$22,315 from \$63,065 during in the prior year. Shareholder communications costs decreased significantly from those of the prior year, totaling \$5,738 (2018 - \$38,718). During Q3 2019, shareholder communication costs related primarily to news releases issued. In the prior year, the Company incurred costs of \$4,365 related to the dissemination of news releases, \$6,900 for website development, as well as \$27,453 for investor relations activities performed by third-party providers.

Professional fees of \$91,091 (2018 - \$73,475) pertained to audit accruals and fees, and legal fees incurred during the period at \$16,038 (2018 - \$15,000), and \$75,054 (2018 - \$58,475), respectively. Legal fees related primarily to the Netcoins acquisition. Consulting fees were \$136,400, as compared to \$30,920 during the prior year, which included finder's fees of \$90,000 and fairness opinion costs of \$25,250 incurred with respect to the Netcoins acquisition.

During the three months ended September 30, 2019, the Company recorded research and development costs in the amount of \$466,482 (2018 - \$578,096) pertaining to the on-going development of the Company's products. The decrease in cost over the same period of the prior year correlates with the decrease in development staff.

During the quarter, the Company recorded regulatory and listing fees of \$3,811 (2018 - \$3,649). In addition, the Company paid director's fees of \$3,064 (2018 - \$3,062) to its non-management directors.

Interest income for the period ended September 30, 2019 was \$25,773 (2018 - \$42,634). The decrease over the same period of the prior year being attributable to lower cash balances held during 2019.

### ***Nine Months Ended September 30, 2019***

The Company recorded total revenues of \$8,970,241 (2018 - \$68,341). BTGI revenues were comprised of \$24,454 (2018 - \$3,950) in product sales and \$117,470 (2018 - \$64,391) for services rendered. Service revenues included \$68,515 (2018 - \$Nil) received for the Company's investigator-developed, 8-hour online certification course for digital currency investigations - the Cryptocurrency Investigator Certification Course (available online at [www.CryptoInvestigatorTraining.com](http://www.CryptoInvestigatorTraining.com)) launched by the Company in December 2018. Revenues from Netcoins' digital currency sales during the period of August 1 to September 30, 2019 were \$8,828,317 (2018 - nil).

Cost of sales was \$8,761,056 (2018 - \$16,250), with BTGI operations at \$28,387, and Netcoins' operations at \$8,732,669. The Company recorded gross margins of \$209,185 (2018 - \$52,091), representing approximately 2% of total revenues.

The Company reported a net loss of \$6,298,950 for the nine-month period ended September 30, 2019, as compared to a net loss of \$6,847,833 for same period of the prior fiscal year. During the last nine months, the Company has been actively employing cost cutting measures in response to difficult market conditions within the digital assets sector.

General and administrative expenses for the nine months ended September 30, 2019 totaled \$6,336,464 (2018 - \$6,711,455). Share-based compensation expense was \$476,951 (2018 - \$722,700), which related to the grant of stock options that vested during the quarter and/or amounts accrued for services provided to the end of the period. The Company recorded a foreign exchange loss of \$292,056 (2018 - \$27,833). An unrealized gain on investments in digital currencies of \$68,052 (2018 - loss of \$290,985) was recorded during the period, which resulted from the increase in the market price of the Company's digital currency investments. During the period, the Company sold some of its digital

currency investment holdings and recorded a gain of \$43,863 (2018 - \$Nil). An unrealized loss on inventory of \$102,382 (2018 - \$Nil) was recorded as result of the market price erosion of digital currencies held in inventory. In addition, a foreign exchange gain of \$1,036 (2018 - \$Nil) on inventory was recorded due to the appreciation of the Canadian dollar during the period.

Wages and benefits for nine-month period ended September 30, 2019 totaled \$2,207,336 (2018 - \$1,416,927), reflective of the increased number of employees. This represents an overall increase of \$790,409, as compared to the prior year. The increase is attributable to higher staffing levels arising from the Netcoins acquisition, which accounts for \$263,446, as well as one-time payments, at an aggregate \$307,851, made to officers of the Company.

Corporate activity levels increased during 2019, with office expenses rising by \$112,528 to \$657,381 (2018 - \$544,855) which included: bank charges of \$14,131 (2018 - \$8,625); office expenses of \$57,907 (2018 - \$66,296); office rent of \$86,795 (2018 - \$58,594); telecommunications of \$6,777 (2018 - \$5,652); insurance of \$37,189 (2018 - \$58,000) and, computer and internet expenses of \$454,582 (2018 - \$347,688). Amortization of equipment was \$240,652 (2018 - \$64,029), with \$32,493 (2018 - \$Nil) recorded against intangible assets.

Expenditure on advertising and promotion totaled \$279,766 (2018 - \$1,264,165). Costs paid included meals and entertainment of \$7,847 (2018 - \$21,943) and conference and other promotional expenses of \$271,919 (2018 - \$1,242,222). During 2018, the Company had ramped up its advertising and promotional activities to expand its brand recognition and awareness in the marketplace by participating in and attending numerous trade shows and conferences globally. During 2019, the Company selectively attended and participated in trade shows and conferences to further grow its relationships and reputation within the digital assets community. Travel costs also decreased – down \$162,399 to \$79,784 from \$242,183 during in the prior year. Shareholder communications costs also fell from with those of the same period in the prior year, totaling \$49,327 (2018 - \$156,581).

Professional fees of \$238,320 (2018 - \$319,718) pertained to audit accruals and fees, and legal fees incurred during the period at \$57,257 (2018 - \$55,087) and \$181,063 (2018 - \$257,631), respectively. During the prior year accounting fees comprised \$7,000. Consulting fees were reduced to \$228,551 (2018 - \$263,561) due to fewer active consulting contracts during 2019.

During the nine months ended September 30, 2019, the Company recorded research and development costs in the amount of \$1,802,712 (2018 – \$1,685,520) pertaining to the on-going development of the Company's products. The increase in cost over the same period of the prior year correlates with the increase in development staff.

During the period, the Company recorded regulatory and listing fees of \$15,231 (2018 - \$25,092). In addition, the Company paid director's fees of \$9,192 (2018 - \$6,124) to its non-management directors.

Interest income for the period ended September 30, 2019 was \$109,816 (2018 - \$130,350). The increase over the same period of the prior year being attributable to fewer funds held on account during 2019.

## **LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2019, the Company had working capital of \$6,402,736 (2018 - \$12,361,650). Cash and equivalents as at September 30, 2019 was \$5,736,612, as compared with \$10,699,858 at December 31, 2018. Restricted cash of \$137,500 (December 31, 2018 - \$137,500) was held in a Guaranteed Investment Certificate in favour of the Toronto-Dominion Bank, as security for corporate credit cards. During the nine months ended September 30, 2019, the Company reclassified to cash its short term investments totaling \$1,255,500 held in a Guarantee Investment Certificate.

The Company relies upon various sources of funds for its ongoing operating and investing activities. These sources include proceeds from dispositions of investments, interest income from investments, and capital raising activities such as private placement equity financings. As at September 30, 2019, and as at the date of this MD&A, the Company has no debt or borrowings.

At September 30, 2019 and December 31, 2018, the Company had investment tax credits receivable of \$175,325, comprised of a refundable federal investment tax credit of \$136,365 and a refundable provincial investment tax credit of \$38,960. The credits relate to scientific research and experimental development ("SRED") expenditure claims filed with and approved by

the Canada Revenue Agency. Additionally, the Company has submitted a SRED claim for 2017, and has filed a claim for the 2018 financial year end, for non-refundable tax credits.

During the period ended September 30, 2019, the Company experienced cash outflows of \$6,416,463 (2018 – \$6,748,127) from operating activities. Investing activities provided cash of \$1,468,818 (2018 – used cash of \$658,723), of which \$73,676 (2018 - \$658,723) was used for the purchase of equipment, \$1,255,500 was provided by the reclassification of short-term investments to cash and cash equivalents, and digital currency investments used net cash of \$725,693 (2018 - \$Nil). Financing activities realized inflows of \$Nil (2018 - \$662,632) from the issuance of common shares less share issue costs of \$264 (2018 - \$19,195). During 2019, the Company recorded the reduction of the lease liability, assumed upon the Netcoins acquisition, of \$15,307 (2018 - \$Nil).

Overall, cash decreased by \$4,963,216, as compared to \$6,763,413 during the prior year.

As at September 30, 2019, the Company held \$1,106,934 (December 31, 2018 - \$122,038) in digital currency investments that could be converted to cash should the Company need additional liquidity.

In management's opinion, the Company has sufficient working capital at this time to meet its current financial obligations and administration costs required to operate the Company. However, the Company has an accumulated deficit of \$32,048,442 and has generated negative cash flows from operations, which indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Management cannot provide assurance that the Company will achieve profitable operations or become cash flow positive, or raise additional funds via equity issuances or debt instruments. Its ability to continue as a going concern depends upon whether it develops profitable operations and continues to raise adequate financing.

#### **FORWARD-LOOKING INFORMATION**

This MD&A contains certain statements that may constitute "forward-looking information" (also referred to as "forward-looking statements") within the meaning of Canadian securities legislation. Forward-looking statements are provided for the purpose of furnishing information about management's current expectations and plans and allowing investors and others to get a better understanding of the Company's operating environment. All statements, other than statements of historical fact, are forward-looking statements.

In this MD&A, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies that may cause the Company's actual financial results, performance, or achievements to be materially different from those expressed or implied herein. Some of the material factors or assumptions used to develop forward-looking statements include, without limitation, the uncertainties associated with: future anticipated business developments and the timing thereof, business and financing plans, and the overall impact of misjudgments made in good faith in the course of preparing forward-looking information as well as other risks and uncertainties referenced under "Risks and Uncertainties" in this MD&A.

Forward-looking statements involve risks, uncertainties, assumptions, and other factors including those referenced in the "Risks and Uncertainties" section of this MD&A, and, as a result they may never materialize, prove incorrect or materialize other than as currently contemplated which could cause the Company's results to differ materially from those expressed or implied by such forward-looking statements. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of fact and may be forward-looking statements.

Investors are cautioned not to put undue reliance on forward-looking statements, and investors should not infer that there has been no change in the Company's affairs since the date of this report that would warrant any modification of any

forward-looking statements made in this document, other documents periodically filed with or furnished to the relevant securities regulators or documents presented on the Company's website. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice. The Company disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, subject to the Company's disclosure obligations under applicable Canadian securities regulations. Investors are urged to read the Company's filings with Canadian securities regulatory agencies, which can be viewed online at [www.sedar.com](http://www.sedar.com).

## RISKS AND UNCERTAINTIES

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The Company is an early stage technology company with limited operating history and, in addition to facing all of the competitive risks it will also face all the risks inherent in developing a business including: access to capital, ability to attract and retain qualified employees, ability to attract and maintain customers and the ability to put in place appropriate operating and control procedures routines.

Industry specific risks include, but are not limited to:

- *Entry into Digital Asset Development and Exchange Business:* The digital currency business is highly competitive, and is populated with many companies, large and small, with the capital and expertise to evaluate, purchase and exploit new innovative opportunities. Even with capital and experience, industry risks are significant. Regulatory compliance is an increasingly complex and costly obstacle to many new projects, and often times, and even if compliance is obtained, they may be sufficiently restrictive or stifle innovation of start-up opportunities with distributed ledger technology. The Company may not be able to finance its potential growth as demand on human resources increases. There is no assurance that its entry into this business activity will be successful.
- *Failure to Innovate:* The Company's success depends upon its ability to design, develop, test, market, license and support new software products and enhancements of current products on a timely basis in response to both competitive threats and marketplace demands. In addition, software products and enhancements must remain compatible with the other software products and systems used by its customers. Often, the Company must integrate software licensed or acquired from third parties with its proprietary software to create or improve its products. If the Company is unable to successfully integrate third party software to develop new software products and enhancements to existing products, or to complete products currently under development, its operating results will materially suffer. In addition, if the integrated or new products or enhancements do not achieve acceptance by the marketplace, the Company's operating results will materially suffer. Also, if new industry standards emerge that the Company does not anticipate or adapt to, its software products could be rendered obsolete and, as a result, its business and operating results, as well as its ability to compete in the marketplace, would be materially harmed.
- *Competition:* The Company is engaged in an industry that is highly competitive. Because its industry is evolving and characterized by technological change, it is difficult for the Company to predict whether, when and by whom new competing technologies may be introduced or when new competitors may enter the market. The Company faces increased competition from companies with strong positions in certain markets the Company intends to serve and in new markets and regions it may enter. Many of the Company's competitors have significantly greater financial and other resources than the Company currently possesses and may spend significant amounts of resources to gain market share. The Company cannot assure investors that it will be able to compete effectively against current and future competitors. In addition, increased competition or other competitive pressures may result in price reductions, reduced margins or loss of market share, any of which could have a material adverse effect on the Company's business, financial condition or results of operations. Competitors may be able to respond to new or emerging technologies and changes in customer requirements more effectively than the Company can, or devote greater resources to the development, promotion and sale of products than the Company can. Current and potential competitors may establish cooperative relationships among themselves or with third parties, including through mergers or acquisitions, to increase the ability of their products to address the needs of the Company's prospective customers. If these competitors were to acquire significantly increased market share, it could have a material adverse effect on the Company's business, financial condition or results of operations. The Company's competitors may also

establish or strengthen co-operative relationships with systems integrators, third-party consulting firms or other parties with whom the Company has relationships, thereby limiting its ability to promote its products.

- **Failure to Protect its Intellectual Property:** Failure to protect the Company's intellectual property could harm its ability to compete effectively. The Company is highly dependent on its ability to protect its proprietary technology. The Company intends to rely on a combination of copyright, trademark and trade secret laws, as well as non-disclosure agreements and other contractual provisions to establish and maintain its proprietary rights. The Company intends to protect its rights vigorously. However, there can be no assurance that these measures will, in all cases, be successful. Enforcement of the Company's intellectual property rights may be difficult, particularly in some nations outside of North America in which the Company may seek to market its products. While U.S. and Canadian copyright laws, international conventions and international treaties may provide meaningful protection against unauthorized duplication of software, the laws of some foreign jurisdictions may not protect proprietary rights to the same extent as the laws of Canada or of the United States. The absence of internationally harmonized intellectual property laws makes it more difficult to ensure consistent protection of the Company's proprietary rights. Software piracy has been, and is expected to be, a persistent problem for the software industry, and piracy of the Company's products represents a loss of revenue to the Company. Despite the precautions the Company may take, unauthorized third parties, including its competitors, may be able to: (i) copy certain portions of its products; or (ii) reverse engineer or obtain and use information that the Company regards as proprietary. Also, the Company's competitors could independently develop technologies that are perceived to be substantially equivalent or superior to the Company's technologies. The Company's competitive position may be materially adversely affected by its possible inability to effectively protect its intellectual property.
- **Intellectual Property Infringement:** Other companies may claim that the Company has infringed their intellectual property, which could materially increase costs and materially harm the Company's ability to generate future revenue and profits. Claims of infringement are becoming increasingly common as the software industry develops and as related legal protections, including patents are applied to software products. Although the Company does not believe that its products infringe on the rights of third parties, third parties may assert infringement claims against the Company in the future. Although most of the Company's technology is proprietary in nature, the Company does include significant amounts of third-party software in its products. In these cases, this software is licensed from the entity holding the intellectual property rights. Although the Company believes that it has secured proper licenses for all third-party software that is integrated into its products, third parties may assert infringement claims against the Company in the future. Any such assertion may result in litigation or may require the Company to obtain a license for the intellectual property rights of third parties. Such licenses may not be available, or they may not be available on reasonable terms. In addition, such litigation could be disruptive to the Company's ability to generate revenue or enter into new market opportunities and may result in significantly increased costs as a result of the Company's efforts to defend against those claims or its attempt to license the patents or rework its products to ensure they comply with judicial decisions. Any of the foregoing could have a significant adverse impact on the Company's business and operating results as well as its ability to generate future revenue and profits. The loss of licenses to use third-party software or the lack of support or enhancement of such software could materially adversely affect the Company's business. The Company could also be forced to do one or more of the following: (i) stop selling, incorporating or using its products that use the challenged intellectual property; (ii) obtain from the owner of the infringed intellectual property right a license to sell or use the relevant technology, which license may not be available on reasonable terms, or at all; (iii) redesign those products that use allegedly infringing technology which may be costly or time-consuming; or (iv) refund license fees and other amounts received, and make payments of additional amounts in damages or settlement payments, for allegedly infringing technology or products.
- **Reliance on Third Party Software:** The Company currently depend upon third-party software products to develop its products. If in future such reliance existed and the software products were not available, the Company might experience delays or increased costs in the development of its products. The Company currently does not rely on software products that it licenses from third-parties. Should the Company in the future rely upon third-party software licenses that may not continue to be available to the Company, and the related software may not continue to be appropriately supported, maintained, or enhanced by the licensors, the loss by the Company of the license to use, or the inability by licensors to support, maintain, and enhance any of such software, could result in increased costs or in

delays or reductions in product shipments until equivalent software is developed or licensed and integrated with internally developed software. Such increased costs or delays or reductions in product shipments could materially adversely affect its business. The loss of the Company's rights to use software licensed to it by third parties could increase its operating expenses by forcing the Company to seek alternative technology and materially adversely affect its ability to compete. In addition, the Company's web-based software applications depend on the stability, functionality and scalability of the underlying infrastructure software including application servers, databases, java platform software and operating systems produced by IBM, Microsoft and others. If weaknesses in such infrastructure software exist, the Company may not be able to correct or compensate for such weaknesses. If the Company is unable to address weaknesses resulting from problems in the infrastructure software such that its products do not meet customer needs or expectations, its reputation, and consequently, its business may be significantly harmed.

- *Regulatory Risks:* The activities of the Company may be subject to regulation by governmental authorities. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.
- *Use of Open Source Software:* The Company's software makes use of and incorporates open source software components. These components are developed by third parties over whom the Company has no control. There are no assurances that those components do not infringe upon the intellectual property rights of others. The Company could be exposed to infringement claims and liability in connection with the use of those open source software components, and the Company may be forced to replace those components with internally developed software or software obtained from another supplier, which may increase its expenses. The developers of open source software are usually under no obligation to maintain or update that software, and the Company may be forced to maintain or update such software itself or replace such software with internally developed software or software obtained from another supplier, which may increase its expenses. Making such replacements could also delay enhancements to its products. Certain open source software licenses provide that the licensed software may be freely used, modified and distributed to others provided that any modifications made to such software, including the source code to such modifications, are also made available under the same terms and conditions. As a result, any modifications the Company makes to such software will be available to all downstream users of the software, including its competitors. In addition, certain open source licenses provide that if the Company wishes to combine the licensed software, in whole or in part, with its proprietary software, and distribute copies of the resulting combined work, the Company may only do so if such copies are distributed under the same terms and conditions as the open source software component of the work was licensed to the Company, including the requirement to make the source code to the entire work available to recipients of such copies. The types of combinations of open source software and proprietary code that are covered by the requirement to release the source code to the entire combined work are uncertain and much debated by users of open source software. An incorrect determination as to whether a combination is governed by such provisions will result in non-compliance with the terms of the open source license. Such non-compliance could result in the termination of the Company's license to use, modify and distribute copies of the affected open source software and the Company may be forced to replace such open source software with internally developed software or software obtained from another supplier, which may increase its expenses. In addition to terminating the affected open source license, the licensor of such open source software may seek to have a court order that the proprietary software that was combined with the open source software be made available to others, including its competitors, under the terms and conditions of the applicable open source license.
- *Lack of Operating History:* The Company has only recently started to carry on its business. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. The failure by the Company to meet any of these conditions could have a materially adverse effect on the Company and may force it to reduce, curtail, or discontinue operations. There is no assurance that the Company will be successful in achieving a return on

shareholders' investment and the likelihood of success must be considered in light of the early stage of operations. The Company may not successfully address all of the risks and uncertainties or successfully implement its existing and new products and services. If the Company fails to do so, it could materially harm its business and impair the value of its common stock, resulting in a loss to shareholders. Even if the Company accomplishes these objectives, the Company may not generate the anticipated positive cash flows or profits. No assurance can be given that the Company can or will ever be successful in its operations and operate profitably.

- *Growth and Consolidation in the Industry:* Acquisitions or other consolidating transactions could have adverse effects on the Company. The Company could lose strategic relationships if its partners are acquired by or enter into agreements with a competitor, causing the Company to lose access to distribution, content and other resources. The relationships between the Company and its strategic partners may deteriorate and cause an adverse effect on the business. The Company could lose customers if competitors or user of competing technology consolidate with the Company's current or potential customers. Furthermore, the Company's current competitors could become larger players in the market or new competitors could form from consolidations. Any of the foregoing events could put the Company at a competitive disadvantage, which could cause the Company to lose customers, revenue, and market share. Consolidation in the industry could also force the Company to divert greater resources to meet new or additional competitive threats, which could harm the Company's operating results.
- *Intellectual Property Risks:* The Company's ability to compete largely depends on the superiority, uniqueness, and value of its intellectual property and technology, including both internally-developed technology and the ability to acquire patent protection and/or trademark protection. To protect its proprietary rights, the Company will rely on a combination of trademark, copyright, and trade secret laws, trademark and patent applications, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, certain risks may reduce the value of the Company's intellectual property. The Company's applications for trademarks and copyrights relating to its business may not be granted, and if granted, may be challenged or invalidated. There is no guarantee that issued trademarks and registered copyrights will provide the Company with any competitive advantages. The Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of its technology and may not prevent the development and design by others of products or technology similar to, competitive with, or superior to those the Company develops. There is a risk that another party may obtain a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products.

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should participate. An investor should carefully consider the risks described above before investing in the Company's common shares. The risks described above are not the only ones faced. Additional risks that the Company currently believes are immaterial may become important factors that affect the Company's business. If any of these risks occur, or if others occur, the Company's business, operating results and financial condition could be seriously impacted and investors may lose some or all of their investment.

## **RELATED PARTY TRANSACTIONS**

During the nine months ended September 30, 2019, the Company entered into the following transactions with related parties:

- a) paid consulting fees of \$61,250 (2018 - \$44,500) to a company controlled by Anthony Zelen, a director of the Company;
- b) paid salaries of \$108,333 (2018 - \$Nil) to Mark Binns, a director and officer of the Company;
- c) paid salaries of \$183,681 (2018 - \$140,289) to Lance Morginn, a director and officer of the Company;
- d) paid salaries of \$420,619 (2018 - \$143,750) to Shone Anstey, a director and former officer of the Company, of which \$386,940 (2018 - \$115,000) was expensed to wages and \$33,679 (2018 - \$28,750) was recorded as research and development expense;
- e) paid salaries of \$161,413 (2018 - \$125,000) to Kim Evans, a director and officer of the Company;
- f) paid salaries of \$49,277 (2018 - \$Nil) to Robert Whitaker, an officer of the Company;

- g) paid salaries of \$90,692 (2018 - \$90,417) to Marty Anstey, a former employee and officer of the Company, which was recorded as research and development expense;
- h) paid salaries of \$52,500 (2018 - \$43,892) to Kumiko Morginn, the spouse of a director and officer of the Company;
- i) paid director's fees of \$4,596 (2018 - \$3,000) to each of Robert Birmingham and Thomas Kennedy, independent directors of the Company; and,
- j) as at September 30, 2019 recorded amounts owing to directors and officers of \$20,562 (December 31, 2018 - \$36,365) in accounts payable.

The amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment. These transactions were in the normal course of operations.

### **CAPITAL MANAGEMENT**

The Company includes all components of equity in the definition of capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its blockchain technology and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its 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 capital structure, the Company may consider issuing new shares, and/or issue debt, acquire or dispose of assets, or adjust the amount of cash and investments on hand. The Company is not currently subject to any externally imposed capital requirements.

The Company has been dependent upon external financings to fund activities. Until such time as it begins to generate revenue, in order to carry out planned expenditures and pay for administrative costs the Company will spend its existing working capital and may seek to raise additional funds as needed.

In order to maximize ongoing development, the Company does not pay out dividends. The Company's investment policy is to keep its cash on deposit in an interest bearing Canadian chartered bank account. Some cash is kept on deposit with fiat to digital currency exchanges in order to facilitate the Company's business. There have been no significant changes to the Company's approach to capital management during the period ended September 30, 2019.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

### **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

As at September 30, 2019, the Company's financial instruments are comprised of cash and cash equivalents, restricted cash and accounts payable. The fair value of accounts payable approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at September 30, 2019, the fair value of cash and restricted cash held by the Company was based on Level 1 of the fair value hierarchy. Digital currency assets are measured using level two fair values, determined by taking the rate from [www.coinmarketcap.com](http://www.coinmarketcap.com).

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

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk arising from operations. The Company has

cash balances but no interest-bearing debt. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash, cash on deposit with fiat to digital currency exchanges, investments and due from related parties. The Company's current policy is to invest excess cash in variable interest investment-grade demand deposit certificates issued by reputable financial institutions with which it keeps its bank accounts and management believes the risk to be remote. Credit risk associated with digital currencies proceeds collected by vendors on behalf of the Company is limited as transactions are usually settled within 1 to 15 days. The Company's credit risk has not changed significantly from the prior year.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by ensuring that it has sufficient cash and other financial resources available to meet its short-term obligations. The Company forecasts cash flows for a period of twelve months to identify financial requirements. These requirements are met by accessing financing through private placements.

#### *Market risk*

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

i. Interest rate risk

Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company currently has no interest-bearing financial instruments other than cash, so its exposure to interest rate risk is insignificant.

ii. Foreign currency risk

Foreign currency risk arises from fluctuations in foreign currencies versus the Canadian dollar that could adversely affect reported balances and transactions denominated in those currencies. The Company currently has investment assets, some liabilities and revenue or expenses denominated in a foreign currency, so is exposed to foreign currency risk.

iii. Equity price risk

Equity price risk arises from market fluctuations in equity prices that could adversely affect the Company's operations. The Company's current exposure to equity price risk is limited to declines in the values and volumes including those of its own shares, which could impede its ability to raise additional funds when required.

#### *Digital currencies risk*

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 digital currency inventory 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.

### **OFF-BALANCE SHEET ARRANGEMENTS**

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The Company has no off-balance sheet arrangements as of September 30, 2019 and as at the date of this MD&A.

### **SUBSEQUENT EVENTS**

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Subsequent to September 30, 2019, the Company:

- (a) had an aggregate 205,499 options expire unexercised and 15,000 unvested incentive stock options were forfeited. The expired and forfeited options were priced from \$0.08 to \$0.26;

- (b) announced its intention to acquire for cancellation, by way of a normal course issuer bid (the “Bid”), up to an aggregate \$500,000 worth of existing common shares of the Company. The actual number of shares that may be purchased under the Bid, the value of the consideration per share and the exact timing of any such purchases will be determined by the Company and will depend on, among other things, future market conditions.

Under the Normal Course Issuer Bid (“NCIB”) program the Company may, if considered advisable, purchase the shares through the facilities of the Canadian Securities Exchange (CSE) and/or alternative trading systems at the market price, from time to time over the next 12 months, but shall not, in any event, exceed 5% of the issued and outstanding shares. Pursuant to the NCIB, the Company may acquire up to 7,150,679 shares, representing 5% of the issued and outstanding shares. The Company has appointed PI Financial Corp. to coordinate and facilitate its NCIB purchases. Purchases commenced through the CSE and/or alternative trading systems on or about October 16, 2019 and will conclude on the earlier of the date on which purchases under the bid have been completed or on October 16, 2020. All shares purchased by the Company will be cancelled; and,

- (c) announced that a lawsuit has been filed against it in the Supreme Court of British Columbia by Marty Anstey, the Company’s former CTO, alleging constructive dismissal. The Company believes the suit has no merit and will vigorously defend the claim.

## **USE OF ESTIMATES**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company’s assets and liabilities are accounted for prospectively.

The Company’s significant accounting policies and estimates, unless as otherwise provided for in the financial statements for the three and nine months ended September 30, 2019, are included in Note 3 of its audited consolidated financial statements for the year ended December 31, 2018.

## **CHANGES IN AND FUTURE ACCOUNTING STANDARDS AND INTERPRETATIONS**

### **New accounting standards adopted effective January 1, 2019**

#### *IFRS 16 Leases*

The Company adopted IFRS 16 - Leases (“IFRS 16”) on January 1, 2019. The objective of the new standard is to eliminate the classification of leases as either operating or financing leases for a lessee and report all leases on the statement of financial position. The only exemption to this will be for leases that are one year or less in duration or for leases of assets with low values. Under IFRS 16 a lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligations to make lease payments. IFRS 16 also changes the nature of expenses relating to leases, as lease expenses previously recognized for operating leases are replaced with depreciation expense on capitalized right-of-use assets and finance or interest expense for the corresponding lease liabilities associated with the capitalized right-of-use leased assets.

The Company adopted IFRS 16 using the modified retrospective approach and did not restate comparative amounts for the year prior to first adoption. As the Company has a short term office lease of less than 12 months with no purchase option and no other leases, no lease liability or right to use assets were measured at January 1, 2019. The Company’s accounting for office leases remained substantially unchanged.

On August 1, 2019, the Company acquired Netcoins Inc., NTC Holdings Inc. and NTC Holdings (USA) Inc. Netcoins Inc. holds an operating office sublease agreement through to December 31, 2020. As a result, the Company has assumed the leasehold and recorded a right-of-use asset and lease liability.

The following leases accounting policies have been applied as of January 1, 2019 on adoption of IFRS 16. For comparative periods prior to 2019, the Company applied leases policies in accordance with IAS 17, Leases and IFRS 4, Determining Whether an Arrangement Contains a Lease.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if it has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain measurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the Company's estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit.

As part of the initial application of IFRS 16, the Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

The Company adopted IFRS 16 as at January 1, 2019 in accordance with the transitional provisions outlined in the standard, using a cumulative catch-up approach where it has recorded leases from that date forward and have not restated comparative information.

#### *IFRIC 23 Uncertainty over Income Tax Treatments*

IFRIC 23, Uncertainty over Income Tax Treatments, provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires: (a) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (b) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (c) if it is not probable that the uncertain tax treatment will be

accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. The adoption of this standard did not have any impact on the Company's condensed consolidated interim financial statements.

#### **OUTSTANDING SHARE DATA AS AT THE DATE OF THIS MD&A**

- (a) Authorized and issued share capital:

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	143,013,566

- (b) Summary of options outstanding:

Security	Number	Number Exercisable	Exercise Price Range
Options	11,629,201	9,512,535	\$0.08 to \$0.26
Agent's Options	312,500	312,500	\$0.08
	11,941,701	9,825,035	

- (c) Summary of warrants outstanding:

Security	Number	Exercise Price	Expiry Date
Warrants	1,704,650	0.21	March 11, 2020
Performance Warrants	6,697,500	0.05	December 31, 2022
	8,402,150		

- (d) Summary of escrowed shares and warrants: At the date of this report, there are a total of 13,150,642 common shares and 3,054,161 share purchase warrants subject to escrow restrictions. The escrowed shares and warrants will be released in tranches every six months until November 30, 2020.

#### **CONTROLS AND PROCEDURES**

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed consolidated interim financial statements and the respective accompanying Management's Discussion and Analysis for the period ended September 30, 2019.

#### **DISCLOSURE CONTROLS**

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with IFRS.

CSE listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in NI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the IFRS.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making.