



## MANAGEMENT DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024

This Management Discussion and Analysis (“MD&A”) of BIGG Digital Assets Inc. (the “Company” or “BIGG”) provides analysis of the Company’s financial results for the three and nine months ended September 30, 2024 and should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements and the notes thereto for the three and nine month period ended September 30, 2024 and the audited consolidated financial statements and notes thereto for the year ended December 31, 2023, which are available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

The September 30, 2024 financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) applicable to the preparation of interim financial statements. The Company’s material accounting policies are the same as those applied in the Company’s annual financial statements as at and for the year ended December 31, 2023, unless as otherwise provided for in the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2024. All amounts are expressed in Canadian dollars, unless otherwise stated.

This MD&A is current as at November 28, 2024, the date of preparation, and includes certain statements that may be deemed “forward-looking statements”. We direct investors to the sections “Forward-Looking Statements” and “Risk and Uncertainties” included within this MD&A.

Additional information relating to BIGG is available on the SEDAR+ website at [www.sedarplus.ca](http://www.sedarplus.ca) and on the Company’s website at [www.biggdigitalassets.com](http://www.biggdigitalassets.com).

### **FORWARD-LOOKING INFORMATION**

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

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

The discussion in regards to our tax dispute with Canada Revenue Agency (CRA), including the provision for a GST/HST tax liability in the amount of CRA’s reassessment, plus interest and penalties, in the Company’s interim condensed consolidated financial statements, is an example of forward-looking information. Material risks include the lack of success in or dispute with CRA. Material assumptions include our expectations about the outcome of the dispute with CRA.

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

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

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

## **NATURE OF BUSINESS**

BIGG Digital Assets Inc. is dedicated to the digital assets and blockchain technology industry. It has three operating business segments: big data/blockchain technology development; digital currency sales brokerage via Netcoins; and immersive metaverse experiences. BIGG manages the business segments and activities associated with being a public company.

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

Netcoins Inc. ("Netcoins") is in the business of developing brokerage and exchange software to make the purchase and sale of crypto assets easy for the mass consumer and investor with a focus on compliance, transparency and safety. Netcoins enables crypto transactions via a self-serve crypto trading platform (CTP) through the Web and its Mobile Apps. Netcoins is registered with the British Columbia Securities Commission ("BCSC") and the Canadian Securities Administrators ("CSA") as a "restricted dealer" in Canada. In late 2022, Netcoins launched its services in the United States of America, initially in five states. Since then, its USA operations have expanded to 48 states.

TerraZero is a vertically integrated Metaverse development group and leading Web3 technology company specializing in helping brands create immersive experiences. TerraZero's Metaverse-agnostic vision is to develop and implement products and services with scalable commercial applications to flourish engagement across gamified experiences where enterprise-level businesses, metaverse platforms, and Web3 creators can seamlessly bridge and actionably grow their virtual world and the physical world endeavors together as one.

At September 30, 2024, the Company reports net loss of \$14,426,389, negative cash flows from operations of \$10,373,429 and an accumulated deficit of \$113,690,383.

The Company has been subject to an ongoing GST/HST audit by the Canada Revenue Agency ("CRA") in relation to Netcoins' fiscal 2018 operations. Subsequent to September 30, 2024, the CRA issued a notice of reassessment in the amount of \$8,358,119, inclusive of interest and penalties. A provision for the reassessed amount has been made as at September 30, 2024. The Company disputes and intends to contest CRA's reassessment. The Company will pursue its appeal rights under Canadian federal tax legislation. If we are unsuccessful and the outcome of our dispute with CRA results in significant taxes, interest charges and penalties, this could have a material adverse effect on our liquidity, financial position, results of operations and cash flows.

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 indicate a material uncertainty and may cast a significant doubt on the Company's ability to continue as a going concern. The 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.

## **BUSINESS OVERVIEW**

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BIGG Digital Assets Inc. is a leading innovator in the digital assets space - investing in products and companies that *Secure, Invest, and Innovate in Tomorrow's Digital Ecosystem*. Crypto, Web3 and tokenization are leading innovations in the digital transformation of the internet.

### Blockchain Intelligence Group

Since its inception, Blockchain Intelligence Group has acquired a tremendous amount of blockchain data – off-chain data, dark media data, social media data and on-chain data with over 50 million data points across 16 blockchains, with more blockchains being implemented.

BIG has developed a blockchain-agnostic search and analytics engine, QLUE™, enabling Law Enforcement, RegTech, Regulators and Government Agencies to visually track, trace and monitor digital currencies transactions at a forensic level. QLUE™ enables Law Enforcement, RegTech, regulators and government agencies to literally “follow the virtual money”. Investigators are able to quickly and visually trace, track and monitor transactions in their fight against terrorist financing, human trafficking, drug trafficking, weapons trafficking, child pornography, corruption, bribery, money laundering, and other cybercrimes.

On November 5, 2024, BIG announced the launch of a new product - QLUE Express. QLUE Express is intended to significantly expand the addressable market by lowering barriers to access - offering a flexible low cost option that is available instantly via credit card purchase. QLUE Express allows any investigator, company, or individual to access to a version of QLUE, at the swipe of a credit card. Users can now independently access QLUE's comprehensive suite of blockchain analytics tools without the need for long-term contracts or subscriptions.

QLUE Express offers a flexible, pay-as-you-go model, enabling users to purchase only the services they need, when they need them. The platform allows for immediate transactions, enabling users to quickly conclude a purchase and start using QLUE's tools immediately. Available at: [QLUEexpress.com](https://QLUEexpress.com).

QLUE products lines now comprise:

- **QLUE Express - Free (new)**- Intended for anyone who wants to investigate Bitcoin at a basic level.
- **QLUE Express (new)** - Best for avid cryptocurrency investigators. Starts at \$149/month.
- **QLUE Express - Law Enforcement (new)** - QLUE Express designed specifically for individual law enforcement, government and public sector investigators.
- **QLUE** - QLUE as intended. Full suite of investigative tools, analytics and features designed for the most advanced investigators and investigative teams in Law Enforcement, Government and the Private Sector.

This new service model aligns with our mission to democratize access to blockchain analytics and empower a broader range of users to leverage our technology. Whether you're a law enforcement agency, private investigator, or law firm, QLUE Express provides the flexibility and immediacy needed to stay competitive in the fast-paced cryptocurrency landscape.

BIG's product BitRank Verified® offers a “risk score” for digital currencies, enabling RegTech, banks, ATMs, exchanges, and retailers to meet traditional regulatory/compliance requirements. Both utilize the blockchain, which is fundamentally a digital ledger of transactions with unique characteristics designed to create records that are secure, reliable, transparent, and accessible.

BIG's Certified Cryptocurrency Investigator (CCI) designation program ([Certified Cryptocurrency Investigator](#)) teaches students how to track, trace and investigate cryptocurrency transactions and/or crimes. In July, 2024, two new modules (Exploits and Hacks, and Compliance and Risk Management) were launched, completing its Certified Cryptocurrency Investigator - Advanced certification course.

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### Netcoins

Netcoins, acquired in August 2019, expanded the Company's footprint in the digital assets industry. Netcoins develops brokerage and exchange software to make the purchase and sale of digital currency easily accessible to the mass consumer and investor with a focus on compliance and safety. On September 30, 2021, Netcoins became one of the first regulated crypto trading platforms in Canada with its registration as a "restricted dealer". It is currently engaging with Canadian securities regulators and the Canadian Investment Regulatory Organization (CIRO) as part of its application process to become an investment dealer and dealer member of CIRO as the next step in Netcoins regulatory journey in Canada.

During 2022, Netcoins began to significantly expand the coins available for trading on its CTP, which now exceeds 40+ different cryptocurrencies.

In late 2022, Netcoins expanded into the United States of America, becoming the first Canadian crypto trading company to launch across the United States. In September 2024, Netcoins USA successfully integrated with Zero Hash for infrastructure and licensing. Netcoins USA is now trading in 48 states, via web and mobile channels, offering clients self-directed and OTC trading services –bringing its compliance-first approach to the US market.

### TerraZero

In February 2022, the Company increased its ownership in TerraZero Technologies Inc. ("TerraZero") to approximately 33% on a fully diluted basis, acquiring significant influence. On August 25, 2023, the Company announced that it entered into a definitive amalgamation agreement to acquire all of the outstanding shares of TerraZero not already owned by the Company. The acquisition closed on September 28, 2023 and TerraZero became a wholly-owned subsidiary of the Company.

TerraZero, formed in early 2021, is a leader in the Web3/Metaverse sector with a roster of clients that include Miller Lite, PwC, Atlantic Records, Warner Records and prominent brands across the industries of finance, beauty, consumer packaged goods, food and beverage, and others.

TerraZero expanded its business plans to focus on the development of its own highly scalable Intraverse technology ecosystem, which is expected to launch in March 2025. The Intraverse is TerraZero's flagship social virtual experience platform. By integrating ecommerce and robust data analytics, the platform creates community-building gamified environments where users can connect with each other and their favorite brands, music, and content. It stands as a comprehensive, immersive answer to the future of online interaction, redefining what it means to engage socially and commercially in the digital age.

The Intraverse reimagines the digital experience for today's generations who are seeking more than just static platforms or traditional social media. Providing spaces that offer deeper, more meaningful engagements, we're delivering an interactive, immersive solution that combines the essence of social interaction, ecommerce, and entertainment in a single ecosystem.

Synergies with BIGG's current businesses include the incorporation of BIG's KYC, AML and data analytics, and Netcoins' fiat to crypto exchange as integral blockchain and crypto-facing components of Intraverse technology platform.

The metaverse is an augmented reality platform that allows users to build interactive experiences, combining virtual and real worlds for a virtual 3D world that is immersive, interactive and collaborative. Web3, the third generation of the World Wide Web (WWW), is the vision for a new decentralized internet incorporating blockchain technologies and token-based economics.

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## **RESULTS OF OPERATIONS**

The Company continues to build out its core businesses, with a focus on enhancements to its existing products and services, the development of new services and drive to increase customer attainment.

The business segments continue to make progress, with a focus on excelling at delivering quality products and services. The Company seeks to meet the needs of customers today, as well as anticipating their future needs in the ever-changing landscape of the digital assets industry.

### Q3 2024 Highlights

#### **BIGG:**

- Listed its common shares on the TSX Venture Exchange (TSXV) and commenced trading at market open on September 17, 2024. It is anticipated that the TSXV listing will further increase the Company's visibility in the capital markets both domestically and globally - expanding investor reach and trading availability in the United States, Canada, and beyond - for both retail and institutional investors.
- The Company's shares continue to be listed on the OTCQX in the United States under the symbol "BBKCF" and on the Frankfurt Stock Exchange under the symbol "A2PS9W".
- In connection with the listing of the shares on the TSXV, the Company voluntarily delisted its shares from the Canadian Securities Exchange (CSE) at the close of market on September 16, 2024.

#### **Netcoins operations:**

- Netcoins revenues were \$1,743,100 (2023 - \$1,052,235), marking an increase of 66% year-over-year (YoY) and an increase of 115% for Fiscal 2024 year-to-date (YTD) as compared to Fiscal 2023 YTD. Revenues included \$5,505 (2023 - \$Nil) received as fees for facilitating customer staking activities. Transactional revenues increased by 65% over Q3 2023, marking a positive market shift largely driven by the price appreciation of Bitcoin. Due to typical lighter trading volumes over the summer months, revenues were down 13% from those of Q2 2024. The margin rate was 1.39%, as compared to 1.77% in the comparative three-month period of the prior year.
- Active Users totaled approximately 8,023 (2023 - 7,905), up 1% YoY, but down 13% from Q2 2024 due to seasonal factors.
- Continued its expansion of US operations through its partnership with Zero Hash, a global leading crypto infrastructure provider, to unlock crypto trading in 48 U.S. states. Netcoins USA will offer up to 60 digital assets and have access to up to 29 fiat currencies for its clients. Netcoins USA operates as a compliance-first crypto platform that is focused on regulatory adherence and customer safety while offering No Fee Trading.

#### **BIG operations:**

- BIG revenues were \$411,380 (2023 - \$386,312), up by 6% YoY with a margin rate of 85% (2023 - 75%). Fiscal 2024 YTD revenues increased slightly, by 3%, over Fiscal 2023 YTD. Q3 2024 marked the second straight quarter of 7% revenue growth.
- BIG activities included the development of two new, innovative retail service offerings – that will leverage its proprietary data and robust infrastructure. These services are designed to capitalize on emerging market opportunities and are expected to significantly expand BIG's total addressable market. These strategic initiatives will enhance our market presence and drive long-term value for the Company's shareholders. BIG announced the launch of the first new service – QLUE Express – on November 5, 2024 (see *Business Overview* above).
- Announced the launch of new CCI modules: Module 9 – Hacks and Exploits; Module 10 – Compliance & Risk Management (standalone certification); Certified Cryptocurrency Investigator – Advanced Series (CCI-A)
- BIG doubled the size of its sales organization to help meet the interest and demand for on-chain tools and technology as the digital asset market grows. BIG seeks to penetrate new markets and strengthen its presence in existing ones. With a larger sales force, BIG can provide more personalized and responsive customer service, ensuring that clients receive the attention and support they need to maximize the value of BIG products. Our expansion aims to capitalize on the ever increasing market opportunities, drive broader adoption of its innovative product suite, and deliver an exceptional customer experience.

#### **TerraZero operations:**

- TerraZero revenues were \$(27,002) (2023 - \$Nil) due to customer sales adjustments recorded during the quarter. It continued to focus on the build out of its Intraverse product, an entirely new gamified social platform. Intraverse offers a fully customizable and personalized virtual environment for users to hang out with their friends, play games, and stream

their favorite music and video content, and more. It will offer monetizable opportunities for artists, game developers, brands and creators.

### Summary of Quarterly Information

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

	Revenue (\$)	Operating expenses (\$)	Share-based payments (\$)	Net income (loss) (\$)	Other comprehensive income (loss) (\$)	Basic and diluted income (loss) per share (\$)
Q3 2024	2,127,478	7,709,085	35,226	(12,097,059)	(55,911)	(0.03)
Q2 2024	2,395,658	5,271,928	132,559	(5,014,690)	(226,322)	(0.01)
Q1 2024	3,704,471	5,993,843	225,432	2,685,360	739,009	0.01
Q4 2023	2,181,657	6,048,977	639,861	(988,018)	582,638	(0.00)
Q3 2023	1,438,547	4,905,376	309,010	(5,132,873)	(10,273)	(0.02)
Q2 2023	1,349,176	4,618,551	159,568	(4,195,163)	289,635	(0.02)
Q1 2023	1,525,317	6,313,426	1,682,253	(750,925)	1,077,608	(0.00)
Q4 2022	1,193,291	5,852,688	303,184	(15,411,857)	4,326,301	(0.06)
Q3 2022	1,522,650	4,696,816	288,733	(1,968,113)	350,751	(0.01)
Q2 2022	2,246,653	7,964,210	391,657	(21,239,122)	(9,025,927)	(0.09)
Q1 2022	2,510,226	7,052,994	782,873	(5,534,090)	(284,015)	(0.02)
Q4 2021	3,270,312	6,490,654	186,667	(4,038,764)	(209,519)	(0.02)

### Three Months Ended September 30, 2024

The Company recorded total revenues of \$2,127,478 (2023 - \$1,438,547), marking an increase of \$688,931 or 48% from the same period of the prior year.

Revenues from Netcoins' digital currency sales during the period were \$1,737,595 (2023 - \$1,052,235), marking an increase of 65% from the same period of the prior year. The fee rate was 1.39% (2023 - 1.77%). Cryptocurrency staking revenue was \$5,505 (2023 - \$Nil).

BIG revenues were comprised of \$345,095 (2023 - \$325,972) in product sales and \$66,285 (2023 - \$60,340) for services rendered. Overall, revenues increased by 6% over the same period of the prior year. Cost of sales was \$63,558 (2023 - \$98,482), comprising costs of \$177 (2023 - \$Nil) for forensic consulting, \$Nil for products (2023 - \$3,834), \$8,382 (2023 - \$39,814) related to CCI training and \$54,999 (2023 - \$54,834) in sales commissions. Gross margin was 85% (2023 - 75%).

TerraZero reported total revenues of \$(27,002)(2023 - \$Nil), in relation to customer sales adjustments during the quarter. A small recovery was recorded in cost of sales of \$(3,724) (2023 - \$448).

The Company reported net loss of \$12,097,059 for the three-month period ended September 30, 2024, as compared to a net loss of \$5,132,873 for the same period of the prior fiscal year. Included in the loss for Q3 2024 is \$6,071,388 in tax expense, and interest of \$2,236,096 and penalties of \$50,635 for an aggregate of \$2,286,731 which was booked to general and administrative costs. Prior to the recording of the tax liability provision, the Company's net loss for the three-month period ended September 30, 2024 was \$3,738,940. See *CRA Reassessment* details below.

### CRA Reassessment

Subsequent to September 30, 2024, the Company received a notice of reassessment from Canada Revenue Agency in relation to Netcoins Inc.'s ("Netcoins") 2018 tax year. It is the CRA's position that Netcoins owes GST/HST of \$6,071,388, plus interest and penalties of \$2,286,731. CRA has determined that Netcoins was not acting as an agent on behalf of its customers or its merchant partners and was, instead, acting as principal to acquire and sell cryptocurrency on its own account. As a result, CRA takes the position that the sale of crypto assets prior to May 18, 2019 is treated as a sale of intangible personal property ("IPP") and is assessing GST/HST based on the location of Netcoins' customers.

Netcoins' 2018 transactional sales realized revenue of \$989,173. CRA has reassessed Netcoins based on sales of \$58,535,327 – nearly 60 times the realized revenue. The Company disputes CRA's finding that it was not acting as agent or intermediary on behalf of its customers or its merchant partners and will contest the CRA reassessment, pursuing its appeal rights under Canadian federal tax legislation. However, to reflect the uncertainties of CRA's appeals process and litigation, the Company has recorded a liability in its interim condensed consolidated financial statements in the amount of \$8,358,119. Resolution of this matter as stipulated by CRA would be material to the Company's financial position, results of operations and liquidity in the year(s) of resolution.

The application of GST/HST to cryptocurrencies was very controversial in 2018. The CRA had not issued guidance to taxpayers regarding the application of GST/HST to cryptocurrency transactions beyond a technical interpretation in an income tax context stating that Bitcoin was a commodity for purposes of the *Income Tax Act* as well as for GST purposes. CRA is of the view that cryptocurrency was IPP prior to the amendment to the *Excise Tax Act* on May 18, 2019. The application of GST/HST to transactions involving cryptocurrencies has not been considered by the courts.

Netcoins was a private company prior to its acquisition by Netcoins Holdings Inc. in March 2018. Netcoins was acquired by the Company pursuant to an agreement dated May 24, 2019, with the purchase completed on August 1, 2019.

General and administrative expenses for the three months ended September 30, 2024 totaled \$7,709,085 (2023 - \$4,905,376). Bad debt expense of \$17,732 (2023 – recovery of \$1,874) was recorded during the period. Share-based compensation expense of \$35,226 (2023 - \$309,010) related to the grant of stock options that vested during the quarter and/or amounts accrued for services provided. During the period, the Company applied a forfeiture rate of 12% for BIGG and 10% for TerraZero, which is based upon the Company's analysis of the number and value of granted stock options that did not vest from 2018 to 2023 due to employment service requirements not being met.

Wages and benefits for the three-month period ended September 30, 2024 totaled \$2,216,205 (2023 - \$2,028,190), marking an increase of \$188,015 or 9% over the 2023 comparative quarter. TerraZero wages and benefits contributed \$381,294 (2023 - \$19,809) to this total.

Corporate activity levels increased over those of the prior year with office expenses rising by \$2,536,731 to \$3,316,494 (2023 - \$779,763). The majority of this increase, \$2,286,731, relates to interest and penalties under CRA's GST/HST reassessment of Netcoins. Other costs included: bank charges of \$219,240 (2023 - \$182,107); office expenses of \$251,410 (2023 - \$102,336); office rent of \$9,405 (2023 - \$9,539); telecommunications of \$1,041 (2023 - \$2,135); insurance of \$129,756 (2023 - \$86,888), and computer and internet expenses of \$418,911 (2023 - \$396,758). Amortization of equipment was \$57,653 (2023 - \$60,334), with \$33,274 (2023 - \$17,028) recorded against intangible assets.

Expenditure on advertising and promotion totaled \$228,877 (2023 - \$164,008), an increase of 40% from the same period of the prior year. Costs paid included meals and entertainment of \$5,561 (2023 - \$2,251) and other promotional expenses of \$223,316 (2023 - \$161,757). Promotional expenses were comprised mainly of Netcoins' advertisements, search engine optimization (SEO) and digital advertising.

Business operations expense comprises costs of \$113,705 (2023 - \$507,154) related to Netcoins operations.

During the period, the Company's participation at trade shows and other activities incurred travel-related costs of \$44,254 (2023 - \$1,113). Shareholder communications costs of \$8,820 (2023 - \$5,445) were recorded during the period.

During the quarter, the Company recorded professional fees in the amount of \$672,771 (2023 - \$556,793) in relation to audit accruals and fees, and legal fees. Consulting fees of \$119,207 (2023 - \$21,623) were recorded during the period.

During the three months ended September 30, 2024, the Company recorded research and development costs in the amount of \$732,863 (2023 - \$264,071). Costs of \$211,082 (2023 - \$254,792) pertained to the ongoing development of BIG's products and the balance of \$521,781 (2023 - \$9,279) was incurred in respect of TerraZero's development and design activities.

During the quarter, the Company recorded regulatory and listing fees of \$80,865 (2023 - \$28,834). On September 16, 2024, the Company announced that its common shares would be listed on the TSX Venture Exchange. Listing costs associated with the migration to the TSXV totaled \$60,000. In addition, the Company paid director's fees of \$31,139 (2023 - \$27,967) to its non-management directors.

Interest income for the quarter ended September 30, 2024 was \$107,736 (2023 - \$36,915). The Company recorded a foreign exchange gain of \$4,713 (2023 - loss of \$154,320).

The Company recorded a revaluation loss of \$858 (2023 - \$6,006) on its equity investments measured at fair value through profit and loss ("FVTPL").

In the period, the Company recorded a revaluation loss on its digital currencies of \$23,085 (2023 – gain of \$92,428), with an unrealized loss of \$9,739 (2023 - gain of \$31,528) recorded to other comprehensive income and an unrealized loss of \$13,346 (2023 - gain of \$60,900) recorded to the consolidated statement of loss. A loss of \$18 (2023 - \$223,072) was realized on the disposal of coins.

Netcoins reduced its inventory holdings and realized a gain of \$30,272 (2023 - \$99,867). An unrealized loss of \$474,191 (2023 - \$783,606) was recorded on digital currency inventory during the quarter.

During the quarter, the Company recorded a loss of \$213 (2023 - \$Nil) on the write-down of equipment. As well, it recorded an impairment of \$20,343 (2023 - \$Nil) on intangible assets – digital land.

### **Nine Months Ended September 30, 2024**

The Company recorded total revenues of \$8,227,607 (2023 - \$4,313,040), marking an increase of \$3,914,567 or 91% from the same period of the prior year.

Revenues from Netcoins' digital currency sales during the period were \$6,809,035 (2023 - \$3,190,474), marking an increase of \$3,618,561 or 113% from the same period of the prior year. The fee rate was 1.24% (2023 – 1.80%). Cryptocurrency staking revenue was \$55,320 (2023 - \$Nil).

BIG revenues were comprised of \$963,906 (2023 - \$913,144) in product sales and \$194,313 (2023 - \$209,422) for services rendered. Overall, revenues increased by 3% over the same period of the prior year. Cost of sales was 254,871 (2023 - \$215,154), comprising costs of \$177 for forensic consulting (2023 - \$Nil), \$Nil for products (2023 - \$9,618), \$25,471 (2023 - \$98,723) related to CCI training and \$229,223 (2023 - \$106,813) in sales commissions. Gross margin was 78% (2023 - 81%).

TerraZero reported total revenues of \$205,033 (2023 - \$Nil). Cost of sales was \$38,553 (2023 - \$448). During 2024, TerraZero has been focused on and deploying its resources to the development of its Intraverse platform, which is anticipated to launch in March 2025.

The Company reported net loss of \$14,426,389 for the nine-month period ended September 30, 2024, as compared to a net loss of \$10,078,962 for the same period of the prior fiscal year. Included in the loss is \$6,071,388 in tax expense, and interest of \$2,236,096 and penalties of \$50,635 for an aggregate of \$2,286,731 which was booked to general and administrative costs. Prior to the recording of the tax liability provision, the Company's net loss for the nine-month period ended September 30, 2024 was \$6,068,270. See *CRA Reassessment* details above under "Three Months Ended September 30, 2024".

General and administrative expenses for the nine months ended September 30, 2024 totaled \$18,974,856 (2023 - \$15,837,353). Bad debt expense of \$45,042 (2023 - \$13,631) was recorded during the period. Share-based compensation expense of \$393,217 (2023 - \$2,150,831) related to the grant of stock options that vested during the quarter and/or amounts accrued for services provided. During the period, the Company applied a forfeiture rate of 12% for BIGG and 10% for TerraZero, which is based upon the Company's analysis of the number and value of granted stock options that did not vest from 2018 to 2023 due to employment service requirements not being met.

Wages and benefits for the nine-month period ended September 30, 2024 totaled \$6,959,966 (2023 - \$6,393,833), marking an increase of \$566,133 over the 2023 comparative period. TerraZero wages and benefits contributed \$1,259,100 (2023 - \$19,809) to this total.

Corporate activity levels increased over those of the prior year with office expenses rising by \$3,188,249 to \$5,617,673 (2023 - \$2,429,424). The majority of this increase, \$2,286,731, relates to interest and penalties under CRA's GST/HST reassessment of Netcoins. Other costs included: bank charges of \$702,722 (2023 - \$505,437); office expenses of \$2,801,129 (2023 - \$285,166); office rent of \$24,141 (2023 - \$23,696); telecommunications of \$3,531 (2023 - \$7,038); insurance of \$429,595 (2023 - \$19,809).

- \$337,079), and computer and internet expenses of \$1,656,557 (2023 - \$1,271,006). Amortization of equipment was \$185,657 (2023 - \$179,040), with \$99,643 (2023 - \$37,693) recorded against intangible assets.

Expenditure on advertising and promotion totaled \$697,913 (2023 - \$1,403,176), down by \$705,263 from the same period of the prior year as a cost-reduction measure. Costs paid included meals and entertainment of \$11,346 (2023 - \$10,827) and other promotional expenses of \$686,567 (2023 - \$1,392,349). Promotional expenses were comprised mainly of Netcoins' advertisements, search engine optimization (SEO) and digital advertising.

Business operations expense comprises costs of \$632,466 (2023 - \$553,440) related to Netcoins operations and includes losses due to fraud of \$396,604 (2023 - \$483,608).

During the period, the Company's participation at trade shows and other activities incurred travel-related costs of \$55,780 (2023 - \$13,726). Shareholder communications costs of \$74,832 (2023 - \$11,929) were recorded during the period, and included costs associated with BIGG's annual general meeting and press release distribution costs.

During the period, the Company recorded professional fees in the amount of \$1,622,587 (2023 - \$1,394,682) in relation to audit accruals and fees, and legal fees. Consulting fees of \$364,427 (2023 - \$163,807) were recorded during the period.

During the nine months ended September 30, 2024, the Company recorded research and development costs in the amount of \$1,991,617 (2023 - \$800,020). Costs of \$659,483 (2023 - \$790,741) pertained to the ongoing development of BIG's products and the balance of \$1,332,134 (2023 - \$9,279) was incurred in respect of TerraZero's development and design activities.

During the period, the Company recorded regulatory and listing fees of \$145,683 (2023 - \$72,303). On September 16, 2024, the Company announced that its common shares would be listed on the TSX Venture Exchange. Listing costs associated with the migration to the TSXV totaled \$70,000. In addition, the Company paid director's fees of \$88,353 (2023 - \$83,901) to its non-management directors.

Interest income for the period ended September 30, 2024 was \$319,514 (2023 - \$124,520). The Company recorded a foreign exchange gain of \$262,141 (2023 - loss of \$357,117).

The Company recorded a revaluation gain of \$4,290 (2023 - loss of \$3,718) on its equity investments measured at fair value through profit and loss ("FVTPL").

In the period, the Company recorded a revaluation gain on its digital currencies of \$249,425 (2023 - \$1,517,214), with an unrealized gain of \$476,057 (2023 - \$1,435,226) recorded to other comprehensive income and an unrealized loss of \$226,632 (2023 - gain of \$81,988) recorded to the consolidated statement of loss. A loss of \$21 (2023 - gain of \$244,890) was realized on the disposal of coins.

Netcoins reduced its inventory holdings and realized a gain of \$775,454 (2023 - \$102,879). An unrealized gain of \$1,699,546 (2023 - \$2,862,251) was recorded on digital currency inventory during the period.

The Company recorded a loss of \$498 (2023 - gain of \$645) on the write-down of equipment.

When assessing intangible assets for impairment, the Company selected a liquidity-based approach to valuation. The concept of the liquidation value is borrowed from when a company goes out of business and assets are sold. The liquidation value is the value the Company would receive in cash if it were to liquidate immediately. The Company used historical data from digital marketplaces such as OpenSea to pull sales data for each type of digital land asset; each sale has a transaction ID that can be checked on Etherscan. The data set pulled from a recent date range captured sales data which was used to calculate the average sales price of an individual digital land parcel. Specifically, we selected the last 50 transactions from September 30, 2024 to extract sales data for Decentraland and Sandbox. Management believes the average sales price is a good indicator of value because sales of these types of intangible assets occur 24 hours a day and are not subject to any real closing price, unlike stocks of a publicly traded company. Management calculated average cost per parcel for Decentraland and Sandbox as a single uniform metric needed to be established for the analysis. The per parcel approach averages out multi parcel transactions, and single parcel transactions as the former can sell at premiums or discounts to single parcel transactions occurring at the same time. Using an average single value for Decentraland and Sandbox, respectively, factors in these variances in parcel sales. This method of calculation has remained unchanged over the course of the year.

Using the average parcel prices calculated and as described above, the Company revalued the book value of its Decentraland and Sandbox parcels recording an impairment entry in the amount of \$126,023 (2023 - \$Nil).

## **LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2024, the Company had working capital of \$3,941,802 (December 31, 2023 - \$12,053,322). Included in working capital is \$7,441,214 related to Netcoins float which is used for operational purposes, resulting in free working cash of approximately \$(3,499,412).

Cash as at September 30, 2024 was \$6,004,995 as compared with \$4,304,802 at December 31, 2023. Restricted cash of \$7,873,306 (December 31, 2023 - \$5,590,708) comprised primarily of Netcoins' customer funds held in trust and \$82,500 (2023 - \$82,500) was held in a Guaranteed Investment Certificate in favour of the Toronto-Dominion Bank, as security for corporate credit cards.

As at September 30, 2024, the Company held \$4,187,792 (December 31, 2023 - \$1,147,967) in digital currency investments that could be converted to cash should the Company need additional liquidity. Digital currencies at September 30, 2024 included an aggregate 46.64 Bitcoin valued at \$3,991,790. As at the date of this MD&A, the Company holds 46.69 Bitcoin valued at an estimated \$6,275,600 based on up a Bitcoin price of USD\$96,000 and foreign exchange rate of 1.40.

We have an on-going dispute with CRA regarding a proposed GST/HST reassessment of Netcoins Inc. for its 2018 tax year. CRA has determined that Netcoins was not acting as an agent on behalf of its customers or its merchant partners and was, instead, acting as principal to acquire and sell cryptocurrency on its own account. As a result, CRA takes the position that the sale of crypto assets prior to May 18, 2019 is treated as a sale of intangible personal property ("IPP") and is assessing GST/HST based on the location of Netcoins' customers. Netcoins' 2018 transactional sales realized revenue of \$989,173. CRA has reassessed Netcoins based on sales of \$58,535,327 – nearly 60 times the realized revenue. See page 6 – *CRA Reassessment* for more details. Although we dispute CRA's position and intend to pursue our appeal rights under Canadian tax legislation, a provision for \$8,358,119 has been made in the condensed consolidated interim financial statements for the three and nine months ended September 30, 2024. The amount of the obligation will be adjusted upward or downward, with a corresponding loss or gain recognised in profit or loss, if the Company's best estimate of the amount of the obligation changes. We continue to pursue this matter with CRA. Resolution of this matter as stipulated by CRA would be material to the Company's financial position, results of operations and liquidity in the year(s) of resolution.

The Company relies upon various sources of funds for its ongoing operating and investing activities. These sources include proceeds from dispositions of investments, interest income from investments, and capital raising activities such as private placement or public equity financings. As at September 30, 2024, and as at the date of this MD&A, the Company has no debt or borrowings.

During the period ended September 30, 2024, the Company used cash of \$10,373,429 (2023 - \$8,250,530) in operating activities. Investing activities provided cash inflows of \$3,791,964 (2023 - \$7,805,765), of which \$112,937 (2023 - \$57,105) was used for the purchase of equipment and \$3,039,825 (2023 - \$160,570) was used to purchase digital currencies. In addition, \$Nil (2023 - \$3,720,331) was realized from the sale of digital currencies and \$6,948,897 (2023 - \$Nil) was realized from the sale of digital currency inventory. Financing activities realized inflows of \$8,174,571 (2023 - \$202,000), realizing proceeds of \$7,302,920 for the issuance of 33,333,333 common shares via private placement and \$871,651 on the issuance of 3,148,548 common shares on the exercise of stock options. Share issue costs totaled \$2,929 (2023 - \$5,090). During the year, the Company recorded the reduction of the lease liability of \$13,506 (2023 - \$23,127).

Overall, cash increased by \$1,576,671, as compared to a decrease of \$270,982 during the prior year.

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 indicate a material uncertainty that may cast a significant doubt on the Company's ability to continue as a going concern. The 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.

## RELATED PARTY TRANSACTIONS

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.

During the periods ended September 30, 2024 and 2023, the Company entered into the following transactions with related parties:

	For the Nine Months Ended September 30,	
	2024	2023
Director's fees	\$ 88,353	\$ 83,901
Consulting	14,700	-
Wages and benefits	1,630,517	1,278,424
Share-based compensation	92,448	1,571,179
<b>Total</b>	<b>\$ 1,826,018</b>	<b>\$ 2,933,504</b>

At September 30, 2024, the Company recorded amounts owing to related parties of \$148,226 (2023 - \$77,895) in accounts payable. The amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

Management held deposits on the Netcoins App aggregating \$668,121 (2023 - \$307,358). As well, a director of the Company held digital currencies valued at \$88,577 (2023 - \$Nil) in trust.

The transactions listed above were incurred in the normal course of operations.

## CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, the Company may consider issuing new shares, and/or issue debt, acquire or dispose of assets, or adjust the amount of cash and investments on hand. The Company is not currently subject to any externally imposed capital requirements.

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

In order to maximize ongoing development, the Company does not pay out dividends. The Company's investment policy is to keep its cash on deposit in an interest bearing Canadian chartered bank account. Some cash is kept on deposit in fiat currency held by liquidity providers 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, 2024 or September 30, 2023.

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

## FINANCIAL INSTRUMENTS AND RISKS

As at September 30, 2024, the Company's financial and digital assets include cash and cash equivalents, restricted cash, accounts and other receivables, digital currency inventory, digital currencies, investments, and other assets. The Company's liabilities include accounts payable and accrued liabilities, customer liabilities and lease liabilities.

The Company's financial instruments and digital assets expose it primarily to credit, liquidity, market risk, and digital currency risks. A description of these risks is set out below, and refer to the audited consolidated financial statements for the period ended September 30, 2024 for information on how they are managed and for a description of how fair values are determined.

### *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, restricted cash and accounts receivable. 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.

### *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 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.

#### 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 carrying value.

#### *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.

At September 30, 2024, the Company held with reputable custodians and liquidity providers digital currency inventory valued at \$106,995,152 (December 31, 2023 - \$91,188,257) and digital currency investments of \$4,187,792 (December 31, 2023 - \$1,147,967). At September 30, 2024, had the market price of the Company's digital currency assets changed by 10% with all other variables remaining constant, the corresponding digital asset value change would be approximately \$11,118,300 (December 31, 2023 - \$9,233,600).

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 to 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.

There is a risk that some or all of the Company's holdings of cryptocurrencies could be lost, stolen, destroyed or inaccessible, potentially by the loss or theft of the private keys held by the primary custodian with the public addresses that hold the Company's cryptocurrencies including customers crypto assets and/or destruction of storage hardware. Multiple thefts of cryptocurrencies and other digital assets from other holders have occurred in the past. Because of the decentralized process for transferring cryptocurrencies, thefts can be difficult to trace, which may make cryptocurrencies a particularly attractive target for theft.

The Company utilizes BitGo Trust Company, Inc. ("BitGo") as its primary custodian for the majority of its digital currency inventory holdings (cold wallets solution). The Company also utilizes BitGo and Fireblocks Ltd's ("Fireblocks") self-custody technology (hot wallets solution) for the remaining digital currency inventory to support its daily transactions. As at September 30, 2024 and December 31, 2023, approximately 90% (September 30, 2023 - ~90%) of total digital currency inventory was held in custody with BitGo.

BitGo maintains a comprehensive insurance policy for digital assets covering \$250 million in losses for crypto assets held in custody, in the event of copying and theft of private keys, insider theft of dishonest acts by BitGo employees or executives or loss of keys.

#### **Custody and Safeguarding of Digital Currencies**

Netcoins has made safeguarding and custody of customer assets a priority and has dedicated significant time and resources to evaluating third-party custody providers to ensure the solution offered through Netcoins provides the most integrity and security to its customers. Netcoins does not maintain custody of (or otherwise hold) crypto assets owned by customers.

Netcoins utilizes BitGo Trust Company, Inc. ("BitGo") as its primary custodian for the majority, roughly 90%, of its digital currency inventory.

On March 24, 2022, Netcoins received an update to its restricted dealer license with the BCSC and CSA that permits the company to hold up to 20% of its total client crypto assets online in hot wallets secured by Fireblocks Ltd. ("Fireblocks").

Netcoins utilizes BitGo's and Fireblocks' self-custody technology, in the form of hot wallets, for approximately 10% of its digital currency inventory to support daily transactions.

A summary of each service provider is set out below.

***BitGo Trust Company, Inc.***

BitGo Trust Company, Inc. acts as the third-party custodian for customer crypto assets (including providing cold wallet custodian services). BitGo is responsible for holding and safeguarding these crypto assets. BitGo does not act as a payment processor in connection with their custodian service arrangements with Netcoins.

BitGo is a trust company organized under the laws of the State of South Dakota and regulated as a trust company by the Division of Banking in South Dakota. BitGo has not appointed any sub-custodian to hold any of the crypto assets. All of the Company's long-term Bitcoin investment holdings are also held in cold storage with BitGo.

BitGo provides insured wallet management and custody solutions for a variety of digital assets, maintaining a comprehensive insurance policy for digital assets covering \$250 million in losses for crypto assets held in cold storage, including the assets owned by Netcoins' customers. BitGo is not responsible for any losses resulting from inaccurate instructions and the Company is responsible for maintaining adequate security and control of any and all keys, IDs, passwords, hints, personal identification numbers, non-custodial wallet keys, API keys, yubikeys, 2-factor authentication devices or backups, or any other codes that the Company uses to access BitGo. Furthermore, BitGo is not responsible for any damage or interruptions caused by any computer viruses, spyware, scareware, Trojan horses, worms or other malware that may affect the Company's computer or other equipment, or any phishing, spoofing or other attack, unless such damage or interruption directly resulted from BitGo's gross negligence, fraud, or willful misconduct. There are no limitations on liability if BitGo breaches its confidentiality obligations or if any damage or interruptions directly result from BitGo's gross negligence, fraud, or willful misconduct. All other damages are limited to the fees paid to BitGo within the twelve-month period preceding the incident giving rise to such liability.

Netcoins has conducted due diligence on BitGo and has not identified any material concerns. The Company is not aware of anything with regards to BitGo's operations that would adversely affect the Company's ability to obtain an unqualified audit opinion on its audited financial statements. The Company is not aware of any security breaches or other similar incidents involving BitGo as a result of which crypto assets have been lost or stolen. There are no restrictions on the Company's ability to move crypto assets from the custodianship of BitGo, and these transfers can occur immediately, subject to the control processes, such as two video conferences to authorize cold storage transfers.

Netcoins has assessed the risks and benefits of using BitGo and has determined that in comparison to a Canadian custodian it is more beneficial to use BitGo, a U.S. custodian, to hold client assets than using a Canadian custodian, as there is not a suitable Canadian custodian option at this time.

In addition to the initial due diligence on BitGo, Netcoins continues to conduct ongoing due diligence on BitGo. As part of an annual review, Netcoins will require BitGo to:

- provide copies of any completed SOC reports and reviewing same for any increase risk to Netcoins;
- confirm from BitGo that it maintains adequate insurance coverage;
- verify the amount of BitGo's equity and other financial metrics to address counterparty risk; and
- verify that BitGo maintains any requisite licenses including licenses issued by the Division of Banking in South Dakota or any other regulator.

The Company currently uses both hot and cold wallet systems within BitGo.

- The cold wallet is completely segregated, is not connected to the internet and is used for long term storage of crypto assets. The cold wallet requires two of four authorized signatories, as representatives of the Company, to verify any transfers from the cold wallet via video conference.
- The hot wallet is connected through the internet, is connected to the Netcoins web application via API and all customer deposits and withdrawals are processed through the hot wallet. As thresholds are met, transfers are reviewed and signed manually by one of four authorized signatories.

### ***Fireblocks Ltd.***

Fireblocks is a developer of a blockchain security platform designed to protect digital assets. The platform securely transfers assets across exchanges, wallets, custodians, and counterparties and keeps them readily available using Fireblocks' patent-pending chip isolation security, and model predictive control (MPC) technology, enabling traders to safeguard digital assets.

Fireblocks is incorporated under the laws of Tel Aviv, Israel.

Netcoins licenses software from Fireblocks which includes a crypto asset wallet that stores private and public keys and interacts with various blockchains to send and receive crypto assets and monitor balances. To provide additional security for keys to crypto assets held with Fireblocks, Netcoins licenses software from Digital Assets Services Limited (trading as "Coincover"), including key pair creation, key pair storage, device access recovery and account access recovery. Coincover is based in the United Kingdom and is regulated by the U.K. Financial Conduct Authority.

Netcoins is permitted to hold up to 20% of its total client crypto assets online in hot wallets secured by Fireblocks. Hot wallets are connected to the internet, so the private keys required to sign transactions are always online. Transactions can be created and recorded on the blockchain in an automated way, without the need for human involvement. The advantage of this approach is that users can quickly and easily trade their assets. The disadvantage is that because the wallet is always connected to the internet and the keys are in a single location, this approach can be more vulnerable to theft if the security of the system is compromised.

Netcoins has obtained third-party insurance which includes coverage for the crypto assets held in Fireblocks hot wallets in the event of loss or theft. As well, Fireblocks has insurance coverage in the amount of USD\$30 million in aggregate, in the event of theft of crypto assets from hot wallets secured by Fireblocks - including the assets owned by Netcoins' customers. Additionally, backup key material for Netcoins' hot wallets is secured by Coincover and is 100% insured against loss or theft via a leading global insurance provider. To further mitigate risk to its clients, Netcoins will set aside cash that will be held in an account at a Canadian financial institution, separate from the its operational accounts and a client trust account, in an amount equal to or greater than the value of client crypto obligations held with Fireblocks less the amount of Fireblocks insurance coverage. Depending on the circumstances, either funds from Coincover or Netcoins' supplemental bank account would be available in the event of the loss of crypto assets held in Netcoins' hot wallet.

### **RISKS AND UNCERTAINTIES**

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

Industry specific risks include, but are not limited to:

- ***Entry into Digital Asset Development and Exchange Business:*** The digital currency business is highly competitive, and is populated with many companies, large and small, with the capital and expertise to evaluate, purchase and exploit new innovative opportunities. Even with capital and experience, industry risks are significant. Regulatory compliance is an increasingly complex and costly obstacle to many new projects, and often times, and even if compliance is obtained, they may be sufficiently restrictive or stifle innovation of start-up opportunities with distributed ledger technology. The Company may not be able to finance its potential growth as demand on human resources increases. There is no assurance that its entry into this business activity will be successful.
- ***Failure to Innovate:*** The Company's success depends upon its ability to design, develop, test, market, license and support new software products and enhancements of current products on a timely basis in response to both competitive threats and marketplace demands. In addition, software products and enhancements must remain compatible with the other software products and systems used by its customers. Often, the Company must integrate software licensed or acquired from third parties with its proprietary software to create or improve its products. If the Company is unable to successfully integrate third party software to develop new software products and enhancements to existing products, or to complete products currently under development, its operating results will materially suffer. In addition, if the integrated or new products or enhancements do not achieve acceptance by the marketplace, the

Company's operating results will materially suffer. Also, if new industry standards emerge that the Company does not anticipate or adapt to, its software products could be rendered obsolete and, as a result, its business and operating results, as well as its ability to compete in the marketplace, would be materially harmed.

- **Competition:** The Company is engaged in an industry that is highly competitive. Because its industry is evolving and characterized by technological change, it is difficult for the Company to predict whether, when and by whom new competing technologies may be introduced or when new competitors may enter the market. The Company faces increased competition from companies with strong positions in certain markets the Company intends to serve and in new markets and regions it may enter. Many of the Company's competitors have significantly greater financial and other resources than the Company currently possesses and may spend significant amounts of resources to gain market share. The Company cannot assure investors that it will be able to compete effectively against current and future competitors. In addition, increased competition or other competitive pressures may result in price reductions, reduced margins or loss of market share, any of which could have a material adverse effect on the Company's business, financial condition or results of operations. Competitors may be able to respond to new or emerging technologies and changes in customer requirements more effectively than the Company can, or devote greater resources to the development, promotion and sale of products than the Company can. Current and potential competitors may establish cooperative relationships among themselves or with third parties, including through mergers or acquisitions, to increase the ability of their products to address the needs of the Company's prospective customers. If these competitors were to acquire significantly increased market share, it could have a material adverse effect on the Company's business, financial condition or results of operations. The Company's competitors may also establish or strengthen co-operative relationships with systems integrators, third-party consulting firms or other parties with whom the Company has relationships, thereby limiting its ability to promote its products.
- **Failure to Protect its Intellectual Property:** Failure to protect the Company's intellectual property could harm its ability to compete effectively. The Company is highly dependent on its ability to protect its proprietary technology. The Company intends to rely on a combination of copyright, trademark and trade secret laws, as well as non-disclosure agreements and other contractual provisions to establish and maintain its proprietary rights. The Company intends to protect its rights vigorously. However, there can be no assurance that these measures will, in all cases, be successful. Enforcement of the Company's intellectual property rights may be difficult, particularly in some nations outside of North America in which the Company may seek to market its products. While U.S. and Canadian copyright laws, international conventions and international treaties may provide meaningful protection against unauthorized duplication of software, the laws of some foreign jurisdictions may not protect proprietary rights to the same extent as the laws of Canada or of the United States. The absence of internationally harmonized intellectual property laws makes it more difficult to ensure consistent protection of the Company's proprietary rights. Software piracy has been, and is expected to be, a persistent problem for the software industry, and piracy of the Company's products represents a loss of revenue to the Company. Despite the precautions the Company may take, unauthorized third parties, including its competitors, may be able to: (i) copy certain portions of its products; or (ii) reverse engineer or obtain and use information that the Company regards as proprietary. Also, the Company's competitors could independently develop technologies that are perceived to be substantially equivalent or superior to the Company's technologies. The Company's competitive position may be materially adversely affected by its possible inability to effectively protect its intellectual property.
- **Intellectual Property Infringement:** Other companies may claim that the Company has infringed their intellectual property, which could materially increase costs and materially harm the Company's ability to generate future revenue and profits. Claims of infringement are becoming increasingly common as the software industry develops and as related legal protections, including patents are applied to software products. Although the Company does not believe that its products infringe on the rights of third parties, third parties may assert infringement claims against the Company in the future. Although most of the Company's technology is proprietary in nature, the Company does include significant amounts of third-party software in its products. In these cases, this software is licensed from the entity holding the intellectual property rights. Although the Company believes that it has secured proper licenses for all third-party software that is integrated into its products, third parties may assert infringement claims against the Company in the future. Any such assertion may result in litigation or may require the Company to obtain a license for the intellectual property rights of third parties. Such licenses may not be available, or they may not be available on reasonable terms. In addition, such litigation could be disruptive to the Company's ability to generate revenue or enter into new market

opportunities and may result in significantly increased costs as a result of the Company's efforts to defend against those claims or its attempt to license the patents or rework its products to ensure they comply with judicial decisions. Any of the foregoing could have a significant adverse impact on the Company's business and operating results as well as its ability to generate future revenue and profits. The loss of licenses to use third-party software or the lack of support or enhancement of such software could materially adversely affect the Company's business. The Company could also be forced to do one or more of the following: (i) stop selling, incorporating or using its products that use the challenged intellectual property; (ii) obtain from the owner of the infringed intellectual property right a license to sell or use the relevant technology, which license may not be available on reasonable terms, or at all; (iii) redesign those products that use allegedly infringing technology which may be costly or time-consuming; or (iv) refund license fees and other amounts received, and make payments of additional amounts in damages or settlement payments, for allegedly infringing technology or products.

- **Reliance on Third Party Software:** The Company currently depend upon third-party software products to develop its products. If in future such reliance existed and the software products were not available, the Company might experience delays or increased costs in the development of its products. The Company currently does not rely on software products that it licenses from third-parties. Should the Company in the future rely upon third-party software licenses that may not continue to be available to the Company, and the related software may not continue to be appropriately supported, maintained, or enhanced by the licensors, the loss by the Company of the license to use, or the inability by licensors to support, maintain, and enhance any of such software, could result in increased costs or in delays or reductions in product shipments until equivalent software is developed or licensed and integrated with internally developed software. Such increased costs or delays or reductions in product shipments could materially adversely affect its business. The loss of the Company's rights to use software licensed to it by third parties could increase its operating expenses by forcing the Company to seek alternative technology and materially adversely affect its ability to compete. In addition, the Company's web-based software applications depend on the stability, functionality and scalability of the underlying infrastructure software including application servers, databases, java platform software and operating systems produced by IBM, Microsoft and others. If weaknesses in such infrastructure software exist, the Company may not be able to correct or compensate for such weaknesses. If the Company is unable to address weaknesses resulting from problems in the infrastructure software such that its products do not meet customer needs or expectations, its reputation, and consequently, its business may be significantly harmed.
- **Regulatory Risks:** The activities of the Company may be subject to regulation by governmental authorities. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company. As well, the Company is subject to the governing laws of Canada, including tax regulations. Netcoins has been the subject of an on-going GST/HST audit by the CRA for the period of January 1, 2018 to May 18, 2019. The CRA has taken the position that the sale of crypto assets prior to May 18, 2019 is to be treated as a sale of intangible personal property. The CRA has determined that Netcoins was not acting as an agent on behalf of its customers, but rather as a principal buying and selling cryptocurrency. The Company is working with its audit, legal and tax representatives, and the CRA, to resolve this matter but, as this is a novel issue specific to Canadian crypto asset trading platform companies operating prior to 2020, the outcome is currently unknown and a notice of re-assessment has not been issued. Netcoins and its representatives strongly disagree with the CRA's position and proposed adjustments. An adverse outcome from the CRA review and audit could materially impact the Company's operating results and financial condition.
- **Use of Open Source Software:** The Company's software makes use of and incorporates open source software components. These components are developed by third parties over whom the Company has no control. There are no assurances that those components do not infringe upon the intellectual property rights of others. The Company could be exposed to infringement claims and liability in connection with the use of those open source software components, and the Company may be forced to replace those components with internally developed software or software obtained from another supplier, which may increase its expenses. The developers of open source software are usually under no

obligation to maintain or update that software, and the Company may be forced to maintain or update such software itself or replace such software with internally developed software or software obtained from another supplier, which may increase its expenses. Making such replacements could also delay enhancements to its products. Certain open source software licenses provide that the licensed software may be freely used, modified and distributed to others provided that any modifications made to such software, including the source code to such modifications, are also made available under the same terms and conditions. As a result, any modifications the Company makes to such software will be available to all downstream users of the software, including its competitors. In addition, certain open source licenses provide that if the Company wishes to combine the licensed software, in whole or in part, with its proprietary software, and distribute copies of the resulting combined work, the Company may only do so if such copies are distributed under the same terms and conditions as the open source software component of the work was licensed to the Company, including the requirement to make the source code to the entire work available to recipients of such copies. The types of combinations of open source software and proprietary code that are covered by the requirement to release the source code to the entire combined work are uncertain and much debated by users of open source software. An incorrect determination as to whether a combination is governed by such provisions will result in non-compliance with the terms of the open source license. Such non-compliance could result in the termination of the Company's license to use, modify and distribute copies of the affected open source software and the Company may be forced to replace such open source software with internally developed software or software obtained from another supplier, which may increase its expenses. In addition to terminating the affected open source license, the licensor of such open source software may seek to have a court order that the proprietary software that was combined with the open source software be made available to others, including its competitors, under the terms and conditions of the applicable open source license.

- *Lack of Operating History:* The Company has only recently started to carry on its business. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. The failure by the Company to meet any of these conditions could have a materially adverse effect on the Company and may force it to reduce, curtail, or discontinue operations. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations. The Company may not successfully address all of the risks and uncertainties or successfully implement its existing and new products and services. If the Company fails to do so, it could materially harm its business and impair the value of its common stock, resulting in a loss to shareholders. Even if the Company accomplishes these objectives, the Company may not generate the anticipated positive cash flows or profits. No assurance can be given that the Company can or will ever be successful in its operations and operate profitably.
- *Growth and Consolidation in the Industry:* Acquisitions or other consolidating transactions could have adverse effects on the Company. The Company could lose strategic relationships if its partners are acquired by or enter into agreements with a competitor, causing the Company to lose access to distribution, content and other resources. The relationships between the Company and its strategic partners may deteriorate and cause an adverse effect on the business. The Company could lose customers if competitors or user of competing technology consolidate with the Company's current or potential customers. Furthermore, the Company's current competitors could become larger players in the market or new competitors could form from consolidations. Any of the foregoing events could put the Company at a competitive disadvantage, which could cause the Company to lose customers, revenue, and market share. Consolidation in the industry could also force the Company to divert greater resources to meet new or additional competitive threats, which could harm the Company's operating results.
- *Intellectual Property Risks:* The Company's ability to compete largely depends on the superiority, uniqueness, and value of its intellectual property and technology, including both internally-developed technology and the ability to acquire patent protection and/or trademark protection. To protect its proprietary rights, the Company will rely on a combination of trademark, copyright, and trade secret laws, trademark and patent applications, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, certain risks may reduce the value of the Company's intellectual property. The Company's applications for trademarks and copyrights relating to its business may not be granted, and if granted, may be challenged or invalidated. There is no guarantee that issued trademarks and registered copyrights will provide the Company with any competitive advantages.

The Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of its technology and may not prevent the development and design by others of products or technology similar to, competitive with, or superior to those the Company develops. There is a risk that another party may obtain a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products.

- *Access, loss or theft:* There is a risk that some or all of our users' holdings of digital currencies could be lost, stolen, destroyed or rendered inaccessible, potentially by the loss or theft of the private keys held by custodians associated with the public addresses that hold our users' digital currencies and/or the destruction of storage hardware. Multiple thefts of digital currencies from other holders have occurred in the past. Because of the decentralized process for transferring digital currencies, thefts can be difficult to trace, which may make digital currencies a particularly attractive target for theft. The Company has security protocols in place; however, there is no assurance that these protocols will be successful in preventing such restriction of access, loss, or theft. Security breaches, cyber-attacks, malware and hacking attacks have been a prevalent concern for crypto trading platforms. The Company obtains and processes sensitive customer data. Any real or perceived improper use of, disclosure of, or access to such data could harm the Company's reputation, as well as have an adverse effect on its business. Any cyber security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses, could harm the Company's reputation and adversely affect its business, financial condition or results of operations.
- *Changes in the value of digital assets may affect trading:* Investing in digital assets is speculative, prices are volatile and market movements are difficult to predict. Supply and demand for digital assets can change rapidly and is affected by a variety of factors, including regulation and general economic trends. The markets for digital assets have experienced much larger fluctuations than other markets, and there can be no assurances that erratic swings in price will slow in the future. In the event that the price of digital assets decline, the value of an investment in the Company will also likely decline. Several factors may affect the price and volatility of digital assets, including, but not limited to: (i) global demand for digital assets; (ii) the perception that the use, holding and trading of digital assets is safe and secure, and the related lack of or inconsistency in regulatory restrictions, particularly across various jurisdictions; (iii) conversely, heightened regulatory measures restricting the use of digital assets as a form of payment or the purchase of digital assets; (iv) investor's expectations with respect to the rate of inflation; (v) interest rates; (vi) currency exchange rates, including exchange rates between digital assets and fiat currency; (vii) fiat currency withdrawal and deposit policies on crypto trading platforms and liquidity on such platforms; (viii) interruption of services or failures of major digital asset trading platforms; (ix) general governmental monetary policies, including trade restrictions and currency revaluations; and (x) global or regional political, economic or financial events and situations, including increased threat or terrorist activities.
- *Faulty code:* Flaws in the source code for digital assets have been exposed and exploited in past, including those that exposed users' personal information and/or resulted in the theft of users' digital assets. Discovery of flaws in, or exploitations of, source code that allows malicious actors to take or create money in contravention of known network rules has occurred. A malicious actor may be able to steal the Company and/or its users' digital assets, which could result in reputational damage to and could adversely affect the Company's businesses, financial condition or results of operations, and result in a material loss for it and/or its users.

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

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

The Company has no off-balance sheet arrangements as of September 30, 2024 and as at the date of this MD&A.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates, assumptions, and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized on a prospective basis beginning from the period in which they are revised.

All of the Company's material accounting policies and estimates are included in Note 3 of its audited consolidated financial statements for the year ended December 31, 2023.

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

(a) Authorized and issued share capital:

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	355,780,820

(b) Summary of options outstanding:

Security	Number	Number Exercisable	Exercise Price Range
Options	21,162,911	19,197,411	\$0.08 to \$3.00

(c) Summary of warrants outstanding:

Security	Number	Number Exercisable	Exercise Price Range
Warrants	37,412,909	37,412,909	\$0.30 to \$0.53
Broker warrants	2,151,166	2,151,166	\$0.30

## CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements and the respective accompanying Management's Discussion and Analysis for the period ended September 30, 2024.

## DISCLOSURE CONTROLS

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

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

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