



**BIGG DIGITAL ASSETS INC.**

**Condensed Consolidated Interim Financial Statements  
For the Nine Months ended September 30, 2022 and 2021**

**(Expressed in Canadian dollars)**

### **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of BIGG Digital Assets Inc. as at September 30, 2022 and 2021, notes to unaudited condensed consolidated interim financial statements and related Management's Discussion and Analysis have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the CPA Canada for a review of interim financial statements by an entity's auditor.

**BIGG DIGITAL ASSETS INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
Expressed in Canadian dollars



As at	Note	September 30, 2022 <i>(Unaudited)</i>	December 31, 2021 <i>(Audited)</i>
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 4,231,682	\$ 31,846,032
Restricted cash	4	7,344,722	6,948,310
Accounts and other receivables		3,520,298	2,962,740
Investment tax credits receivable		175,325	175,325
Digital currency inventory	5	53,093,848	92,364,080
Prepays		593,975	764,798
<b>Total current assets</b>		<b>68,959,850</b>	<b>135,061,285</b>
<b>Digital currencies</b>	6	<b>7,699,512</b>	<b>16,758,928</b>
<b>Investments</b>	7	<b>2,231,878</b>	<b>862,679</b>
<b>Investment in TerraZero</b>	8	<b>8,384,004</b>	<b>-</b>
<b>Intangible assets</b>	9	<b>131,056</b>	<b>329,699</b>
<b>Goodwill</b>	9	<b>1,071,851</b>	<b>1,071,851</b>
<b>Right-of-use asset</b>	10	<b>31,565</b>	<b>55,207</b>
<b>Equipment</b>	12	<b>444,465</b>	<b>257,802</b>
<b>Total assets</b>		<b>\$ 88,954,181</b>	<b>\$ 154,397,451</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	13, 15	\$ 1,775,604	\$ 2,132,035
Income tax payable		153,410	153,410
Contract liability		349,634	279,715
Customer deposits – cash		7,262,222	6,866,810
Customer deposits – digital currency		45,801,375	75,956,782
Lease liability	11	27,873	25,620
<b>Total current liabilities</b>		<b>55,370,118</b>	<b>85,414,372</b>
<b>Non-Current liabilities</b>			
Lease liability	11	14,669	35,939
<b>Total liabilities</b>		<b>55,384,787</b>	<b>85,450,311</b>
<b>Equity</b>			
Share capital	14	97,417,065	96,091,693
Advance share subscriptions	14	-	4,000
Equity reserves	14	13,197,703	12,196,305
Accumulated other comprehensive income		(4,260,216)	4,698,975
Deficit		(72,785,158)	(44,043,833)
<b>Total equity</b>		<b>33,569,394</b>	<b>68,947,140</b>
<b>Total liabilities and equity</b>		<b>\$ 88,954,181</b>	<b>\$ 154,397,451</b>

Going Concern (Note 1)  
Contingent liability (Note 18)  
Subsequent events (Note 20)

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.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**  
**(Unaudited)**  
**Expressed in Canadian dollars**



	Three months ended		Nine months ended	
	Sept 30, 2022	Sept 30, 2021	Sept 30, 2022	Sept 30, 2021
<b>Revenue</b>				
Subscription revenue	\$ 406,037	\$ 278,614	\$ 1,113,160	\$ 662,269
Service revenue	113,215	148,581	442,569	453,946
Transaction revenue (Note 5)	1,003,398	2,197,804	4,723,800	9,728,620
	<b>1,522,650</b>	<b>2,624,999</b>	<b>6,279,529</b>	<b>10,844,835</b>
<b>Cost of sales</b>	<b>70,595</b>	<b>63,574</b>	<b>266,101</b>	<b>144,687</b>
	<b>1,452,055</b>	<b>2,561,425</b>	<b>6,013,428</b>	<b>10,700,148</b>
<b>Expenses</b>				
Advertising and promotion	461,907	1,243,140	5,353,150	4,425,196
Amortization and depreciation (Notes 9,10,12)	78,668	130,050	328,944	425,983
Bad debt	25,934	2,675	25,934	2,675
Business operations expense	113,039	-	1,812,441	-
Consulting (Note 15)	393,820	181,083	764,412	299,642
Director's fees (Note 15)	27,926	37,701	83,779	76,400
Office and administration	703,610	440,251	2,108,193	1,023,797
Professional fees	312,428	239,047	1,423,090	701,733
Regulatory and listing fees	23,846	20,705	60,933	76,438
Research and development	246,292	203,886	666,440	517,019
Share-based compensation (Note 14)	288,733	2,508,606	1,463,263	6,096,023
Shareholder communications	4,589	7,562	12,152	37,113
Travel	47,427	18,377	55,352	17,963
Wages and benefits (Note 15)	1,968,597	1,292,836	5,555,937	3,844,953
<b>Loss from operating activities</b>	<b>(3,244,761)</b>	<b>(3,764,494)</b>	<b>(13,700,592)</b>	<b>(6,844,787)</b>
<b>Other Income (Expenses)</b>				
Interest income	58,594	28,010	118,586	71,970
Foreign exchange gain (loss)	45,130	192,584	59,629	(47,935)
Gain on sale of investments (Note 7)	-	-	145,084	-
Gain on sale of digital currencies	2,426	34,977	2,281	34,977
Loss on sale of digital currency inventory	(213,055)	-	(2,906,498)	-
Unrealized (loss) gain on digital currencies	-	(574)	-	5,360
Unrealized (loss) gain on equity investments (Note 7)	(1,105,841)	495,000	(403,372)	495,000
Unrealized gain (loss) on digital currency inventory	3,121,824	4,041,373	(10,101,566)	3,280,001
Equity loss from investment in associate (Note 8)	(631,049)	-	(1,953,496)	-
Other	(1,381)	-	(1,381)	-
<b>Net loss for the period</b>	<b>\$ (1,968,113)</b>	<b>\$ 1,026,876</b>	<b>\$ (28,741,325)</b>	<b>\$ (3,005,414)</b>
<b>Other comprehensive income (loss)</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Unrealized (losses) gains on digital currencies	352,816	1,313,651	(9,150,441)	2,226,150
Unrealized gain on investment in associate	-	-	195,000	-
<i>Item that may be reclassified to profit or loss</i>				
Currency translation adjustment	(2,065)	(3,432)	(3,750)	3,595
<b>Other comprehensive (loss) income for the period</b>	<b>350,751</b>	<b>1,310,219</b>	<b>(8,959,191)</b>	<b>2,229,745</b>
<b>Comprehensive loss for the period</b>	<b>\$ (1,617,362)</b>	<b>\$ 2,337,095</b>	<b>\$ (37,700,516)</b>	<b>\$ (775,669)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>	<b>\$ (0.12)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>248,494,724</b>	<b>241,684,481</b>	<b>247,707,029</b>	<b>224,708,353</b>

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

**BIGG DIGITAL ASSETS INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited)  
Expressed in Canadian dollars



	Share Capital		Equity Reserves	Revaluation Reserve	Cumulative Translation Adjustment	Deficit	Total
	Number of Shares	Amount					
<b>Balance at December 31, 2020</b>	169,656,805	\$ 41,986,720	\$ 7,080,614	\$ 2,685,161	\$ (6,412)	\$ (36,999,656)	\$ 14,746,427
Shares issued for private placement, net of costs <i>[note 14]</i>	41,394,500	39,794,963	-	-	-	-	39,794,963
Shares issued on warrant exercises	26,078,957	12,506,044	(672,654)	-	-	-	11,833,390
Shares issued on option exercises	5,150,094	1,291,527	(610,038)	-	-	-	681,489
Share issue costs	-	(32,820)	-	-	-	-	(32,820)
Share-based compensation	-	-	6,096,023	-	-	-	6,096,023
Loss for the year	-	-	-	-	-	(3,005,414)	(3,005,414)
Other comprehensive income	-	-	-	2,226,150	3,595	-	2,229,745
<b>Balance at September 30, 2021</b>	242,280,956	\$ 95,546,434	\$ 11,893,945	\$ 4,911,311	\$ (2,817)	\$ (40,005,070)	\$ 72,343,804
<b>Balance at December 31, 2021</b>	244,853,494	\$ 96,095,693	\$ 12,196,305	\$ 4,702,564	\$ (3,589)	\$ (44,043,833)	\$ 68,947,140
Shares issued on warrant exercises	1,202,100	374,327	(18,833)	-	-	-	355,494
Advance share subscriptions <i>[note 14]</i>	-	(4,000)	-	-	-	-	(4,000)
Shares issued on option exercises	2,868,108	959,069	(443,032)	-	-	-	516,037
Share issue costs	-	(8,024)	-	-	-	-	(8,024)
Share-based compensation	-	-	1,463,263	-	-	-	1,463,263
Loss for the year	-	-	-	-	-	(28,741,325)	(28,741,325)
Other comprehensive income	-	-	-	(8,955,441)	(3,750)	-	(8,959,191)
<b>Balance at September 30, 2022</b>	248,923,702	\$ 97,417,065	\$ 13,197,703	\$ (4,252,877)	\$ (7,339)	\$ (72,785,158)	\$ 33,569,394

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

**BIGG DIGITAL ASSETS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
Expressed in Canadian dollars



	<b>For the Nine Months Ended</b>	
	<b>September 30, 2022</b>	<b>September 30, 2021</b>
<b>CASH FLOWS (USED IN) OPERATING ACTIVITIES</b>		
Loss for the period	\$ (28,741,325)	\$ (3,005,414)
Restricted cash – customer deposits held in trust	(396,412)	-
Items not involving cash		
Amortization and depreciation	328,944	425,983
Share-based compensation	1,463,263	6,096,023
Foreign exchange gain	(20,580)	(56,674)
Gain on sale of digital currencies	(2,281)	-
Loss on sale of digital currency inventory	2,906,498	-
Gain on sale of investments	(145,084)	(34,977)
Unrealized loss (gain) on equity investments	403,372	(495,000)
Unrealized gain on digital currencies	-	(5,360)
Unrealized loss (gain) on digital currency inventory	10,101,566	(3,280,001)
Equity loss from investment in associate	1,953,496	-
Other	5,128	39,493
Changes in non-cash working capital items:		
Accounts and other receivables	(557,558)	649,032
Prepays	170,823	(90,038)
Accounts payable and accrued liabilities	(356,431)	232,560
Contract liability	69,919	(127,223)
Customer deposits	(29,759,995)	54,970,124
Digital currency inventory	(12,034,993)	(70,146,171)
Net cash used in operating activities	<b>(54,611,650)</b>	<b>(14,827,643)</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
Purchase of equipment	(294,704)	(234,866)
Purchase of investments	(2,070,543)	(451,859)
Purchase of digital currencies	(247,901)	(589,371)
Purchase of intangible asset	-	(181,464)
Investment in associate	(9,882,500)	-
Proceeds from sale of investments	203,635	-
Proceeds from sale of digital currencies	126,136	86,445
Proceeds from sale of digital currency inventory	38,302,012	-
Net cash from (used in) investing activities	<b>26,136,135</b>	<b>(1,371,115)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of common shares	871,531	52,309,842
Advance share subscriptions	(4,000)	-
Share subscriptions receivable	-	-
Share issue costs	(8,024)	(32,821)
Lease payments	(22,765)	(17,487)
Net cash from financing activities	<b>836,742</b>	<b>52,259,534</b>
<b>Change in cash for the period</b>	<b>(27,638,773)</b>	<b>36,060,776</b>
<b>Cash, beginning of period</b>	<b>31,846,032</b>	<b>12,778,242</b>
<b>Effect of foreign exchange on cash</b>	<b>24,423</b>	<b>(8,803)</b>
<b>Cash, end of period</b>	<b>\$ 4,231,682</b>	<b>\$ 48,830,215</b>
<b>Cash paid for interest or taxes</b>	<b>\$ -</b>	<b>\$ -</b>

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

## **1. NATURE AND CONTINUANCE OF OPERATIONS**

BIGG Digital Assets Inc. (the “Company” or “BIGG”), was incorporated on October 17, 2014 under the *Business Corporations Act* (British Columbia). 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 to make the purchase and sale of cryptocurrency easily accessible to the mass consumer and investor with a focus on compliance and safety. The Company’s head office and principal place of business is Suite 1220 - 1130 West Pender Street, Vancouver, BC, Canada.

The Company has \$28,741,325 net loss during the period and accumulated deficit of \$72,785,158 during the period. The Company generates revenue and is incurring costs to develop its business.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company has incurred losses and has had negative cash flows from operations since inception that have primarily been funded through financing activities. The Company continues to rely on financing through equity raises or debt instruments to support its operations and expects to do so until the business operates with sufficient cash flows from operations. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

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. The interim condensed consolidated financial statements do not reflect the adjustments to the carrying amounts of assets and liabilities and the reported expenses that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and the related adverse public health developments have adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. Although the market price of most digital currencies has risen since the pandemic began, the extent to which any worsening or continuation of the pandemic may negatively impact the market price of the digital currencies is uncertain and cannot be predicted. The realizable value of assets, as well as the Company’s liquidity and financial condition may be materially affected as a result. The extent of the impact, if any, will depend on future developments, including actions taken to contain COVID-19, the re-opening of economies and any further waves of outbreaks. To date, the impact on the Company has not been significant, due to its services being provided primarily online. The Company has not encountered any slowdowns to business operations. Management continues to monitor the situation.

## **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, 2021. In preparation of these condensed consolidated interim financial statements, the Company has consistently applied the same accounting policies as disclosed in note 3 to the audited consolidated annual financial statements for the year ended December 31, 2021, with the exception of the accounting policy adopted per Note 3 below.

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

a) Statement of Compliance (cont'd...)

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on November 28, 2022.

b) Basis of Measurement

These consolidated 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., QLUE Forensic Systems Inc., CFC Digital Inc., BIG Blockchain Intelligence Group Inc. (Texas), 1208810 B.C. Ltd., Netcoins Inc., NTC Holdings Corp. and Netcoins USA, Inc. The accounts of the subsidiaries are included in the consolidated 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.

**3. CHANGE IN ACCOUNTING POLICY**

**Investments in associates**

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor a joint arrangement.

The Company has significant influence over an entity when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control. The Company's investment in the common shares of TerraZero Technologies Inc. has been treated as an investment in an associate and has been accounted for using the equity method.

Under the equity method, the Company's investment in the common shares of the associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of net income and losses of the associate, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the associate's reserves, and for impairment losses after the initial recognition date. The Company's share of income and losses of the associate is recognized in net income during the period.

Dividends and repayment of capital received from an associate are accounted for as a reduction in the carrying amount of the Company's investment. Intercompany balances and interest expense and income arising on loans and borrowings between the Company and its associates are not eliminated.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating there is a measurable decrease in the estimated future cash flows of the investee's operations. When there is objective evidence that an investment is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less costs of disposal and value-in-use. If the recoverable amount of an investment is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period in which the relevant circumstances are identified. When an impairment loss reverses in a subsequent period, the carrying amount of the investment is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in net income in the period in which the reversal occurs.

#### 4. RESTRICTED CASH

	September 30, 2022	December 31, 2021
TD GIC – Visa credit lines	\$ 82,500	\$ 82,500
Customer cash deposits held in trust	6,960,073	6,865,810
Self-insurance on customer cash deposits held in trust	302,149	-
	<u>\$ 7,344,722</u>	<u>\$ 6,948,310</u>

At September 30, 2022, the Company held restricted cash of:

- a) \$82,500 (December 31, 2021 - \$82,500) in a Guaranteed Investment Certificate (GIC), at an interest rate of 2.75% with a maturity date of December 19, 2022, pursuant to a demand operating facility agreement with the Toronto-Dominion Bank, to support Visa credit lines of \$75,000; and
- b) \$7,262,222 comprised of \$6,960,073 (December 31, 2021- \$6,865,810) in customer cash deposits, representing the aggregate customer cash holdings on deposit in the Netcoins App, and \$302,149 (December 31, 2021- \$Nil) of self-insurance coverage on customer deposits, which are held in trust with Concentra Trust.

#### 5. DIGITAL CURRENCY INVENTORY

The Company holds digital currencies as inventory as follows:

	September 30, 2022	December 31, 2021
Bitcoin	\$ 20,760,869	\$ 45,173,663
Ethereum	13,321,949	30,650,535
XRP	11,661,738	10,532,912
USDC	1,476,947	1,812,786
LTC	907,320	1,627,605
XLM	784,038	1,104,671
BCH	495,536	853,510
ALGO	337,709	359,780
EOS	120,409	177,133
AVAX	291,872	-
SHIB	540,458	-
Other digital currencies	2,395,003	71,485
	<u>\$ 53,093,848</u>	<u>\$ 92,364,080</u>

During the period ended September 30, 2022, total proceeds from digital currency inventory sold were \$344,442,766 and the total cost of digital currency inventory sold was \$339,718,966 resulting in a net revenue from digital currency sales of \$4,723,800 (2021 - \$9,728,620).

At September 30, 2022, customer digital currency deposits totalled \$45,801,375 (December 31, 2021 - \$75,956,782). Netcoins float for operations was \$7,292,473 (December 31, 2021 - \$16,407,298).

**BIGG DIGITAL ASSETS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
Expressed in Canadian dollars  
(Unaudited)  
For the Nine Months ended September 30, 2022



**6. DIGITAL CURRENCIES**

The Company holds digital currencies as investments as follows:

		Bitcoin	Solarcoin	Bitcoin Cash	Bitcoin Gold	Bitcoin SV	Lumen	USDT	USDC	XDC	Other
<b>Balance, December 31, 2020</b>	<b>\$ 3,827,003</b>	<b>103.22</b>	<b>25,916.45</b>	<b>21.47</b>	<b>25.20</b>	<b>24.96</b>	<b>524.40</b>	-	-	-	-
Digital currencies purchased or received <sup>(i)</sup>	10,935,199	179.65	-	0.06	-	27.92	5.53	94,493.27	-	1,202,359.53	14.77
Traded for cash or digital currencies <sup>(ii)</sup>	(85,106)	(0.08)	-	-	-	-	-	(1,058.43)	-	(682,618.86)	-
Used for research and development <sup>(iii)</sup>	-	-	-	-	-	-	-	-	-	-	-
Gain on sale of digital currencies <sup>(iv)</sup>	34,977	-	-	-	-	-	-	-	-	-	-
Revaluation of digital currencies <sup>(iv)</sup>	2,046,855	-	-	-	-	-	-	-	-	-	-
<b>Balance, December 31, 2021</b>	<b>\$ 16,758,928</b>	<b>282.79</b>	<b>25,916.45</b>	<b>21.53</b>	<b>25.20</b>	<b>52.88</b>	<b>529.93</b>	<b>93,434.84</b>	-	<b>519,740.67</b>	<b>14.77</b>
Digital currencies purchased or received <sup>(i)</sup>	247,901	1.99	-	-	-	-	-	14,090.36	11,637.21	1,860,569.00	4.12
Traded for cash or digital currencies <sup>(ii)</sup>	(168,709)	-	-	-	-	(27.92)	-	(106,890.20)	(8,816.00)	(140,000.00)	(5.59)
Used for research and development <sup>(iii)</sup>	(2,518)	0.06	-	(0.06)	-	-	-	(635.00)	-	-	-
Loss on sale of digital currencies <sup>(iv)</sup>	2,281	-	-	-	-	-	-	-	-	-	-
Revaluation of digital currencies <sup>(iv)</sup>	(9,138,371)	-	-	-	-	-	-	-	-	-	-
<b>Balance, September 30, 2022</b>	<b>\$ 7,699,512</b>	<b>284.73</b>	<b>25,916.45</b>	<b>21.48</b>	<b>25.20</b>	<b>24.96</b>	<b>529.93</b>	-	<b>2,821.21</b>	<b>2,240,309.67</b>	<b>13.30</b>

- (i) During the period ended September 30, 2022, the Company purchased or received 1.99 Bitcoin valued at \$85,170 (2021 – 132.11 Bitcoin valued at \$7,015,571), 14,090.36 USDT valued at \$17,550 (2021 – 65,585.08 valued at \$84,911), 4.12 ETH valued at \$16,234 (2021 – Nil), 11,637.21 USDC valued at \$15,177 (2021 – Nil) and 1,860,569 XDC valued at \$113,770 (2021 - Nil). In the same period of the prior year, the Company received 27.92 Bitcoin SV valued at \$7,526.
- (ii) During the period ended September 30, 2022, the Company exchanged digital currencies for cash and other services as follows: 27.92 Bitcoin SV valued at \$6,719; 140,000.00 XDC valued at \$12,464 were exchanged for 7,404.81 USDT valued at \$7,414; 107,525.20 USDT for proceeds of \$137,949; and a loss of \$145 was recorded on the write-down of the Company’s Solarcoin holdings. During the same period of the prior year, the Company disposed of 0.08 BTC valued at \$5,612, 1,058.43 USDT valued at \$1,074, 20,000 XDC valued at \$51,468. In addition, 425,000.65 XDC valued at \$82,594.17 were exchanged for 64,760.08 USDT valued at \$82,511.
- (iii) During the period ended September 30, 2022, the Company used 0.06 Bitcoin valued at \$2,494, 0.06 BCH valued at \$24, and 635 USDT valued at \$817 for research and development testing. In the same period of prior year, the Company did not use any digital currencies for research and development testing.
- (iv) Digital currencies held are revalued each reporting period based on the fair market value of the price of the digital currencies on the reporting date. As at September 30, 2022, a revaluation loss of \$9,138,371 was recorded to other comprehensive income. In the prior year, the Company recorded a revaluation gain of \$1,507,970.

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**7. INVESTMENTS**

At September 30, 2022 and December 31, 2021, the Company held the following equity investments:

	September 30, 2022				December 31, 2021			
	Shares #	Warrants #	Cost \$	Fair Value \$	Shares #	Warrants #	Cost \$	Fair Value \$
LQwD FinTech Corp.	286,000	143,000	100,100	22,884	286,000	143,000	100,100	127,120
Luxxfolio Holdings Inc.	12,772,000	12,500,000	2,070,542	1,934,855	-	-	-	-
TerraZero Technologies Inc.	-	-	-	-	650,000	-	200,000	260,000
WonderFi Technologies Inc.	-	-	-	-	100,000	-	40,000	222,000
ZenLedger Inc.	70,062	-	251,859	274,139	70,062	-	251,859	253,559
Totals	13,128,062	12,643,000	2,422,501	2,231,878	1,106,062	143,000	591,959	862,679

During the period ended September 30, 2022, the Company investments were as follows:

- a total of 286,000 units of LQwD FinTech Corp. (“LQwD”) at a cost of \$100,100. Each unit is comprised of one common share of LQwD and one half of one share purchase warrant. Each whole share purchase warrant entitles the Company to acquire an additional common share of LQwD at a price of \$0.50 for until October 28, 2023. LQwD, a publicly traded company listed on the TSX Venture Exchange under the symbol LQWD, is Lightning Network, layer-two software developer. At September 30, 2022 and December 31, 2021, it was related via a director in common;
- an aggregate 12,772,000 common shares and 12,500,000 share purchase warrants of Luxxfolio Holdings Inc. (“Luxxfolio”) at a cost of \$2,070,542. The Company acquired a total of 367,000 common shares at prices ranging from \$0.18 to 0.22 per common share, disposed of 95,000 common shares for proceeds of \$18,595 and realized a gain of \$44. The Company then participated in a non-brokered private placement to acquire 12,500,000 units of Luxxfolio. Each unit is comprised of one common share of Luxxfolio and one share purchase warrant which entitles the Company to acquire an additional common share of Luxxfolio at a price of \$0.21 until June 8, 2024. Luxxfolio, a publicly traded company listed on the Canadian Securities Exchange, is a vertically integrated digital asset company operating an industrial scale cryptocurrency mining facility in the United States powered primarily by renewable energy and focus on Bitcoin mining and generating digital assets on the blockchain ecosystem. Subsequent to September 30, 2022, the Company disposed of its holdings in Luxxfolio (see Note 20(b));
- an aggregate 14,650,000 common shares, 2,000,000 share purchase warrants and 1,650,000 preferred shares of TerraZero Technologies Inc. (“TerraZero”) at a cost of \$10,082,500. TerraZero is a private Canadian company involved in developing, acquiring and financing entities, entrepreneurs and developers actively engaged in the Metaverse. On February 9, 2022, the Company increased its stake in TerraZero, acquiring an additional 14 million common shares and 2 million warrants at a cost of \$9.8 million. On September 7, 2022, the Company purchased 1,650,000 preferred shares at a cost of \$85,000. At September 30, 2022, the Company held a 30.79% stake in TerraZero and applied the equity method of accounting for its investment (Notes 3 and 8);
- nil common shares of WonderFi Technologies Inc. (formerly Defi Ventures Inc.) (“WonderFi”). During the year ended December 31, 2021, the Company acquired an aggregate 500,000 common shares at a cost of \$200,000, sold 400,000 common shares for total proceeds of \$778,857, realizing a gain of \$618,857 on the sale. During the period ended September 30, 2022, the Company sold the remaining 100,000 common shares of WonderFi for total proceeds of \$185,040, realizing a gain of \$145,040. WonderFi Technologies Inc., a publicly traded company, listed on the NEO Exchange under the symbol WNDR, is involved in decentralized finance; and,
- a total of 70,062 shares of Series A preferred stock in ZenLedger, Inc. (“ZenLedger”) at a cost of \$251,859 (USD\$199,999). The valuation of the ZenLedger securities, which are unlisted, has been measured using the market approach which was unchanged. During the period ended September 30, 2022, a foreign exchange gain of \$20,580 (December 31, 2021- gain of \$1,700) was recorded. ZenLedger, Inc., a US-based company, is a leading cryptocurrency tax platform.

The Company records its investments as fair value through profit and loss (“FVTPL”). During the period ended September 30, 2022, the Company recorded a loss of \$403,372 (December 31, 2021 – gain of \$269,020) on revaluation of its securities to their fair market value.

## 8. INVESTMENT IN TERRAZERO

The investment in TerraZero Technologies Inc. is comprised of:

	Investment in Associate	Warrants	Total
	\$	\$	\$
Balance at December 31, 2021	-	-	-
Investment	9,347,072	990,428	10,337,500
Equity loss on investment in associate	(1,953,496)	-	(1,953,496)
Balance at September 30, 2022	7,393,576	990,428	8,384,004

At December 31, 2021, the Company held an aggregate 650,000 common shares of TerraZero at a cost of \$200,000 and fair value of \$260,000.

On February 9, 2022, the Company acquired an additional 14 million common shares and 2 million warrants, exercisable at \$0.90 per warrant share for a period of five years, at a cost of \$9,800,000. On September 7, 2022, the Company acquired 1,650,000 preferred shares at a cost of \$82,500. This brought the Company's equity stake in TerraZero to 14,650,000 common shares, 2 million warrants and 1,650,000 preferred shares at an aggregate cost of \$10.08 million – representing 30.79% of TerraZero's issued and outstanding shares.

The Company applies equity accounting to the investment in the common shares of TerraZero as the Company has significant influence over TerraZero due to the Company's share ownership and representation on TerraZero's Board of Directors. As a result, the investment is recognized at cost with the carrying amount of the investment increasing or decreasing at each reporting period to recognize the Company's share of the profit or loss of TerraZero for the particular period.

As the Company previously held an investment in TerraZero, the cost of the investment is determined as the fair value of the original investment at the date that significant influence was achieved plus the consideration paid for the additional equity stake. A revaluation gain on the original investment of \$195,000 (2021 - \$Nil) was recorded in other comprehensive income.

The warrants are measured at fair value through other comprehensive income. The Company used the Black-Scholes option pricing model to calculate the fair value of the warrants held in TerraZero. The Company used the following weighted average assumptions to fair value the warrants:

Share price at measurement date	\$0.70
Risk-free interest rate	1.68%
Exercise Price	\$0.90
Expected life of options	5 years
Expected volatility	115.62%
Dividend yield	Nil

TerraZero is a private company is a private Canadian company involved in developing, acquiring and financing entities, entrepreneurs and developers actively engaged in the Metaverse. No quoted market prices are available for its shares. It has a December 31 year-end, the same as the Company. At September 30, 2022, there were no mutual transactions outside of the Company's equity investment into TerraZero.

The assets and liabilities of TerraZero as at September 30, 2022 are summarized in the following table:

	September 30, 2022
	\$
Current assets	9,825,388
Non-current assets	1,290,683
Total assets	11,116,071
Current liabilities	(259,072)
Net assets	10,856,999
Company's equity share of net assets	3,342,348
Loss and comprehensive loss for the nine months ended September 30, 2022	(6,513,566)
Company's share of loss and comprehensive loss for period of February 9 to September 30, 2022	(1,953,496)

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**9. GOODWILL & INTANGIBLE ASSETS**

	<b>LMS Platform</b>	<b>Netcoins App</b>	<b>Netcoins.com</b>	<b>Subtotal – Intangible Assets</b>	<b>Goodwill</b>	<b>Total</b>
<b>Cost</b>						
December 31, 2020 and 2019	\$ 129,972	\$ 882,000	\$ -	\$ 1,011,972	\$ 1,071,851	\$ 2,083,823
Additions	-	-	181,464	181,464	-	181,464
September 30, 2022 and December 31, 2021	129,972	882,000	181,464	1,193,436	1,071,851	2,265,287
<b>Amortization</b>						
December 31, 2020	90,259	416,500	-	506,759	-	506,759
Additions	39,713	294,000	23,265	356,978	-	356,978
December 31, 2021	129,972	710,500	23,265	863,737	-	863,737
Additions	-	171,500	27,143	198,643	-	198,643
September 30, 2022	129,972	882,000	50,408	1,062,380	-	1,062,380
December 31, 2021	\$ -	\$ 171,500	\$ 158,199	\$ 329,699	\$ 1,071,851	\$ 1,401,550
September 30, 2022	\$ -	\$ -	\$ 131,056	\$ 131,056	\$ 1,071,851	\$ 1,202,907

During the year ended December 31, 2021, the Company recognized \$181,464 (2020 - \$Nil) as an intangible asset, comprising the Netcoins.com domain, acquired from a third-party, which will be amortized on a straight-line basis over a period of five years representing the estimated useful life of the intangible asset.

During the year ended December 31, 2019, the Company recognized \$882,000 as an intangible asset comprising the Netcoins App upon the acquisition of Netcoins Inc. The Netcoins App was amortized on a straight-line basis over a period of three years representing the estimated useful life of the intangible asset.

Goodwill of \$1,071,851 was recorded in connection with the Netcoins acquisition, attributable to the workforce and the highly specialized nature of the acquired business, and is not deductible for tax purposes.

Amortization of intangible assets for the period ended September 30, 2022 was \$198,643 (2021 - \$173,633).

**10. RIGHT-OF-USE ASSET**

At September 30, 2022, the right-of-use asset is an office lease entered into by the Company commencing March 1, 2021, which terminates on February 29, 2024. The right-of-use asset is amortized over the shorter of the asset's useful life and the lease term on a straight-line basis.

	<b>Office Operating Lease</b>
Balance at December 31, 2020	\$ -
Additions	81,475
Depreciation	(26,268)
Balance at December 31, 2021	\$ 55,207
Additions	-
Depreciation	(23,641)
Balance at September 30, 2022	\$ 31,565

**11. LEASE LIABILITIES**

The lease liability is measured at the present value of the lease payments and discounted using the Company's incremental borrowing rate of 8%. Lease liabilities are recorded as follows:

	<b>Office Operating Lease</b>
Balance at December 31, 2020	\$ -
Additions	81,475
Lease payments	(24,981)
Interest expense on lease liability	5,065
Balance at December 31, 2021	\$ 61,559
Additions	-
Lease payments	(22,765)
Interest expense on lease liability	3,748
Balance at September 30, 2022	\$ 42,542
Non-current	\$ 14,669
Current	\$ 27,873

**12. EQUIPMENT**

<b>Cost</b>	<b>Total</b>
<b>Balance at December 31, 2020</b>	<b>\$ 1,063,078</b>
Additions	260,996
Disposals	(5,100)
<b>Balance at December 31, 2021</b>	<b>\$ 1,318,974</b>
Additions	294,704
Disposals	-
<b>Balance at September 30, 2022</b>	<b>\$ 1,613,678</b>
<b>Depreciation</b>	
<b>Balance at December 31, 2020</b>	<b>\$ 900,840</b>
Disposals	(525)
Depreciation for the period	160,857
<b>Balance at December 31, 2021</b>	<b>\$ 1,061,172</b>
Disposals	1,381
Depreciation for the period	106,660
<b>Balance at September 30, 2022</b>	<b>\$ 1,169,213</b>
<b>Carrying amounts</b>	
<b>At December 31, 2021</b>	<b>\$ 257,802</b>
<b>At September 30, 2022</b>	<b>\$ 444,465</b>

**13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Accounts payable	\$ 1,102,214	\$ 1,032,383
Accrued liabilities	512,500	663,278
Payroll liabilities	160,890	436,374
	<b>\$ 1,775,604</b>	<b>\$ 2,132,035</b>

## 14. SHARE CAPITAL

### Authorized share capital

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

### Share Issuances

#### 2022

During the period ended September 30, 2022, the Company:

- (i) issued an aggregate 2,868,108 common shares upon the exercise of options for gross proceeds of \$516,037, and recorded a reduction of \$4,000 in advance share subscriptions for stock options received in December 2021; and,
- (ii) issued an aggregate 1,202,100 common shares upon the exercise of share purchase warrants for gross proceeds of \$355,494.

#### 2021

During the period ended September 30, 2021, the Company:

- (i) issued an aggregate 5,150,694 common shares upon the exercise of options for gross proceeds of \$681,488;
- (ii) issued an aggregate 26,078,957 common shares upon the exercise of share purchase warrants for gross proceeds of \$11,669,891;
- (iii) closed a bought deal short-form prospectus offering for gross aggregate proceeds of \$13,797,378, including the subsequent partial exercise of the over-allotment option. A total of 27,594,500 units were issued, with each unit comprising one common share and one one-half share purchase warrant. Each full warrant entitles the holder thereof to acquire one additional common share of the Company at a price of \$0.70 for a period of 24 months from closing of the offering. The units issued under the offering were offered by way of a short form prospectus dated January 21, 2021 filed in each of the provinces of Canada (other than Québec). The offering was conducted by a syndicate of underwriters led by PI Financial Corp. and included Canaccord Genuity Corp. and Echelon Wealth Partners (collectively, the “Underwriters”). The Underwriters received cash fees of \$827,843, equal to 6% of the gross proceeds of the offering. The Company also paid the Underwriters other related expenses of \$66,688; and
- (iv) closed a second bought deal public offering, via a syndicate of underwriters led by PI Financial Corp. and including Canaccord Genuity Corp., and Echelon Wealth Partners, pursuant to which the underwriters purchased 13,800,000 units of the Company at a price of \$2.10 per unit for gross proceeds of \$28,980,000. Each unit was comprised of one common share and one-half common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share at a price of \$2.70 for a period of 24 months following the closing of the offering. The units were offered by way of short form prospectus in each of the provinces of Canada (other than Quebec). The Underwriters received cash fees of \$1,738,800, equal to 6% of the gross proceeds of the offering. The Company also paid the Underwriters other related expenses of \$88,006.

### 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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**14. SHARE CAPITAL (cont'd...)**

**Share purchase warrants (cont'd...)**

Share purchase warrant transactions are summarized for the period ended September 30, 2022 and year ended December 31, 2021.

	For the Nine Months Ended September 30, 2022		For the Year Ended December 31, 2021	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Opening balance	12,094,656	\$ 1.76	17,889,238	\$ 0.29
Issued	-	-	20,700,000	1.37
Exercised	(1,202,100)	0.30	(26,494,582)	0.46
Expired	-	-	-	-
Ending balance	10,892,916	\$ 1.92	12,094,656	\$ 1.76
Warrants exercisable	10,892,916	\$ 1.92	12,094,656	\$ 1.76

As at September 30, 2022 and December 31, 2021, the following share purchase warrants were outstanding:

	Expiry Date	Exercise Price	September 30, 2022	December 31, 2021	Weighted Average Remaining Contractual Life
Warrants	November 30, 2022	\$ 0.30	676,653	1,793,153	0.17 years
Broker Warrants	November 30, 2022	\$ 0.24	227,713	312,953	0.17 years
Warrants	January 28, 2023	\$ 0.70	1,360,550	1,360,550	0.33 years
Warrants	February 5, 2023	\$ 0.70	1,800,000	1,800,000	0.35 years
Warrants	April 16, 2023	\$ 2.70	6,828,000	6,828,000	0.54 years
			10,892,916	12,094,656	

**Performance-based share purchase warrants**

Performance share purchase warrant transactions are summarized for the period ended September 30, 2022 and year ended December 31, 2021.

	For the Nine Months Ended September 30, 2022		For the Year Ended December 31, 2021	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Opening balance	4,777,750	\$ 0.05	6,697,500	\$ 0.05
Exercised	-	-	(1,919,750)	0.05
Ending balance	4,777,750	\$ 0.05	4,777,750	\$ 0.05
Performance Warrants exercisable	4,777,750	\$ 0.05	4,777,750	\$ 0.05

As at September 30, 2022 and December 31, 2021, the following performance-based share purchase warrants granted to directors, officers and employees were outstanding:

	Expiry Date	Exercise Price	September 30, 2022	December 31, 2021	Weighted Average Remaining Contractual Life
Performance Warrants	December 31, 2022	\$0.05	4,777,750	6,697,500	0.25 years

**14. 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, 2022 and year ended December 31, 2021.

	For the Nine Months Ended September 30, 2022		For the Year ended December 31, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	16,226,982	\$ 0.76	12,046,926	\$ 0.14
Granted	2,755,000	0.48	11,945,000	1.18
Exercised	(2,868,108)	0.18	(5,298,694)	0.13
Expired	(1,281,250)	1.15	(158,750)	0.12
Forfeited/cancelled	(176,250)	1.43	(2,307,500)	1.13
Ending balance	14,656,374	\$ 0.78	16,226,982	\$ 0.76
Options exercisable	10,407,624	\$ 0.74	10,915,732	\$ 0.51

Weighted Average Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Weighted Average Remaining Contractual Life
\$ 0.26	October 19, 2022	355,124	355,124	0.05 years
\$ 1.40	July 13, 2023	25,000	25,000	0.78 years
\$ 0.20	September 12, 2023	415,000	415,000	0.95 years
\$ 0.10	December 20, 2023	200,000	200,000	1.22 years
\$ 0.08	August 8, 2024	1,500,000	1,500,000	1.86 years
\$ 0.08	August 13, 2024	653,750	653,750	1.87 years
\$ 0.08	January 14, 2025	140,000	140,000	2.29 years
\$ 0.08	July 27, 2025	520,000	520,000	2.82 years
\$ 0.75	February 5, 2026	4,015,000	4,015,000	3.35 years
\$ 1.75	March 3, 2026	1,275,000	1,275,000	3.42 years
\$ 3.00	April 22, 2026	145,000	97,500	3.56 years
\$ 1.40	July 13, 2026	2,060,000	1,036,250	3.79 years
\$ 1.60	November 2, 2026	647,500	175,000	4.09 years
\$ 0.50	June 8, 2027	1,855,000	-	4.69 years
\$ 0.45	September 1, 2027	850,000	-	4.92 years
		14,656,374	10,407,624	

**Share-based compensation**

During the nine months period ended September 30, 2022, the Company recorded share-based compensation totaling \$1,463,263 (2021 - \$6,096,023) 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:

**14. SHARE CAPITAL (cont'd...)**

**Share-based compensation (cont'd...)**

	<b>For the Nine Months Ended September 30, 2022</b>	<b>Year Ended December 31, 2021</b>
Share price at measurement date	\$0.38 to \$2.56	\$0.65 to \$2.56
Risk-free interest rate	0.48 to 3.37%	0.48 to 1.47%
Exercise Price	\$0.45 to \$3.00	\$0.75 to \$3.00
Expected life of options	2 to 5 years	2 - 5 years
Expected volatility	138 – 143%	140 – 143 %
Forfeiture rate	13%	7 %
Dividend yield	Nil	Nil

**15. 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.

	<b>For the Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
Director's fees	\$ 83,779	\$ 76,400
Wages and benefits	724,589	1,263,099
Share-based compensation	629,878	5,283,689
Total	\$ 1,438,246	\$ 6,623,188
Accounts payable due to related parties	\$ 39,647	\$ 18,929
Customer Deposits held on Netcoins App	\$ 228,267	\$ 265,359

**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

All financial and non-financial assets and liabilities measured or disclosed at fair value are categorized into one of three fair value hierarchy levels in accordance with IFRS.

The fair value hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. In certain cases, the inputs used to measure fair value may fall within different levels of the fair value hierarchy. For disclosure purposes, the level in the hierarchy within which an instrument is classified in its entirety is based on the lowest level input that is significant to the fair value measurement. The three levels of the fair value hierarchy are as follows:

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

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability; and;

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

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**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

The following table presents the fair value hierarchy for the Company's assets and liabilities measured at fair value by level as at September 30, 2022 and December 31, 2021:

	September 30, 2022			December 31, 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets</b>						
Inventory	\$ -	\$ 53,093,848	\$ -	\$ -	\$ 92,364,080	\$ -
Digital currencies	-	7,699,512	-	-	16,758,928	-
Investments	1,957,740	-	274,139	349,120	-	513,559
Investment in TerraZero	-	-	8,384,004	-	-	-
<b>Total Assets</b>	<b>\$ 1,957,740</b>	<b>\$ 60,793,360</b>	<b>\$ 8,658,143</b>	<b>\$ 349,120</b>	<b>\$ 109,123,008</b>	<b>\$ 513,559</b>
<b>Liabilities</b>						
Customer deposits – digital currency	\$ -	\$ 45,801,375	\$ -	\$ -	\$ 75,956,782	\$ -

*Valuation of Assets / Liabilities that use Level 1 Inputs ("Level 1 Assets / Liabilities").* Consists of the Company's investments which are valued at the public closing price in active markets.

*Valuation of Assets / Liabilities that use Level 2 Inputs ("Level 2 Assets / Liabilities").* Consists of the Company's inventory and digital currencies held, where quoted prices in active markets are available. For inventory and digital currencies, the fair value is determined by the volume-weighted average of prices across principal exchanges as of 12:00 am UTC, per coinmarketcap.com\*.

\* Coinmarketcap.com is a pricing aggregator, as the principal market or most advantageous market is not always known. The Company believes any price difference amongst the principal market and an aggregated price to be immaterial.

*Valuation of Assets / Liabilities that use Level 3 Inputs ("Level 3 Assets / Liabilities").* Consists of certain of the Company's investments. Non-marketable equity investments in privately-held companies are generally accounted for under the measurement alternative, defined as cost, less impairments, adjusted for subsequent observable price changes and are periodically assessed for impairment when events or circumstances indicate that a decline in value may have occurred. The fair value of the Company's investment in TerraZero are categorized as Level 3 in the fair value hierarchy as observable market data for these instruments are not available. The fair value of the Company's equity investment in TerraZero is disclosed in Note 8.

Level 3 Continuity

The following is a reconciliation of Level 3 assets for the nine months ended September 30, 2022:

	Fair Value at December 31, 2021		Purchases	Sales	Net Realized Gain (Loss) on Investments	Net Unrealized Gain (Loss) on Investments	Transfers in/(out) of Level 3	Fair Value at September 30, 2022
<b>Assets</b>								
Investments	\$ 513,559	\$ -	\$ -	\$ -	\$ 20,580	\$ -	\$ (260,000)	\$ 274,139
Investment in TerraZero	-	9,882,500	-	-	(1,953,496)	195,000	260,000	8,384,004

Transfers in and out of Level 3 are considered to have occurred at the beginning of the period the transfer occurred. The transfers in/out of the Level 3 investments were due to the reclassification of the TerraZero investment (Note 8).

	Fair value at September 30, 2022	Valuation technique	Unobservable input	Range (weighted average)
Private equity investments	\$ 274,139	Market comparable companies	Discount for lack of marketability <sup>(a)</sup> Control premium <sup>(a)</sup>	10% (17%) 10% (22%)
Investment in associate	\$ 8,384,004	Cost, FVTPL		

(a) Represents amounts used when the Company has determined that market participants would take into account these discounts and premiums when pricing the investments.

**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

Level 3 Continuity (cont'd...)

The following is a reconciliation of Level 3 assets for the year ended December 31, 2021:

	Fair Value at December 31, 2020	Purchases	Sales	Net Realized Gain (Loss) on Investments	Net Unrealized Gain (Loss) on Investments	Transfers in/(out) of Level 3	Fair Value at December 31, 2021
<b>Assets</b>							
Investments	\$ -	\$ 651,859	\$ -	\$ -	\$ 386,700	\$ (525,000)	\$ 513,559

Transfers in and out of Level 3 are considered to have occurred at the beginning of the period the transfer occurred. The transfers out of Level 3 were due to the acquisition and public listing of WonderFi Technologies Inc. (Note 7(c)). There were no Level 3 assets held during the fiscal year ended December 31, 2020.

	Fair value at December 31, 2021	Valuation technique	Unobservable input	Range (weighted average)
Private equity investments	\$513,559	Market comparable companies	Discount for lack of marketability <sup>(a)</sup> Control premium <sup>(a)</sup>	10-35% (19%) 10-50% (24%)

(a) Represents amounts used when the Company has determined that market participants would take into account these discounts and premiums when pricing the investments.

The fair value of Level 3 assets and liabilities is inherently subjective. Specifically, because of the uncertainty of determining the fair value of investments that do not have readily ascertainable market values, the Company's conclusion of fair value for an investment on a date may differ significantly from (1) the fair value conclusions of other knowledgeable market participants and/or (2) prior or subsequently observed transaction prices, including the price paid to acquire, or received to sell, the investment itself.

As at September 30, 2022 and December 31, 2021, the fair value of cash, restricted cash and customer deposits-cash held by the Company approximates carrying value and was based on level 1 of the fair value hierarchy. Investments, where quoted prices in active markets are available, are level 1 assets. The carrying values of accounts and other receivables, accounts payable and accrued liabilities and other current assets and liabilities are based on level 2 inputs and approximate fair value due to their short-term maturities. The carrying value of the Company's lease liability is measured as the present value of the discounted future cash flows.

**Risk**

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 and restricted cash. 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.

The Company also utilizes third-party liquidity providers in the execution of customer trades. Trade execution and settlement is typically completed within milliseconds of the customer's execution of a trade order; however, there is credit risk that a liquidity provider will not fulfill its obligation or be delayed in fulfilling its obligation. Management believes the credit risk with respect to its use of liquidity partners to be remote. In the remote case of a liquidity partner not fulfilling its obligation, the Company expects to use its cash and/or digital currencies to complete the trade.

**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

*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. Accounts payable and accrued liabilities, other than accrued compensation, generally have maturities of 30 days or less or are due on demand. The Company forecasts cash flows for a period of twelve months to identify financial requirements. These requirements are met by accessing financing through public equity offerings and private placements.

*Market risk*

Market risk is the risk the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk, such as commodity and equity price risk.

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. The Company does not currently hedge its exposure to foreign currency cash flows as management has determined that currency risk is not significant. The Company's main risk is associated with fluctuations in US dollars and the Euro. The following amounts are presented in to demonstrate the effect on profit or loss of changes in foreign exchange rates:

		<b>September 30, 2022</b>	<b>December 31, 2021</b>
Cash held	USD	\$ 310,216	\$ 1,524,715
Accounts and other receivables	USD	2,879,958	571,811
Accounts payable	USD	402,022	131,127
Effect of +/- 5% change in exchange rate		\$ 245,709	\$ 141,519

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 includes declines in the values and volumes of (i) its own equity shares which could impede its ability to raise additional funds when required and (ii) its investment in various marketable securities.

All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value. At September 30, 2022, management's estimate of the effect on equity to a +/- 5% change in its investments is +/- \$237,607 (December 31, 2021 - \$39,500).

*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. Further, digital currencies have no underlying backing or contracts to enforce recovery of invested amounts.

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**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

*Digital currencies risk (cont'd...)*

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. Investing in digital currencies is speculative, prices are volatile, and market movements are difficult to predict. Supply and demand for such currencies change rapidly and are affected by a variety of factors, including regulation and general economic trends. 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.

**17. 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, 2022.

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

**18. CONTINGENT LIABILITY**

On October 28, 2019, the Company received Notice of Civil Claim in the Supreme Court of British Columbia by a former employee, alleging constructive dismissal. The claimant has claimed \$450,000 in damages. The claim is being contested by the Company. The Company believes the claim has no merit and will vigorously defend against the claim. No provision has been recognized in respect to this claim as there is no present obligation and the probability of settlement cannot be determined.

As at September 30, 2022 and December 31, 2021, the Company has considered contingent liabilities arising from its operations, as well as potential penalties, and determined that no amount need be accrued in respect of such amounts.

## 19. SEGMENTED INFORMATION

The Company operates two business segments: blockchain technology development and digital currency sales via the Netcoins App. The parent entity manages the two business segments and activities associated with the Company being a public company.

The summarized financial information for the Company's business segments is as follows:

<b>For the Nine Months ended September 30,</b>				
<b>2022</b>				
	<b>Parent</b>	<b>Blockchain</b>	<b>Netcoins</b>	<b>Total</b>
Total assets	\$ 19,193,991	\$ 3,349,723	\$ 66,410,467	<b>\$ 88,954,181</b>
Total liabilities	621,715	621,793	54,141,279	<b>55,384,787</b>
Total revenue	-	1,555,729	4,723,800	<b>6,279,529</b>
Net (loss) income	(6,048,860)	(2,013,278)	(20,679,187)	<b>(28,741,325)</b>

  

<b>For the Nine Months ended September 30,</b>				
<b>2021</b>				
	<b>Parent</b>	<b>Blockchain</b>	<b>Netcoins</b>	<b>Total</b>
Total assets	\$ 28,981,525	\$ 5,375,223	\$ 108,005,247	<b>\$ 142,361,995</b>
Total liabilities	462,585	341,080	69,214,526	<b>70,018,191</b>
Total revenue	-	1,116,216	9,728,619	<b>10,844,835</b>
Net (loss) income	(7,840,059)	(1,106,402)	5,941,047	<b>(3,005,414)</b>

Revenues from external customers are attributed to geographic areas based on the location of the contracting customers. The following table sets forth external revenue by geographic areas:

	<b>September 30, 2022</b>		<b>September 30, 2021</b>	
	<b>Revenues</b>	<b>Non-current Assets</b>	<b>Revenues</b>	<b>Non-current Assets</b>
Canada	\$ 4,845,090	\$ 19,720,192	\$ 9,885,808	\$ 9,165,744
USA	680,525	274,139	572,392	254,819
Europe	289,758	-	105,232	-
Other	464,156	-	281,403	-
	<b>\$ 6,279,529</b>	<b>\$ 19,994,331</b>	<b>\$ 10,844,835</b>	<b>\$ 9,419,563</b>

## 20. SUBSEQUENT EVENTS

Subsequent to September 30, 2022, the Company:

- a) received proceeds of \$92,332 from the exercise of 355,124 stock options priced at \$0.26 and \$19,011 from the exercise of 63,700 share purchase warrants priced between \$0.24 and \$0.30;
- b) disposed of its equity investment in Luxxfolio Holding Inc. (Note 7). In total, 12,772,000 common shares of Luxxfolio were sold for proceeds of \$146,190, resulting in a loss of \$1,924,352; and,
- c) sold 250 Bitcoin, moving into cash in order to mitigate some of the current price risk, as follows: 150 Bitcoin from its long-term holdings at an average price of \$21,520 for proceeds of \$3,228,010; and, 100 Bitcoin from its digital currency inventory at an average price of \$22,148 for proceeds of \$2,214,818.