



BIGG DIGITAL ASSETS INC.

(Formerly BIG Blockchain Intelligence Group Inc.)

**Condensed Consolidated Interim Financial Statements
For the Nine Months ended September 30, 2019 and 2018**

(Expressed in Canadian dollars)

BIGG DIGITAL ASSETS INC.
(Formerly BIG Blockchain Intelligence Group Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
Expressed in Canadian dollars



As at	September 30, 2019 <i>(Unaudited)</i>	December 31, 2018 <i>(Audited)</i>
ASSETS		
Current		
Cash and cash equivalents	\$ 5,736,612	\$ 10,699,858
Restricted cash (Note 4)	137,500	137,500
Short term investments (Note 4)	-	1,255,500
Amounts receivable	317,156	206,523
Investment tax credits receivable	175,325	175,325
Digital currency inventory (Note 5)	562,384	-
Prepays	114,151	197,319
Total current assets	7,043,128	12,672,025
Digital currencies (Note 6)	1,106,934	122,038
Intangible assets (Note 7)	93,868	126,362
Goodwill (Note 3)	1,990,317	-
Right-of-use asset (Note 8)	105,702	-
Equipment (Note 10)	567,830	614,252
Total assets	\$ 10,907,779	\$ 13,534,677
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 12)	\$ 293,784	\$ 310,375
Customer deposits	251,488	-
Lease liability (Note 9)	95,120	-
	640,392	310,375
Non-Current		
Lease liability (Note 9)	16,414	-
Deferred income taxes	36,465	-
Total liabilities	693,271	310,375
Equity		
Share capital (Note 11)	35,850,822	33,038,586
Equity reserves (Note 11)	6,418,170	5,941,219
Cumulative translation adjustment	(6,042)	(6,011)
Deficit	(32,048,442)	(25,749,492)
Total equity	10,214,508	13,224,302
Total liabilities and equity	\$ 10,907,779	\$ 13,534,677

Nature and continuance of operations (Note 1)

Subsequent events (Note 16)

On behalf of the Board:

"Mark Binns" Director

"Lance Morginn" Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

BIGG DIGITAL ASSETS INC.
(Formerly BIG Blockchain Intelligence Group Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)
Expressed in Canadian dollars



	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Product Revenue	\$ 19,519	\$ -	\$ 24,454	\$ 3,950
Service Revenue	41,129	3,746	117,470	64,391
Digital Currency Sales	8,828,317	-	8,828,317	-
	8,888,965	3,746	8,970,241	68,341
Cost of sales	8,743,182	3,637	8,761,056	16,250
	145,783	109	209,185	52,091
General and Administrative Expenses				
Advertising and promotion	60,367	313,191	279,766	1,264,165
Amortization	109,868	29,727	273,145	64,029
Bad debt	18,768	-	18,768	-
Consulting (Note 12)	136,400	30,920	228,551	263,561
Director's fees	3,064	3,062	9,192	6,124
Office	244,114	234,582	657,381	544,855
Professional fees	91,091	73,475	238,320	319,718
Regulatory and listing fees	3,811	3,649	15,231	25,092
Research and development (Note 12)	466,482	578,096	1,802,712	1,685,520
Share-based compensation	284,320	297,700	476,951	722,700
Shareholder communications	5,738	38,718	49,327	156,581
Travel	22,315	63,065	79,784	242,183
Wages and benefits (Note 12)	1,092,361	479,776	2,207,336	1,416,927
Loss from operating activities	(2,392,916)	(2,145,852)	(6,127,279)	(6,659,365)
Other Income (Expenses)				
Interest income	25,773	42,634	109,816	130,350
Foreign exchange loss	(202,179)	(5,546)	(292,056)	(27,833)
(Loss) gain on sale of investment	(8,941)	-	43,863	-
Unrealized (loss) gain on investment	(326,062)	(7,499)	68,052	(290,985)
Unrealized foreign exchange loss on inventory	1,036	-	1,036	-
Unrealized loss on inventory	(102,382)	-	(102,382)	-
Net loss for the period	\$ (3,005,671)	\$ (2,116,263)	\$ (6,298,950)	\$ (6,847,833)
Other comprehensive income				
<i>Item that may be reclassified to profit or loss</i>				
Currency translation adjustment	(2,365)	-	(31)	-
Other comprehensive income for the period	(2,365)	-	(31)	-
Comprehensive loss for the period	\$ (3,008,036)	\$ (2,116,263)	\$ (6,298,981)	\$ (6,847,833)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.02)	\$ (0.06)	\$ (0.07)
Weighted average number of common shares outstanding	129,970,088	105,501,283	113,755,324	104,558,641

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

BIGG DIGITAL ASSETS INC.
(Formerly BIG Blockchain Intelligence Group Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
Expressed in Canadian dollars



	Share Capital		Share Subscriptions	Equity Reserves	Cumulative Translation Adjustment	Deficit	Total
	Number of Shares	Amount					
Balance at December 31, 2017	101,207,935	\$ 31,762,595	\$ 51,050	\$ 5,537,282	\$ -	\$ (16,124,356)	\$ 21,226,571
Shares issued on exercise of options	339,059	120,447	-	(55,400)	-	-	65,047
Shares issued on exercise of warrants	3,966,572	699,371	-	(50,736)	-	-	648,635
Share subscriptions	-	-	(51,050)	-	-	-	(51,050)
Share issue costs	-	(19,195)	-	-	-	-	(19,195)
Share-based compensation	-	-	-	722,700	-	-	722,700
Loss and comprehensive loss for the period	-	-	-	-	-	(6,847,833)	(6,847,833)
Other comprehensive loss	-	-	-	-	(228)	-	(228)
Balance September 30, 2018	105,513,566	\$ 32,563,218	\$ -	\$ 6,153,846	\$ (228)	\$ (22,972,189)	\$ 15,744,647
Balance at December 31, 2018	105,513,566	\$ 33,038,586	\$ -	\$ 5,941,219	\$ (6,011)	\$ (25,749,492)	\$ 13,224,302
Shares issued for Netcoins acquisition (Note 3)	37,500,000	2,812,500	-	-	-	-	2,812,500
Share issue costs	-	(264)	-	-	-	-	(264)
Share-based compensation	-	-	-	476,951	-	-	476,951
Loss for the period	-	-	-	-	-	(6,298,950)	(6,298,950)
Other comprehensive loss	-	-	-	-	(31)	-	(31)
Balance at September 30, 2019	143,013,566	\$ 35,850,822	\$ -	\$ 6,418,170	\$ (6,042)	\$ (32,048,442)	\$ 10,214,508

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

BIGG DIGITAL ASSETS INC.
(Formerly BIG Blockchain Intelligence Group Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
Expressed in Canadian dollars



	For the nine months ended	
	September 30, 2019	September 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (6,298,950)	\$ (6,847,833)
Items not involving cash		
Amortization	221,379	64,029
Amortization-Right of use asset	21,140	-
Share-based compensation	476,951	722,700
Foreign exchange (loss) gain	(310,092)	217
Gain on sale of investments	(43,863)	-
Unrealized loss (gain) on investments	(68,052)	290,985
Unrealized foreign exchange gain on inventory	(1,036)	-
Unrealized loss on inventory	42,806	-
Changes in non-cash working capital items:		
Restricted cash	-	(137,500)
Amounts receivable	(65,456)	(112,511)
Prepays	91,164	(505,930)
Accounts payable and accrued liabilities	(35,900)	(222,284)
Customer deposits	11,526	-
Digital currency inventory	(456,850)	-
Interest paid on operating lease	(1,230)	-
Net cash used in operating activities	<u>(6,416,463)</u>	<u>(6,748,127)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of equipment	(73,676)	(658,723)
Short term investments	1,255,500	-
Sale of digital currencies	173,633	-
Purchase of digital currencies	(725,693)	-
Cash received on acquisition of Netcoins	839,054	-
Net cash provided by (used in) investing activities	<u>1,468,818</u>	<u>(658,723)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	-	662,632
Share issue costs	(264)	(19,195)
Reduction of lease liability	(15,307)	-
Net cash provided by (used in) financing activities	<u>(15,571)</u>	<u>643,437</u>
Change in cash for the period	(4,963,216)	(6,763,413)
Cash, beginning of period	10,699,858	20,704,259
Effect of foreign exchange on cash	(30)	(228)
Cash, end of period	\$ 5,736,612	\$ 13,940,618
Cash paid for interest or taxes	\$ -	\$ -

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

BIGG Digital Assets Inc. (formerly BIG Blockchain Intelligence Group Inc.) (the “Company” or “BIGG”), was incorporated on October 17, 2014 under the *Business Corporations Act* (British Columbia). On November 30, 2017, the Company acquired Blockchain Technology Group Inc. (“BTGI”) through a reverse acquisition transaction. BTGI was incorporated under the *Business Corporations Act* (British Columbia) on May 31, 2010.

Concurrent with the closing of the acquisition on November 30, 2017, the Company changed its name to BIG Blockchain Intelligence Group Inc. from Acana Capital Corp. and effected a change in directors, management and business. On September 26, 2019, the Company changed its name to BIGG Digital Assets Inc. The Company’s shares are traded on the Canadian Securities Exchange (“CSE”) under the symbol “BIGG”.

The Company’s principal business activity is investing in products and companies within the cryptocurrency industry. It has two operating divisions which provide blockchain search products to large enterprises with significant data requirements in the financial and ecommerce sectors globally, and brokerage and exchange software. The Company’s head office and principal place of business is Suite 410 –1199 West Pender Street, Vancouver, BC, Canada.

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2019, the Company has an accumulated deficit of \$32,048,442 and has generated negative cash flows from operations. 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. These factors cast significant doubt on the Company’s ability to continue as a going concern.

There can be no assurance that the Company will be able to raise the funds necessary to continue future operations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the condensed consolidated interim statements of financial position. The condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. As a result, certain disclosures included in the annual financial statements prepared in accordance with IFRS have been condensed or omitted. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated annual financial statements for the year ended December 31, 2018. In preparation of these condensed consolidated interim financial statements, the Company has consistently applied the same accounting policies as disclosed in note 2 to the audited consolidated annual financial statements for the year ended December 31, 2018, except for the adoption of new standards and interpretations as of January 1, 2019 described below.

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on November 29, 2019.

2. BASIS OF PRESENTATION (cont'd...)

b) Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries Blockchain Technology Group Inc., 2140 Software Solutions Inc., BitRank Verification Services Inc., Dark Fibre Systems Inc., QLU Forensic Systems Inc., CFC Digital Inc., 1208810 B.C. Ltd., BIG Blockchain Intelligence Group Inc. (Texas), Netcoins Inc., NTC Holdings Inc. and NTC Holdings (USA) Inc. The accounts of the subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date the control ceases. All significant intercompany transactions and balances have been eliminated upon consolidation.

c) Changes in and future accounting standards

Cash and cash equivalents

Cash and cash equivalents consists of amounts held in current bank accounts and amounts on deposit with fiat to Bitcoin exchanges used in daily transactions.

Revenue Recognition

Revenue from digital currencies sale transactions are recognized based on the gross proceeds received from the customer or receivable from vendors acting on behalf of the Company. Revenue is recognized at the time of transfer of control over the digital currency, which is when the digital currency is credited to the customer's virtual wallet. Proceeds collected by vendors on behalf of the Company are typically settled within 1 to 15 days.

Digital currency inventory

The Company has assessed that it acts in a capacity as a commodity broker trader as defined in IAS 2 - Inventories in characterizing certain of its digital currency holdings as inventory. If assets held by commodity broker-traders are principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin, such assets are accounted for as inventory, and changes in fair value (less costs to sell) are recognized in profit or loss. Fair value is determined by reference to quoted prices published by bitcoin exchange brokers.

Cost of Sales

Digital currencies purchases are measured based on the price paid by the Company in fiat to purchase digital currencies from cryptocurrency exchanges.

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 recognized at January 1, 2019. The Company's accounting for office leases remained substantially unchanged.

2. BASIS OF PRESENTATION (cont'd...)

c) Changes in and future accounting standards (cont'd...)

New accounting standards adopted effective January 1, 2019: (cont'd...)

IFRS 16 Leases (cont'd...)

On August 1, 2019, the Company acquired Netcoins Inc., NTC Holdings Inc. and NTC Holdings (USA) Inc., (hereinafter referred to as "Netcoins") (Note 3) through its wholly-owned subsidiary 1208810 B.C. Ltd. 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 (Note 8).

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.

2. BASIS OF PRESENTATION (cont'd...)

c) Changes in and future accounting standards (cont'd...)

New accounting standards adopted effective January 1, 2019: (cont'd...)

IFRS 16 Leases (cont'd...)

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.

3. ACQUISITION OF NETCOINS

On August 1, 2019, the Company acquired Netcoins Inc., NTC Holdings Inc. and NTC Holdings (USA) Inc., (hereinafter referred to as "Netcoins") through its wholly-owned subsidiary 1208810 B.C. Ltd.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration:	
37,500,000 common shares issued at \$0.075 per share	\$ 2,812,500
Assets and liabilities recognized as a result of the acquisition:	
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
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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Expressed in Canadian dollars
(Unaudited)
For the Nine Months ended September 30, 2019



4. RESTRICTED CASH AND SHORT TERM INVESTMENTS

At September 30, 2019, the Company held restricted cash of \$137,500 (December 31, 2018 - \$137,500) in a Guaranteed Investment Certificate (GIC), at an interest rate of 1.5% with a maturity date of November 14, 2019, pursuant to a demand operating facility agreement with the Toronto-Dominion Bank, to support Visa credit lines of \$125,000.

At December 31, 2018, the Company held short term investments of \$1,255,500 in a GIC, at an interest rate of 2.20% with a maturity date of October 18, 2019. At September 30, 2019, the short term investments were reclassified as cash equivalents.

5. DIGITAL CURRENCY INVENTORY

The Company holds digital currencies as inventory as follows:

	September 30, 2019	December 31, 2018
Binance	\$ 124	\$ -
Bitcoin	514,773	-
Bitcoin Cash	299	-
Bitcoin Gold	8	-
Bitcoin SV	3	-
Bitmart token	1	-
Cloakcoins	3	-
Dai	41,163	-
DecentBet	5	-
Elastos	14	-
Ethereum	2,387	-
EOS	483	-
Kripton	2	-
Komodo	38	-
Litecoin	1,544	-
Myraid	2	-
Steem	14	-
Stellar	178	-
Tether	4	-
Wagerr	1	-
XRP	1,338	-
	<u>\$ 562,384</u>	<u>\$ -</u>

During the period of August 1, 2019 to September 30, 2019, the total cost of digital currency inventory sold was \$8,743,669 (2018 - \$Nil).

6. DIGITAL CURRENCIES

The Company holds digital currencies as investments as follows:

	September 30, 2019		December 31, 2018	
	Number of coins held	Value	Number of coins held	Value
Bitcoin	100.08	\$ 1,099,269	22.57	\$ 115,254
Solarcoin	25,916.45	718	25,916.45	979
Bitcoin Cash	22.00	6,645	25.49	5,253
Bitcoin Gold	25.20	259	25.20	471
Lumen	524.93	43	524.93	81
		<u>\$ 1,106,934</u>		<u>\$ 122,038</u>

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(Unaudited)
For the Nine Months ended September 30, 2019



7. INTANGIBLE ASSETS

Cost	
December 31, 2018	\$ 129,972
Additions	-
September 30, 2019	<u>129,972</u>
Amortization	
December 31, 2018	3,610
Additions	32,494
September 30, 2019	<u>36,104</u>
Net book value	
December 31, 2018	126,362
September 30, 2019	\$ 93,868

During the year ended December 31, 2018, the Company recognized \$129,972 as an intangible asset comprised of the development costs of its learning management system (LMS) online content, which will be amortized on a straight-line basis over a period of three years representing the estimated useful life of the intangible asset.

8. RIGHT-OF-USE ASSET

At September 30, 2019, the right-of-use asset is an office sub-lease held by Netcoins Inc. which terminates on December 31, 2020.

	Office Operating Sub-lease
Balance at December 31, 2018	\$ -
Initial adoption of IFRS 16	-
Additions	126,842
Amortization	<u>(21,140)</u>
Balance at September 30, 2019	<u>\$ 105,702</u>

9. LEASE LIABILITIES

Lease liabilities are recorded as follows:

	September 30, 2019	December 31, 2018
Current	\$ 95,120	\$ -
Non-current	<u>16,414</u>	-
	<u>\$ 111,534</u>	<u>\$ -</u>

10. EQUIPMENT

Cost	Total
Balance at December 31, 2017	\$ 97,716
Additions	739,065
Disposals	-
Balance at December 31, 2018	\$ 836,781
Additions	235,401
Disposals	-
Balance at September 30, 2019	\$ 1,072,182
Depreciation	
Balance at December 31, 2017	\$ 25,684
Depreciation for the period	196,845
Disposals	-
Balance at December 31, 2018	\$ 222,529
Depreciation for the period	281,823
Disposals	-
Balance at September 30, 2019	\$ 504,352
Carrying amounts	
At December 31, 2018	\$ 614,252
At September 30, 2019	\$ 567,830

11. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares and preferred shares, without par value

Share Issuances

2019

A total of 37,500,000 common shares were issued at a price of \$0.075 per share in connection with the Netcoins acquisition (Note 3) during the period ended September 30, 2019.

2018

During the nine-month period ended September 30, 2018, the Company:

- (i) issued 319,059 common shares for the exercise of stock options. The Company received proceeds of \$62,847 and re-classified \$52,200 from equity reserves to share capital upon exercise; and
- (ii) issued 3,966,572 common shares for the exercise of warrants. The Company received proceeds of \$648,635 and re-classified \$50,736 from equity reserves to share capital upon exercise.

Share purchase warrants

The Company may issue share purchase warrants to acquire its common shares either in combination with share offerings, or on a stand-alone basis to its consultants and advisors. The terms of warrants issued are determined by the Company's Board of Directors.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Expressed in Canadian dollars
(Unaudited)
For the Nine Months ended September 30, 2019



11. SHARE CAPITAL (cont'd...)

Share purchase warrant transactions are summarized for the nine months ended September 30, 2019 and the year ended December 31, 2018.

	For the Nine Months Ended September 30, 2019		For the Year Ended December 31, 2018	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Opening balance	1,704,650	\$ 0.21	6,709,555	\$ 0.17
Exercised	-	-	(3,966,572)	0.16
Expired	-	-	(1,038,333)	0.15
Ending balance	1,704,650	\$ 0.21	1,704,650	0.21
Warrants exercisable	1,704,650	\$ 0.21	1,704,650	0.21

As at September 30, 2019 and December 31, 2018 the following share purchase warrants were outstanding:

	Expiry Date	Exercise Price	September 30, 2019	December 31, 2018	Weighted Average Remaining Contractual Life
Warrants	March 11, 2020	\$ 0.21	1,704,650	1,704,650	0.45 years

Performance-based share purchase warrants

On May 31, 2016, the Company granted an aggregate 12,000,000 performance warrants to directors, officers and employees at an exercise price of \$0.15 per share with an expiration date of December 31, 2022.

On July 25, 2017, the number of issued and outstanding performance warrants was increased from 12,000,000 to 13,000,000 and the terms were amended by reducing the exercise prices from \$0.15 to a range of Nil to \$0.01 per share for the first three tranches comprised of 8,000,000 performance warrants and from \$0.15 to \$0.07 per share for the final two tranches comprised of 5,000,000 performance warrants.

On November 16, 2017, the exercise prices for the first three tranches comprising an aggregate 8,000,000 performance warrants were amended from a range of Nil to \$0.01 to Nil to \$0.02 per share. Prior to completion of the reverse take-over transaction (the "Transaction") a total of 5,500,000 performance warrants were exercised for proceeds of \$110,000.

Upon closing of the Transaction, each outstanding performance warrant of BTGI became exercisable into the number of common shares of the Company based on the exchange ratio of 1.3395 and the exercise price of each outstanding performance warrant was decreased by the same exchange ratio. A total of 2,500,000 performance warrants were converted into 3,348,750 common shares of the Company for no further consideration.

The performance warrants are subject to vesting upon the achievement of certain milestones by certain dates, as set out below:

Milestone	On or before	No. of Performance Warrants	Exercise price of vested Performance Warrants	No. of Performance Warrants vested	No. of Performance Warrants exercised
1 Upon completion of product - QLUÉ 1.0	December 31, 2016	3,348,750	\$ 0.01	3,348,750	3,348,750
2 Upon filing of software patent	June 30, 2017	3,348,750	\$ 0.01	3,348,750	3,348,750
3 Upon signing of first government contract	August 31, 2017	4,018,500	Nil	4,018,500	4,018,500
4 Upon completion of BitRank product	October 31, 2017	2,679,000	\$ 0.05	2,679,000	-
5 Upon completion of global network	December 31, 2017	4,018,500	\$ 0.05	4,018,500	-
		17,413,500		17,413,500	10,716,000

11. SHARE CAPITAL (cont'd...)

Stock options

The Company adopted an incentive stock option plan (the “Option Plan”) which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to ten years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

Stock option transactions are summarized for the nine months ended September 30, 2019 and the year ended December 31, 2018. At closing of the reverse acquisition transaction on November 30, 2017, each outstanding stock option of BTGI became exercisable into the number of common shares of the Company based on the exchange ratio of 1.3395 on the Transaction and the exercise price of each outstanding stock option was decreased by the same exchange ratio. The number of stock options outstanding and the exercise prices have been adjusted retrospectively to show the effect of this adjustment.

	For the Nine Months ended September 30, 2019		For the Year ended December 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	11,502,979	\$ 0.42	7,569,525	\$ 0.49
Granted	6,952,500	0.08	4,851,225	0.26
Exercised	-	-	(339,059)	0.19
Expired	(3,347,780)	0.43	(200,925)	0.25
Forfeited/Cancelled	(3,005,499)	0.74	(377,787)	0.19
Ending balance	12,102,200	\$ 0.14	11,502,979	\$ 0.42
Options exercisable	9,684,623	\$ 0.16	8,797,114	\$ 0.49

Weighted Average Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Weighted Average Remaining Contractual Life
\$ 0.15	August 1, 2021	312,500	312,500	1.84 years
\$ 0.15	February 1, 2022	803,700	803,700	2.34 years
\$ 0.19	August 7, 2022	133,950	117,206	2.85 years
\$ 0.26	October 2, 2022	145,776	145,776	3.01 years
\$ 0.19	October 11, 2022	649,720	649,720	3.03 years
\$ 0.26	October 19, 2022	1,451,304	1,451,304	3.05 years
\$ 0.20	September 12, 2023	2,480,250	2,480,250	3.95 years
\$ 0.10	December 20, 2023	465,000	407,500	4.22 years
\$ 0.08	August 8, 2024	4,000,000	3,000,000	4.86 years
\$ 0.08	August 13, 2024	1,660,000	316,667	4.87 years
		12,102,200	9,684,623	

11. SHARE CAPITAL (cont'd...)

Stock options (cont'd...)

Share-based compensation

During the nine months ended September 30, 2019, the Company recorded share-based compensation totaling \$476,951 (September 30, 2018 - \$722,700) in relation to the stock options, which was expensed as share-based compensation in operations.

The fair value of stock options was estimated on the measurement date using the Black-Scholes option-pricing model and amortized over the vesting period of the underlying options. The assumptions used to calculate the fair value were as follows:

	Nine Months Ended September 30, 2019	Year Ended December 31, 2018
Share price at measurement date	\$0.08	\$0.09 to \$0.78
Risk-free interest rate	1.23 to 1.47%	1.92 to 2.25%
Exercise Price	\$0.08	\$0.10 to \$2.20
Expected life of options	2 to 5 years	1 to 5 years
Expected volatility	174 - 175%	195 - 230%
Forfeiture rate	Nil	Nil
Dividend yield	Nil	Nil

Escrowed Shares and Warrants

As of the date of the reverse acquisition transaction that took place on November 30, 2017, 29,223,645 common shares and 6,787,023 share purchase warrants of the Company were subject to an escrow agreement dated November 30, 2017 pursuant to which 10% were released upon closing of the share exchange agreement, and an additional 15% will be released every six months thereafter for a period of 36 months. At September 30, 2019, 13,150,642 common shares and 3,054,161 share purchase warrants remained in escrow.

12. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities.

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

	For the Nine Months ended September 30,	
	2019	2018
Consulting fees	\$ 61,250	\$ 44,500
Director's fees	9,192	6,000
Wages (included in Research and Development costs)	124,370	119,167
Wages	833,811	555,848
Share-based compensation	252,984	287,300
Total	\$ 1,281,607	\$ 1,012,815

As at September 30, 2019 accounts payable due to related parties were \$20,562 (December 31, 2018 - \$36,365).

13. 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 cash equivalents 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.

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 cryptocurrency 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 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, the risks of which are discussed in Note 1 above.

Market risk

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

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Market risk (cont'd...)

iii. Commodity and Equity price risk

Commodity and equity price risk arises from market fluctuations in commodity and 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 equity 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.

14. 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 efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash on deposit in interest bearing Canadian chartered bank accounts. Some cash is kept on deposit with fiat to cryptocurrency 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.

15. SEGMENTED INFORMATION

The Company operates two business segments: blockchain technology development and digital currency sales via the Netcoins virtual ATMs.

The summarized financial information for revenue derived by geographic segment is as follows:

	For the Nine Months ended September 30,			
	2019		2018	
	Blockchain	Netcoins	Blockchain	Netcoins
Total revenues:				
Canada	\$ 35,913	\$ 8,828,317	\$ (703)	\$ -
China	23,439	-	-	-
Japan	663	-	-	-
Germany	2,643	-	1,278	-
Singapore	8,901	-	-	-
Nigeria	2,075	-	-	-
South Africa	1,052	-	-	-
Switzerland	939	-	55,544	-
United Kingdom	3,195	-	-	-
United States	50,900	-	8,272	-
Other	12,204	-	3,950	-

16. SUBSEQUENT EVENTS

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; and,
- (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.

- (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.