



# Tokens.com

TOKENS.COM CORP.

(formerly COIN Hodl Inc.)

Management's Discussion and Analysis

For the three and nine months ended September 30, 2021

(Expressed in United States Dollars)

## **Introduction**

This Management's Discussion and Analysis ("MD&A") is dated November 3, 2021, and consolidates management's review of the factors that affected Tokens.com Inc.'s ("Tokens.com" or the "Company") financial and operating performance for three and nine months ended September 30, 2021, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's financial statements as at and for the same periods ended September 30, 2021 ("2021 Interim Financial Statements") and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP").

Unless otherwise stated, results are reported in United States dollars, unless otherwise noted. The Company applies International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and interpretations issued by the IFRS Interpretations Committee. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results presented in the MD&A are not necessarily indicative of the results that may be expected for any future period.

This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented are not necessarily indicative of the results that may be expected for any future period.

## **Cautionary Note Regarding Forward-Looking Information**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. For a complete list of the factors that could affect the Company, please make reference to those risk factors referenced in Part VI – "Risk Factors" of the Filing Statement of the Company dated April 23, 2021. Readers are cautioned that such risk factors, uncertainties and other factors are not exhaustive. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the Company's ability to meet its working capital needs at the current level for the next twelve-month period; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; and general business and economic conditions.

All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to

update publicly, or otherwise revise, any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## **The Company**

Tokens.com was incorporated under the OBCA on November 9, 2020. Tokens.com is a publicly traded company whose primary business is purchasing Proof-of-Stake (PoS) based tokens and staking those assets to earn additional tokens. Crypto staking is the process of validating blocks for a blockchain and is similar to the process performed by crypto miners. Stakers are compensated similarly and provide the same end result as a crypto miner. However, the staking process relies on ownership instead of the use of hardware and electricity. Tokens.com may also benefit from the potential appreciation in the underlying digital asset inventory used for staking.

In addition, Tokens.com co-owns Metaverse Group. Metaverse Group is a metaverse landlord and owns a portfolio of digital real estate in various metaverses. These are assets owned for the purpose of generating rental income. Tokens.com may also benefit from the potential appreciation in the underlying digital asset real estate.

Tokens.com focuses on staking tokens that developers use to create and operate decentralized finance ("DeFi") applications and Non-Fungible Tokens (NFTs). PoS is inextricably linked to DeFi and NFTs, with staking providing the infrastructure and security needed to process transactions and secure transactions. Management of Tokens.com believes that as DeFi and NFT applications become mainstream in the future, the need for stakers, like Tokens.com, will commensurately increase. A recent report by Staked.us estimated \$18 billion in staking payouts for 2021.

Staking is a next generation technology used by many digital assets, such as Ethereum 2.0, to secure their networks. Unlike traditional cryptocurrency mining, which is used to mine older blockchains like Bitcoin and Ethereum 1.0, staking is not reliant on specialized hardware that can rapidly become outdated and does not consume vast amounts of electricity. Instead, staking technology uses validation rights attached to digital asset ownership to make digital asset transactions secure, reliable and sustainable.

Tokens.com holds digital assets in Coinbase Custody, a SOC 1/ SOC 2 certified digital asset custodian, which claims to hold \$20bn+ of digital assets in segregated cold storage. Some of Tokens.com's digital assets that cannot be custodied at Coinbase Custody (e.g., if Coinbase does not support the custodying or staking of a particular digital asset) are custodied by Tokens.com internally, using its extensive security protocols and internal controls.

## **Q3 Highlights**

- 65% growth of digital asset inventory during Q3.
- Net income of \$4.1 million or \$0.05 per share (CAD\$5.2 million or CAD\$0.06 per share).
- Comprehensive income of \$6.3 million or \$0.08 (CAD\$7.9 million or CAD\$0.10 per share).
- Earned staking rewards valued at \$719,051 (CAD\$913,194) and \$1,532,741 (CAD\$1,946,581) for the three and nine months ended September 30th, respectively.
- Purchase of additional tokens during Q3 - Axie Infinity Shards, Ethereum, Polkadot and Smooth Love Potion.

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- Commencement of trading in the United States on the OTCQB venture market under ticker symbol "SMURF".
- Appointment of Ian Fodie as Chief Financial Officer.
- Introduction of new brand identity and redesigned website.
- Announced agreement to purchase a 50% stake in Metaverse Group, one of the world's first virtual real estate companies (closed October 15, 2021).

Q3 was our second quarter as a public company and our first full quarter with the proceeds from our most recent fundraise fully deployed. Tokens.com benefited significantly from the rebound in cryptocurrencies during Q3 as is evidenced by the token price appreciation of the top 5 cryptocurrencies held by the Company during Q3, which has continued into Q4 as follows:

Token	Price at		
	June 30, 2021	September 30, 2021	October 31, 2021
Bitcoin	\$ 35,040.84	\$ 43,790.90	\$ 61,888.83
Ethereum	\$ 2,274.55	\$ 3,001.68	\$ 4,325.65
Polkadot	\$ 16.40	\$ 28.58	\$ 42.75
Binance	\$ 303.30	\$ 387.06	\$ 527.92
Oasis Rose	\$ 0.06	\$ 0.16	\$ 0.19

Management is confident that the digital assets it owns are linked to the macro growth in DeFi and NFTs. Consequently, we view the potential for ongoing appreciation of these assets to be high.

### **Staked Tokens**

Tokens.com seeks to stake tokens that are linked to the fast-growing DeFi and NFT sectors. The tokens we stake are the programmable building blocks required by DeFi and NFT applications. Thus, as those sectors grow, the greater the requirement for third party stakers like Tokens.com.

Tokens custodies its digital assets with Coinbase, a SOC 1 type 2 certified digital asset custodian, a non-related party. See Coinbase Custodial agreement below.

### **Custodial Agreement**

The Coinbase User Agreement was entered into on December 8, 2020 between Tokens and Coinbase. Coinbase agreed to provide wallet and vault services to Tokens.

Coinbase is regulated under the New York Department of Financial Services. As such, Coinbase is a fiduciary under NY State Banking Law and is held to the same fiduciary standards as national banks in the US. Coinbase undergoes regular financial and security audits and has obtained both SOC 1 Type II and SOC 2 Type II reports. All digital assets are segregated and held in trust.

In addition, Coinbase has an insurance policy, established in 2013, that is provided through a global syndicate that includes Lloyd's of London and is coordinated through AON Risk. The insurance policy covers all types of storage and has a US\$255 million limit.

There have been no known incidents of which crypto assets have been lost or stolen.

In accordance with the terms of the agreement, Coinbase is responsible for wallet and custodial services which include establishing and hosting Tokens.com's; (a) digital currency wallet(s) for holding digital currencies; and (b) wallet for holding USD. Coinbase is also responsible for payment services, purchase

and sale transactions, credit transactions, digital currency transfers and additional services as outlined in the agreement.

Although Tokens.com's cryptocurrency assets are not stored in a physical sense, the transaction records included in the blockchain assign a location for each of Tokens.com's cryptocurrency assets to the account established by Coinbase. Private keys are kept in "cold storage," which means that the cryptocurrency assets are not directly connected to, or accessible from, the internet or other computers. Individual wallets within Tokens.com's wallet digitally hold the cryptocurrency and permit Tokens.com to transfer and/or sell upon advanced notice to Coinbase. Access to a Coinbase digital wallet, and the cryptocurrencies that it holds, is restricted through the public-private key pair, which may be broken into parts, referred to as multi-signature, that relates to each digital wallet. Coinbase is responsible for the safekeeping of Tokens.com's private keys that are used to access its cryptocurrency account and that facilitate the transfer of cryptocurrency in accordance with Tokens.com's instructions.

### **Listing Transaction**

On March 9, 2021, the Company signed a definitive transaction agreement (the "Definitive Agreement"), which resulted in the reverse takeover of COIN Hodl Inc. ("COIN") by Tokens.com (the "Transaction"), on April 27, 2021.

Pursuant to the terms of the Definitive Agreement, the Transaction was structured as a "three-cornered amalgamation" involving COIN, a wholly-owned subsidiary of COIN and Tokens.com.

The Transaction resulted in the reverse takeover of COIN by Tokens.com.

The resulting issuer carries on the business of Tokens.com.

For detailed accounting of the Transaction, please refer to the Condensed Interim Financial Statements for the three and six months ended June 30, 2021, and related Management's Discussion and Analysis.

### **Tokens Private Placement**

Related to the Transaction, on March 16, 2021, the Company, closed a private placement for gross proceeds of \$19.8 (CAD\$25.0) million from the sale of subscription receipts of Tokens.com at a price of \$0.75 per subscription receipt post subscription receipt split. The offering was comprised of: (i) a brokered private placement for aggregate gross proceeds of CAD\$20.73 million that closed on March 10, 2021, and (ii) a non-brokered private placement for aggregate gross proceeds of CAD\$4.27 million that closed on March 16, 2021.

The gross proceeds of the offering, less 50% of the agents' cash commission and advisory fees in connection with the offering, and the agents' expenses incurred to March 10, 2021 (the "Escrowed Proceeds"), were deposited into escrow with TSX Trust Company, as escrow agent (the "Escrow Agent"), pursuant to the terms of a subscription receipt agreement dated March 10, 2021 (the "Subscription Receipt Agreement") among Tokens, the Escrow Agent and the Co-Lead Agents, pending satisfaction of the escrow release conditions, which include that all conditions precedent to the closing of the Transaction as defined in Note 12 (b) be satisfied or waived. Upon the satisfaction of the escrow release conditions on April 27, 2021, the Escrowed Proceeds were released by the Escrow Agent to Tokens, and each subscription receipt automatically converted, for no additional consideration, into one Class A common share in the capital of Tokens (each, a "Tokens Share"). All Tokens Shares were subsequently exchanged for common shares in the capital of COIN in connection with the closing of the transaction between Tokens and COIN.

In connection with the Closing, all of the directors and officers of the Company were replaced by nominees of Tokens Inc., with the board of directors now being comprised of Andrew Kiguel, Frederick Pye, Jimmy Vaiopoulos, Andrew D'Souza and Emma Todd, and management being comprised of Andrew Kiguel (CEO), Kyle Appleby (CFO), and Deven Soni (COO). Each of the independent directors, being Messrs. Pye, Vaiopoulos D'Souza and Ms. Todd were granted 90,000 deferred share units under the Company's

omnibus equity incentive plan. Additional details regarding the backgrounds of the directors and officers can be found in the Filing Statement.

### **COVID -19**

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on operations or the Company's ability to raise funds in the future, however to date the Company has not been significantly impacted by the outbreak and its effects.

### **Other Highlights for the period January 1, 2021 to the date of this MD&A**

On June 29, 2021, the Company announced that it entered into a collateralized loan facility with Genesis Global Trading, a full-service digital currency prime broker and subsidiary of Digital Currency Group. The loan will have an open term amount for an initial amount of approximately \$2 million with an annual interest rate initially set at 9.75%. Proceeds from the facility will be used to purchase additional digital assets to expand Tokens.com's crypto staking operations.

On October 18, 2021, the Company announced it closed its acquisition of a 50% stake in Metaverse Group. Metaverse Group is one of the world's first virtual NFT based real estate companies and owns an extensive portfolio of virtual NFT real estate properties in major blockchain-based Metaverses including Decentraland, Somnium Space, The Sandbox, Cryptovoxels, and Upland. Metaverse Group operates additional services including virtual property development, property management, and assisting companies with marketing and advertising in the Metaverse. A Metaverse is a 3D online city where people can work, play games, and communicate in a virtual environment. The Company sees its investment in Metaverse Group as an opportunity to provide public market investors with exposure to innovative blockchain technologies.

On October 22, 2021, updated on October 25, 2021, the Company announced a proposed marketed offering of units, consisting of one common share plus one-half common share purchase warrant, for aggregate gross proceeds to the Company of up to \$12.0 million at a price of CAD\$0.90 per unit. The Company has granted its agents an option to increase the size of the offering to gross proceeds to the Company of approximately \$16.0 million. Each full share purchase warrant shall entitle the holder to acquire one common share at a price of \$1.15 within 36 months of the closing of the offering. The offering is scheduled to close on or about November 16, 2021.

### **Discussion of Operations for the three and nine months ended September 30, 2021**

For accounting purposes, Tokens.com marks its digital asset inventory to market at the end of every quarter. In the case of Q2, that mark-to-market coincided with the bottom of the crypto market correction. The revaluation of the inventory resulted in a non-cash loss of \$9.5 million being recorded in Q2. While that number was steep, it is a non-cash value of our inventory at the lowest part of the crypto correction, and the rebound of crypto currency prices in Q3 resulted in positive non-cash income of \$6.3 million being recorded in Q3, resulting in a year-to-date revaluation of \$(0.3) million. We hold our digital assets in inventory for the purpose of generating staking revenue over the short and long-term. Crypto assets can be marked by volatility quarter to quarter. We believe the assets we are staking have important use cases in the world of DeFi, and thus hold excellent mid and long-term potential to generate staking returns and appreciate. However, as a company that owns cryptocurrency for the purpose of generating revenue, Tokens.com's asset value and share price will be correlated to what's occurring in the overall cryptocurrency markets.

During Q3, bitcoin, the largest cryptocurrency and our largest digital asset holding, rebounded by 25% from its ending Q2 price and has continued to increase a further 141% to October 31. ETH also increased 32%

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in Q3 and has continued to increase a further 44% to October 31. In addition, during Q3, Tokens.com continued to acquire more digital assets for the purpose of staking and to build its digital asset inventory. Tokens.com sees volatility as an opportunity to 'buy during the dip' and strengthen the quality of its digital asset inventory at lower average prices.

Tokens.com continues to compound its revenue by re-staking the tokens it receives as revenue to create higher returns on capital. We believe this strategy will allow us to grow our digital asset inventory and position it for positive and compounding appreciation as the market recovers in Q3 from the lows of Q2. Management sees the crypto staking market opportunity continuing to grow.

For the three and nine months ended September 30, 2021, the Company recorded a net income (loss) of \$4,112,757 and \$(4,561,758), respectively, and a comprehensive income (loss) of \$6,250,431 and \$(2,333,538), respectively, representing net income (loss), and comprehensive income (loss), per share for the three and nine months ended September 30, 2021, of \$0.05 and \$(0.08), respectively. Contributing to these results for the three and nine months ended September 30, 2021, was a positive revaluation of digital assets of \$6,309,963. Items affecting the net loss for the nine months ended September 30, 2021, was the one-time listing expense of \$1,108,883 (of which includes a \$551,843 non-cash expense representing the fair value of the common shares retained by the former shareholders of COIN, less the working capital acquired). Despite the overall net loss for the nine months ended September 30, 2021, management believes the Company's balance sheet is strong and that the Company is well funded from a corporate overhead standpoint.

#### Revenue

The Company earned a total revenue of \$448,976 and \$754,575 for the three and nine months ended September 30, 2021 as follows:

	<b>Three months ended September 30, 2021</b>	<b>Nine months ended September 30, 2021</b>
Consulting revenue (i)	\$ 31,404	\$ 78,705
Staking revenue (ii)	417,572	675,870
	<b>\$ 448,976</b>	<b>\$ 754,575</b>

Revenue was derived from:

- (i) the revenue earned on the Company's investment in Oasis Rose Tokens, and a related consulting service agreement by which the Company earned addition grant of Oasis Rose Tokens. As a result of the investment and the consulting service grant, the Company expects to receive a total of 1,005,000 is Rose Token awards in one year from November 17, 2020, and additional 170,000 in Rose Token rewards in a year and a half from November 17, 2020 (of which the pro-rata amounts were accrued as a receivable for the period ended June 30, 2021).
- (ii) The staking revenue from includes the yield earned on the Oasis Rose Tokens in (i), and rewards from staking other digital assets.

Cost of staking was \$15,694 and \$30,287 for the three and nine months ended September 30, 2021 and represents a cost for the quarter of approximately 3.8% of the staking revenue.

Operating expenses for the three and nine months ended September 30, 2021, were \$600,613 and \$3,003,112, and include non-cash share-based payments of \$87,883 and 581,386, respectively, in addition to one-time listing expenses of \$nil and \$1,108,883, respectively.

A breakdown of the operating expenses is as follows:

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	Three months ended September 30, 2021	Nine months ended September 30, 2021
<b>EXPENSES</b>		
Management fees and salaries (see related party transactions)	\$ 101,686	\$ 317,937
General and administrative	77,707	226,574
Professional and consulting fees (i)	40,532	164,833
Advertising and investor relations	277,292	557,897
Regulatory (ii)	15,513	45,602
Share-based compensation (iii)	87,883	581,386
Listing expense (iv)	-	1,108,883
	<b>\$ 600,613</b>	<b>\$ 3,003,112</b>

- (i) Primarily consisted of corporate legal and audit fees, and other business consulting.
- (ii) Filing fees for the stock exchange
- (iii) Value of options, RSUs and DSUs that vested during the period
- (iv) The listing transaction expense is comprised of the fair value of common shares of the Company retained by the former shareholders of COIN and legal and stock exchange listing fees incurred, less the amount of acquired net assets of COIN. \$551,843 of this is a non-cash expense.

Other items included in the net loss are:

<b>Other items</b>	Three months ended September 30, 2021	Nine months ended September 30, 2021
Gain (loss) on rebalancing treasury assets (i)	102,319	(162,030)
Revaluation of digital assets – non-cash (ii)	4,172,288	(2,552,555)
Interest income	-	2,548
Unrealized foreign exchange gain	5,480	429,103

- (i) Represents the loss of exchanging digital assets we hold as treasury, for other digital assets for the purposes of rebalancing those assets.
- (ii) The revaluation of digital assets represents an unrealized gain for the three months. This gain reflects the recovery in the prices of digital assets since June 30, 2021. Due to digital assets' classification as an intangible asset, the gains are accounted for directly through other comprehensive income, with the exception of the portion that is reversing losses previously recorded in net income which are recorded in net income.

Comprehensive income for the three and nine months ended September 30, 2021:

	Three months ended September 30, 2021	Nine months ended September 30, 2021
<b>Other comprehensive income</b>		
Revaluation of digital assets – non-cash	2,137,675	2,228,220
<b>Comprehensive income for the period</b>	<b>\$ 6,260,431</b>	<b>\$ (2,333,538)</b>

**Selected Quarterly Information**

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The following table summarizes the Company's quarterly financial information:

Quarter Ended	Net Revenues (\$)	Net Income (Loss)	
		Total (\$)	Basic and Diluted Income (Loss) Per Share <sup>(1)</sup> (\$)
September 30, 2021	448,976	4,112,756	0.05
June 30, 2021	203,990	(8,537,342)	(0.13)
March 31, 2021	101,609	(137,172)	(0.00)
December 31, 2020*	5,932	(128,357)	(0.00)

<sup>(1)</sup> Presented on a post share-consolidation basis.

The Company was incorporated on November 9, 2020, and therefore does not have any other historical quarterly information.

### Liquidity and Capital Resources

As at September 30, 2021, the Company had a working capital balance of \$19,278,896. The Company currently has sufficient cash and cash equivalents to meet its current operating and administrative costs for the next 12 months.

Net cash used in operating activities was \$1,195,205. Cash used in investing activities amounted to \$18,893,053 made up of \$20,930,963 spent on acquiring digital assets, less the \$331,629 cash acquired on the RTO, and \$1,706,281 of proceeds from the sale of digital assets for the purpose of re-balancing its treasury assets. Cash provided from financing activities was \$18,968,407 representing \$18,715,399 of net proceeds from the private placement, \$3,008 from the exercise of stock options, and \$250,000 from the Company's loan facility.

The Company's use of cash at present occurs, and in the future is expected to occur, principally in two areas: the funding of its general and administrative expenditures as a deployment of capital to acquire digital assets for the purposes of earning a staking revenue. In connection with the Company's operating and investment activities, when required, the Company will seek to raise capital primarily through the issuance of equity securities. As at the date of this report, the Company has sufficient capital to meet its ongoing operating and investment activities, for at minimum the next twelve months.

The Company has no capital commitments as at the date of this report.

### Off-Balance Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

### Financial Instruments and Business Risks

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

#### Credit risk

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Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. Financial instruments which are potentially subject to credit risk for the Company consist of cash and digital assets

The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure as at September 30, 2021 relating to cash of \$839,571 (December 31, 2020 - \$1,952,977). The cash is held at Canadian chartered banks.

Currency risk

The Company generates all revenue in United States dollars but expenses are incurred in both U.S. and Canadian dollars, exposing the Company to fluctuations in earnings from volatility in foreign currency rates. The fluctuation in foreign currencies in relation to the United States dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of equity. Management however concludes the exposure to currency risk is not material and the Company does not utilize any financial instruments or cash management policies to mitigate such currency risks. As at September 30, 2021, the Company held \$715,850 (December 31, 2020 - \$169,956) denominated in Canadian dollars. A 10% change in the foreign exchange rate would result in an impact of \$90,913 on the Company's operations.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly with respect to ensuring the sufficiency of funds for working capital and commitments. The Company monitors the maturity dates of existing accounts payable and accrued liabilities, loans payable, and commitments to mitigate this risk. The Company's financial liabilities are comprised of accounts payable and accrued liabilities.

Fair Value Risk

Due to their short-term nature, the carrying value of cash, amounts receivable, and accounts payable approximate their fair value.

**Related Party Transactions**

Key management personnel are those persons that have authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly. As of June 30, 2021, the Company's key management personnel consist of its directors and senior management (Chief Executive Officer, Chief Financial Officer and Chief Operating Officer). The Company incurred fees and expenses for key management compensation in the normal course of operations, details are as follows for the nine months ended September 30, 2021:

Nature of Transactions	2021
Management fees and salaries	\$ 317,937
Stock based compensation – options and RSUs	542,596
	<u>\$ 860,533</u>

During the nine months ended September 30, 2021, the Company was charged \$26,410 pursuant to a consulting services agreement dated December 1, 2020 between the Company and CFO Advantage Inc., a company controlled by Kyle Appleby, the previous Chief Financial Officer of the Company, in addition to \$8,000 pursuant to a consulting services agreement dated September 1, 2021 between the Company and IF Only Strategies Ltd., a company controlled by Ian Fodie, the current Chief Financial Officer of the Company. During the period ended December 31, 2020, Mr. Appleby was granted 18,798 stock options, with an exercise price of \$0.08, expiring ten years from the date of grant and vested on the date of grant (see Note 8). During the period ended September 30, 2021 Mr. Fodie was granted 400,000 stock options, with an exercise price of \$0.46, expiring five years from the date of grant and vesting over the next 40 months (see Note 8).

On January 1, 2021, the Company entered into an employment agreement with Andrew Kiguel, the Chief Executive Officer of the Company. Pursuant to the terms of the agreement Mr. Kiguel is entitled to receive a salary of CAD\$375,000 per annum (the "Base Salary"), less applicable deductions and withholdings. During the period ended December 31, 2020, 469,950 stock options were granted to Andrew Kiguel the Chief Executive Officer of the Company. The options have an exercise price of \$0.08, expiring ten years from the date of grant and vest over the next three years (see Note 8).

On December 1, 2020, the Company entered into an agreement with DASA Software Inc., a company controlled by Deven Soni, the Chief Operating Officer of the Company. During the nine months ended September 30, 2021, \$52,500 was charged by DASA. The Company also granted 939,900 stock options (see Note 8), with an exercise price of \$0.08, expiring ten years from the date of grant and vest over the course of the next three years.

See Note 8 to the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2021, for other related party transactions with respect to share and option issuances.

### **Critical Accounting Estimates and Accounting Policies**

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the unaudited condensed consolidated interim financial statements:

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. Although these estimates are based on management's best knowledge of the current events and actions that the Company may undertake in the future, actual results may differ from these estimates.

#### *Significant judgments*

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the following:

- (i) Going concern - The assessment of the Company's ability to execute its strategy by effectively operating the Company involves judgment. Management closely monitors the operations and cash flows in the Company. Further information regarding going concern is outlined in Note 1 to the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2021.
- (ii) Income taxes - Management exercises judgment to determine the extent to which deferred tax assets are recoverable and can therefore be recognized in the statements of financial position and comprehensive income or loss.
- (iii) Functional currency - The functional currency of the Company has been assessed by management as the United States Dollar (USD) based on consideration of the currency and economic factors that primarily influence the Company's digital assets, revenues and operating costs, financing and related transactions. Specifically, the Company considers the currencies in which digital assets are most commonly denominated and expenses are settled by each entity as well as the currency in which each entity receives or raises financing. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency.

- (iv) Digital assets - Digital assets are considered to be an identifiable non-monetary asset without physical substance. Management has determined that the digital assets are should be accounted for as intangible assets in accordance with IAS 38 *Intangible Assets*.

*Significant estimates*

- (i) Digital currency valuation - Digital assets consist of cryptocurrency denominated assets (Note 4) and are long-term assets. Digital assets are carried at their fair market value determined by the spot rate based on the hourly volume weighted average from [www.coinbase.com](http://www.coinbase.com). The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital assets would have a significant impact on the Company's earnings and financial position. In addition, management estimates that selling costs will be nominal. Digital currency 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. 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 digital assets.
- (ii) Share-based compensation - The Company utilizes the Black-Scholes Option Pricing Model ("Black Scholes") to estimate the fair value of stock options granted to directors, employees, and consultants. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the share-based compensation calculation value, however the most significant estimate is the volatility. Expected future volatility can be difficult to estimate as the Company has had limited history and is in a unique industry, and historical volatility is not necessarily indicative of future volatility.

**Capital Management**

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to acquire more digital assets and fund the operation of the Company. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through the equity or debt financing. The Company is not subject to any external capital requirements imposed by a regulator.

**Risks**

General Digital Asset Risks

*Tokens' business is reliant on blockchain technology service providers.*

As a "proof-of-stake" technology company, Tokens relies on blockchain technology service providers, including the Service Providers, that provide services to Tokens pursuant to services agreements, to carry out its operations. The Service Providers provide Tokens access to platforms that power the critical infrastructure required to operate nodes across blockchains and validators. In the event that agreements with the Service Providers were terminated for any reason, Tokens would need to find replacement service providers. While Tokens believes there are a number of other service providers capable of providing replacement services on terms and conditions that would be commercially reasonable, there is no guarantee Tokens would be able to find such service providers and enter into similar agreements on similar

terms, or at all. Failure to find suitable replacement service providers could cause Tokens to reduce or terminate its operations.

*Tokens' annual compensation percentage is volatile and could materially decline.*

Tokens, through its technology partnerships with the Service Providers, operates nodes to stake atop a select few digital asset protocols, and in turn, earns token rewards for processing transactions and securing crypto networks. Tokens expects to, in equal proportion, re-stake its token rewards and convert them to fiat equivalent currencies (CAD or USD), to be used for corporate overhead or eventual distribution to shareholders in the form of a dividend in fiat currency. Tokens' decision to stake an individual token depends on a combination of network quality, network liquidity and expected staking compensation (expressed as an annual compensation percentage), which varies from token to token. The annual compensation percentage is determined by a combination of a network's natural inflation rate, the transaction fees generated on the network, a token's price, and the percent of total tokens being staked. As such, Tokens' annual compensation percentage may fall temporarily due to a short-term decline in transaction volume or an increase in the percent of tokens being staked. While there is an expectation that the networks it chooses to secure will pay compensation rates of 8% to 10% per year, Tokens has no control over the annual compensation percentages of the various tokens it chooses to stake, and the compensation percentage may fall below these levels for a temporary or permanent period of time. The annual percentage rate of return is expected to decrease as sector activity increases and more tokens are invested in specific tokens. Staking revenues could decrease to a level that materially and adversely affects Tokens' staking assets and staking strategies, the value of its staking assets and the value of any investment in Tokens.

Tokens relies on internal policies in maintaining its portfolio and to guide its decisions to re-stake, hold and cash out tokens, and rebalances its portfolio monthly. Tokens' policy is to rebalance its token holdings within 48 hours of an instance of a single token representing more than 66% of its total holdings. In this situation, Tokens will reduce its position from 66%+ of total holdings to 45% of total holdings and rebalance its other tokens commensurately.

*Regulatory changes or actions may alter the nature of an investment in Tokens or restrict the use of digital assets in a manner that adversely affects Tokens operations.*

As digital assets have grown in both popularity and market size, governments around the world have reacted differently, with certain governments deeming cryptocurrencies illegal and others allowing their use and trade. On-going and future regulatory actions may alter, perhaps to a materially adverse extent, the ability of Tokens to continue to operate. The effect of any future regulatory change on Tokens or any digital assets that Tokens may stake is impossible to predict, but such change could be substantial and adverse to Tokens. Governments may in the future take regulatory actions that prohibit or severely restrict the right to acquire, own, hold, sell, use or trade digital assets, or to exchange digital assets for fiat currency. By extension, similar actions by other governments, may result in the restriction of the acquisition, ownership, holding, selling, use or trading in Tokens Shares. Such a restriction could result in Tokens liquidating its inventory of digital assets at unfavorable prices and may adversely affect the price of Tokens Shares.

*Digital asset transactions are irrevocable and losses may occur.*

Digital asset transactions are irrevocable and stolen or incorrectly transferred cryptoassets may be irretrievable. Digital asset transactions are not reversible without the consent and active participation of the recipient of the transaction. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer of digital assets will not be reversible. To the extent that Tokens is able to seek a corrective transaction with the third party, or is incapable of identifying the recipient of its digital assets through error or theft, Tokens will not be able to revert or otherwise recover any incorrectly transferred digital assets, or to convert or recover digital assets transferred to uncontrolled accounts.

*Tokens holds the majority of its digital assets in Coinbase, a SOC 1/ SOC 2 certified digital asset custodian.*

Coinbase is responsible for the safekeeping of Tokens' private keys, which are used to access its cryptocurrency account and which facilitate the transfer of digital assets in accordance with Tokens' instructions. Coinbase holds digital assets in segregated cold-storage (meaning the assets are stored on devices without any internet access - making it significantly more difficult for a hacker to access the funds). If Tokens' crypto assets are lost, stolen or destroyed under circumstances rendering a party liable to Tokens, the responsible party may not have the financial resources sufficient to satisfy Tokens' claim. Also, although Coinbase uses security procedures with various elements, such as redundancy, segregation and cold storage, to minimize the risk of loss, damage and theft, neither Coinbase nor Tokens can guarantee the prevention of such loss, damage or theft, whether caused intentionally, accidentally or by an act of God. Access to Tokens' Coinbase account could also be restricted by natural events (such as an earthquake or flood) or human actions (such as a terrorist attack).

*Tokens' use of proprietary and non-proprietary software, data and intellectual property may be subject to substantial risk.*

Tokens' token selection strategy may rely heavily on the use of proprietary and non-proprietary software, data and intellectual property of third parties in the digital asset sector. The reliance on this technology and data is subject to a number of important risks. For example, the operation of any element of the digital assets network, or any other electronic platform, may be severely and adversely affected by the malfunction of technology. For example, an unforeseen software or hardware malfunction could occur as a result of a virus or other outside force, or as result of a design flaw in the design and operation of the network or platform. In addition, the technology of the Service Providers, or the tokens themselves, may be inactive for periods of time, known as "downtime". Under the existing service agreements, the Service Providers are obligated to pay a penalty to Tokens whenever there is downtime. While Tokens has no obligation to pay any penalties to any third party in connection with any such downtime, Tokens' business could be temporarily interrupted. Further, if Tokens' software, hardware, data or other intellectual property is found to infringe on the rights of any third party, the underlying value of the assets of Tokens could be materially and adversely affected. Regardless of the merit of any intellectual property or other legal action, any threatened action that reduces confidence in a digital asset network's long-term viability or the ability of end-users to hold and transfer digital assets may adversely affect the value of these assets. Additionally, a meritorious intellectual property claim could prevent Tokens and other end-users from accessing various networks or holding or transferring their digital assets.

*Tokens' business is exposed to the potential misuse of digital assets and malicious actors.*

Since the existence of digital assets, there have been attempts to use them for speculation or malicious purposes. Although lawmakers increasingly regulate the use and applications of digital assets, and software is being developed to curtail speculative and malicious activities, there can be no assurances that those measures will sufficiently deter those and other illicit activities in the future. Advances in technology, such as quantum computing, could lead to a malicious actor or botnet (a voluntary or hacked collection of computers controlled by networked software coordinating the actions of the computers) being able to alter the blockchain on which digital asset transactions rely. In such circumstances, the malicious actor or botnet could control, exclude or modify the ordering of transactions, or generate new digital assets or transactions using such control. The malicious actor or botnet could double spend its own digital assets and prevent the confirmation of other users' transactions for so long as it maintains control. Such changes could adversely affect an investment in Tokens Shares.

The security procedures and operational infrastructure of Tokens and Coinbase may be breached due to the actions of outside parties, error or malfeasance of an employee of Tokens or Coinbase, or otherwise, and, as a result, an unauthorized party may obtain access to Tokens' digital asset accounts, private keys, data or tokens. Additionally, outside parties may attempt to fraudulently induce employees of Tokens or Coinbase to disclose sensitive information in order to gain access to the the infrastructure of Tokens or Coinbase. As the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, or may be designed to remain dormant until a predetermined event, and often are not recognized until launched against a target, Tokens may be unable to anticipate these techniques or implement adequate preventative measures. If an actual or perceived breach of Tokens' digital assets

account occurs, the market perception of the effectiveness of its security protocols could be harmed and the value of Tokens Shares could be materially adversely affected.

*A decline in the adoption and use of digital assets could materially and adversely affect the performance of Tokens.*

Because digital assets are a relatively new asset class and a technological innovation, they are subject to a high degree of uncertainty. As a related but separate issue from that of the regulatory environment, the adoption, growth and longevity of any digital asset will require growth in its usage and in the blockchain for various applications. A lack of expansion in use of digital assets and blockchain technologies would adversely affect the financial performance of Tokens. In addition, there is no assurance that any digital assets will maintain their value over the long term. Even if growth in the use of any digital assets occurs in the near or medium term, there is no assurance that such use will continue to grow over the long term. A lack of expansion of digital assets into the retail and commercial markets, may result in increased volatility or a reduction in the market price of these assets. Further, if fees increase for recording transactions on these blockchains, demand for digital assets may be reduced and prevent the expansion of the networks to retail merchants and commercial businesses, resulting in a reduction in the price of these assets. A contraction in use of any digital asset may result in increased volatility or a reduction in prices, which could materially and adversely affect Tokens' investment and trading strategies, the value of its assets and the value of any investment in Tokens Shares.

*The value of digital assets may be subject to momentum pricing risk.*

Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. Market prices of digital assets are determined primarily using data from various exchanges, over-the-counter markets, and derivative platforms. Momentum pricing may have resulted, and may continue to result, in speculation regarding future appreciation in the value of digital assets, inflating and making their market prices more volatile. As a result, they may be more likely to fluctuate in value due to changing investor confidence in future appreciation (or depreciation) in their market prices, which could adversely affect the value of Tokens' digital asset inventory and the value of Tokens Shares.

*Banks may not provide banking services, or may cut off banking services, to businesses that provide digital asset-related services.*

A number of companies that provide digital asset-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to digital asset-related companies, or companies that accept digital assets, for a number of reasons, such as perceived compliance risks or costs. The difficulty that many businesses that provide digital asset-related services have and may continue to have in finding banks willing to provide them with bank accounts and other banking services may decrease the usefulness of digital assets as a payment system and harm public perception of digital assets. Similarly, the usefulness of digital assets as a payment system and the public perception of digital assets could be damaged if banks were to close the accounts of many or of a few key businesses providing digital asset-related services. This could decrease the market prices of digital assets, and adversely affect the value of Tokens' digital asset inventory and Tokens Shares.

*Market adoption of crypto assets has been limited to date and further adoption is uncertain.*

Currently, there is relatively small use of crypto assets in the retail and commercial marketplace in comparison to relatively large use by speculators, thus contributing to price volatility that could adversely affect an investment in the securities or Resulting Issuer Shares. Crypto assets have only recently become accepted as a means of payment for goods and services by certain major retail and commercial outlets and use of crypto assets by consumers to pay such retail and commercial outlets remains limited. Conversely,

a significant portion of crypto asset demand is generated by speculators and investors seeking to profit from the short- or long-term holding of tokens. A lack of expansion by crypto assets into the retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in the market price of these assets. Further, if fees increase for recording transactions on these blockchains, demand for crypto assets may be reduced and prevent the expansion of the networks to retail merchants and commercial businesses, resulting in a reduction in the price of these assets.

*Digital assets may be subject to hold periods.*

Staking tokens are intended to be able to be withdrawn from their respective wallet at the request of Tokens, however this process may take up to 30 days depending on the time of withdrawal and staking provider. In addition, several digital assets require validators to commit to securing the network, and locking up their tokens, for an extended period of time. In particular, Ethereum 2.0 requires that validators commit to securing the network for a period of 12 to 18 months. The validator still controls the tokens during this period, but is not able to liquidate the tokens being staked. An inability to withdraw digital assets in the time desired or at all may adversely affect Tokens' business and liquidity, and the value of Tokens Shares.

*Migration of Ethereum to the Ethereum 2.0 platform may be delayed or may not occur at all.*

Tokens expects to allocate a significant amount of its resources to Ethereum 2.0. Ethereum 2.0 is currently in Phase 0, which describes the launch of the Beacon Chain (Ethereum's initial PoS blockchain). The currently defined future phases are Phase 1, which is the migration to shard chains (breaking up the processing of the Ethereum blockchain into multiple parts), and Phase 1.5, which is the migration of the Ethereum Mainnet into Ethereum 2.0. Ethereum 2.0 tokens that are staked at this time will be locked up until the launch of Phase 1.5. This lock-up may extend for at least 12 to 18 months, as described above. Any delays to the Ethereum 2.0 roadmap (and in particular the launch of Phase 1.5) may reduce Tokens' ability to unwind its Ethereum 2.0 holdings.

*Tokens will have to adapt to respond to evolving security risks.*

As technological change occurs, the security threats to Tokens' digital assets will likely adapt, and previously unknown threats may emerge. The ability of Tokens and Coinbase to adopt technology in response to changing security needs or trends may pose a challenge to the safekeeping of their assets. To the extent that Tokens or Coinbase is unable to identify and mitigate or stop new security threats, Tokens' assets may be subject to theft, loss, destruction or other attack.

*Tokens may be unable to obtain adequate insurance to insure its operations.*

Tokens intends to insure its operations in accordance with technology industry practice. However, given the novelty of digital asset and associated businesses, such insurance may not be available, may be uneconomical for Tokens, or the nature or level may be insufficient to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on Tokens.

*The business of Tokens will be exposed to cybersecurity risks.*

Cyber incidents can result from deliberate attacks or unintentional events, and may arise from internal sources (e.g., employees, contractors, service providers, suppliers and operational risks) or external sources (e.g., nation states, terrorists, hackers, competitors and acts of nature). Cyber incidents include unauthorized access to information systems and data (e.g., through hacking or malicious software) for purposes of misappropriating or corrupting data or causing operational disruption. Cyber incidents also may be caused in a manner that does not require unauthorized access, such as causing denial-of-service attacks on websites (e.g., efforts to make network services unavailable to intended users). A cyber incident that affects Tokens or its service providers (including Coinbase, or Bison Trails) might cause disruptions

and adversely affect their respective business operations, and might also result in violations of applicable law (e.g., personal information protection laws), each of which might result in potentially significant financial losses and liabilities, regulatory fines and penalties, reputational harm, and reimbursement and other compensation costs. In addition, substantial costs might be incurred to investigate, remediate and prevent cyber incidents.

*The Tokens may be subject to litigation.*

Tokens may be subject to litigation arising out of its operations. Damages claimed under such litigation may be material, and the outcome of such litigation may materially impact Token's operations, and the value of Tokens Shares. While Tokens will assess the merits of any lawsuits and defend such lawsuits accordingly, they may be required to incur significant expense or devote significant financial resources to such defenses. In addition, the adverse publicity surrounding such claims may have a material adverse effect on Tokens operations.

*The unregulated nature and lack of transparency surrounding the operations of digital asset exchanges may cause the marketplace to lose confidence in such exchanges.*

Cryptocurrency and digital asset exchanges on which cryptocurrencies and other digital assets trade are relatively new and, in some cases, unregulated. While some exchanges provide information regarding their ownership structure, management teams, corporate practices and regulatory compliance, many other exchanges do not. As a result, the marketplace may lose confidence in these exchanges, including prominent exchanges that handle a significant volume of trading in these assets. In recent years, there have been a number of cryptocurrency and digital asset exchanges that have closed because of fraud, business failure or security breaches. Additionally, larger cryptocurrency and digital asset exchanges have been targets for hackers and malware and may be targets of regulatory enforcement actions. A lack of stability in these exchanges, and their temporary or permanent closure, may reduce confidence in the digital asset marketplace in general and result in greater volatility in the price of digital assets. These potential consequences could materially and adversely affect the value of the Resulting Shares.

*The majority of Tokens' digital assets are held in Coinbase.*

Tokens holds the majority of its digital assets in Coinbase, a SOC 1/ SOC 2 certified digital asset custodian. If Coinbase were to be subject to a malicious attack or otherwise cease its operations, Tokens will be at risk of losing the majority of its digital assets. There is no assurance that Coinbase will not be subject to any such attack and there is no guarantee that Coinbase won't cease its operations.

*Slashing penalties could result in the loss of all tokens.*

A network's slashing penalties can range between 0.1% of tokens held for a single act of unresponsiveness to 100% of tokens held for a gross act of misconduct, being an act that intentionally threatens the entire network. Tokens relies on the services of third party service providers such as Bison Trails and Staked for certain staking activities and there is no assurance that Tokens or such other third party service providers will not be subject to slashing penalties or that Tokens will be able to recover any percentages of tokens that have been subject to slashing penalties.

### **Other Risks**

*Tokens has a limited operating history.*

Tokens has a limited history of operations and is in the early stage of development. As such, Tokens will be subject to many risks common to such enterprises, including undercapitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that Tokens will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. There can be no assurance

that Tokens will be able to develop any of its projects profitably or that any of its activities will generate positive cash flow.

*Tokens may require additional funds to finance its operations.*

Additional funds, raised through debt or equity offerings, may be needed to finance Tokens future activities. There can be no assurance that Tokens will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could cause Tokens to reduce or terminate its operations.

If additional funds are raised through further issuances of equity or securities convertible into equity, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Resulting Issuer Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for Tokens to obtain additional capital and to pursue business opportunities.

*The business of Tokens is subject to competition from other staking companies.*

Tokens will compete with other cryptocurrency and distributed ledger technology businesses, including other businesses focused on developing substantial digital asset staking operations. Although any market participant with sufficient capital and know-how has the ability to acquire tokens on the open market and start staking, there are a wide range of tokens being staked across the networks Tokens participates in. Accordingly, Tokens' Management is not focused on competition in the industry.

*Tokens compliance and risk management programs may not be effective.*

Tokens ability to comply with applicable laws and rules will be largely dependent on the establishment and maintenance of compliance, review and reporting systems, as well as the ability to attract and retain qualified compliance and other risk management personnel. Tokens cannot provide any assurance that its compliance policies and procedures will always be effective or that Tokens will be successful in monitoring or evaluating its risks. In the case of alleged non-compliance with applicable laws or regulations, Tokens could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits, including by customers, for damages, restitution or other remedies, which could be significant. Any of these outcomes, individually or together, may among other things, materially and adversely affect Tokens reputation, financial condition, investment and trading strategies, and asset value and the value of any investment in Tokens Shares.

*Unexpected market disruptions may cause major losses for Tokens.*

Tokens may incur major losses in the event of disrupted markets and other extraordinary events in which market behavior diverges significantly from historically recognized patterns. The risk of loss in such events may be compounded by the fact that in disrupted markets, many positions become illiquid, making it difficult or impossible to close out positions against which markets are moving. Market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for Tokens. Any such disruptions and events may have a material and adverse effect on Tokens investment and trading strategies and on any investment in Tokens.

*COVID-19 Outbreak.*

The ongoing global pandemic involving the novel coronavirus, COVID-19, has caused companies and various governments to take measures and impose restrictions to combat the pandemic, such as quarantines, closures, cancellations and travel restrictions. The effects of COVID-19 and such measures and restrictions have negatively affected asset values and increased volatility in the financial markets, including the market price and volatility of digital assets. Although the market price of some digital assets

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has risen since the pandemic began, the extent to which any worsening or continuation of the pandemic may negatively impact the market price of digital assets and, in turn, the market price of Tokens Shares, is uncertain and cannot be predicted. The realizable values of assets, liquidity and financial condition may be materially affected as a result, and Tokens will continue to monitor the impact of the pandemic on its business. The extent of the impact, if any, will depend on future developments, including actions taken to contain COVID-19 and re-open the economy, and any successive waves of coronavirus outbreaks.

**Outstanding securities as at November 3, 2021**

Common shares	<b>75,160,025</b>
Dilutive securities:	
Stock options	1,866,608
Deferred share units	350,000
Restricted stock units	65,000
Fully diluted shares	<b>77,461,633</b>

**Officers and Directors**

Andrew Kiguel	Chief Executive Officer & Director
Deven Soni	Chief Operating Officer
Ian Fodie	Chief Financial Officer
Andrew D'Souza	Director
Fred Pye	Director
Emma Todd	Director
Jimmy Vaiopoulos	Director

**Approval**

The Board of Directors of the Company has approved the disclosures contained in this MD&A.

**Information concerning Tokens.com Corp.**

Additional information relating to the Company may be accessed through the Company's website at [www.tokens.com](http://www.tokens.com).