



Tokens.com

TOKENS.COM CORP.

(formerly COIN Hold Inc.)

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021

(Expressed in United States Dollars)

TOKENS.COM CORP.

Condensed Interim Consolidated Statement of Financial Position (Expressed in United States Dollars)

	Notes	September 30, 2021 (unaudited)	December 31, 2020 (audited)
ASSETS			
Current assets			
Cash		\$ 839,571	\$ 1,952,977
Taxes recoverable		183,281	6,427
Prepaid expenses		377,652	-
Digital assets	5	18,837,197	-
Amounts receivable	5	121,877	5,932
Total current assets		20,359,578	1,965,336
Digital assets	5	893,333	366,667
Total non-current assets		893,333	366,667
Total Assets		\$ 21,252,911	\$ 2,332,003
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	4 & 6	\$ 830,682	\$ 43,872
Loan payable	12	250,000	-
Total current liabilities		1,080,682	43,872
Total liabilities		1,080,682	43,872
EQUITY			
Share capital	8	21,104,074	2,223,243
Accumulated other comprehensive income		2,344,887	116,667
Reserves	8	1,413,383	76,578
Deficit		(4,690,115)	(128,357)
Total Liabilities and Equity		\$ 21,252,911	\$ 2,332,003

Going Concern (Note 1)

Commitments and Contingencies (Note 7)

Subsequent Events (Note 13)

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

Approved on behalf of the Board of Directors:

“Andrew Kiguel”
Director

“Jimmy Vaiopoulos”
Director

TOKENS.COM CORP.

Condensed Interim Consolidated Statement of Loss and Comprehensive Loss (unaudited)

For the three and nine months ended September 30, 2021

(Expressed in United States Dollars)

	Notes	Three months ended September 30, 2021	Nine months ended September 30, 2021
REVENUES			
Consulting revenue	5	\$ 31,404	\$ 78,705
Staking revenue	5	417,572	675,870
		448,976	754,575
COST OF STAKING			
		15,694	30,287
GROSS PROFIT			
		433,282	724,288
Gain (loss) on rebalancing of treasury assets	5	102,319	(162,030)
Revaluation of digital assets – non-cash		4,172,288	(2,552,555)
		4,707,889	(1,990,297)
EXPENSES			
Management fees and salaries	6	101,686	317,937
General and administrative		77,707	226,574
Professional fees		40,532	164,833
Advertising and investor relations		277,292	557,897
Regulatory		15,513	45,602
Share-based compensation	8	87,883	581,386
Listing expense	4	-	1,108,883
		600,613	3,003,112
Income (loss) before other items			
		4,107,276	(4,993,409)
Other items			
Interest income		-	2,548
Unrealized foreign exchange gain		5,480	429,103
Net income (loss)			
		4,112,756	(4,561,758)
Other comprehensive income			
Revaluation of digital assets – non-cash	5	2,137,675	2,228,220
Comprehensive income for the period			
		\$ 6,250,431	\$ (2,333,538)
Weighted average number of common shares outstanding			
Basic and diluted		75,141,227	60,079,051
Net income (loss) per common share			
Basic and diluted		\$ 0.05	\$ (0.08)

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

TOKENS.COM CORP.

Condensed Interim Consolidated Statement of Changes in Equity (unaudited)

For the nine months ended September 30, 2021

(Expressed in United States Dollars)

	Share Capital Common Shares	Share Capital Common Shares	Contributed Surplus	Warrants	Accumulated other comprehensive income	Deficit	Total
	#	\$	\$	\$	\$	\$	\$
Balance at December 31, 2020	40,315,854	2,223,243	76,578	-	116,667	(128,357)	2,288,131
Shares issued – Transaction consideration	1,399,851	853,658	-	-	-	-	853,658
Shares issued – private placement	33,329,958	19,866,917	-	-	-	-	19,866,917
Shares issue costs – broker warrants	-	(772,233)	-	772,233	-	-	-
Share issue costs – cash	-	(1,151,517)	-	-	-	-	(1,151,517)
Shares issued – conversion of debt	76,766	70,172	-	-	-	-	70,172
Exercise of stock options	37,596	13,834	(10,826)	-	-	-	3,008
Share based compensation - options	-	-	323,841	-	-	-	323,841
Shares based compensation - RSUs	-	-	251,557	-	-	-	251,557
Comprehensive income	-	-	-	-	2,228,220	-	2,228,220
Net loss for the period	-	-	-	-	-	(4,561,758)	(4,561,758)
Balance at September 30, 2021	75,160,025	21,104,074	641,150	772,233	2,344,887	(4,690,115)	20,172,229

The numbers of common shares shown above have been adjusted for a 3.133:1 split completed on April 27, 2021 (see Note 8).

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

TOKENS.COM CORP.

Condensed Interim Consolidated Statement of Cash Flows (unaudited)
For the nine months ended September 30, 2021
(Expressed in United States Dollars)

	2021
Cash flows (used in) from operations	
Net loss for the period	\$ (4,561,758)
Non-cash items:	
Consulting revenue	(78,705)
Staking revenue	(662,787)
Share-based compensation	575,398
Listing expense	551,843
Loss on rebalancing treasury assets	162,030
Revaluation of digital assets	2,552,555
Foreign exchange	(6,445)
Changes in non-cash working capital	
Taxes recoverable	(176,854)
Prepaid expenses	(377,652)
Accounts payable and accrued liabilities	827,170
	(1,195,205)
Cash flows used in investing activities	
Cash acquired on RTO	331,629
Sale of digital assets	1,706,281
Purchase of digital assets	(20,930,963)
	(18,893,053)
Cash flows from financing activities	
Issue of common shares, net of costs	18,715,399
Exercise of stock options	3,008
Loan proceeds	250,000
	18,968,407
Net decrease in cash	(1,119,851)
Cash – beginning of period	1,952,977
FX movement on cash	6,445
Cash – end of period	\$ 839,571

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

TOKENS.COM CORP.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2021

(Expressed in United States Dollars)

1. NATURE OF OPERATIONS

Tokens.com Corp. (formerly COIN Hodl Inc.) (the “Company” or “COIN”) was incorporated on April 7, 1998 under the laws of British Columbia. The registered office is located 100 King Street West, Suite 3400, 1 First Canadian Place, Toronto, Ontario M5X 1A4. The Company’s common shares are traded on the NEO Exchange under the symbol COIN.

The Company operates the technology that secures next generation blockchain networks through Proof-of-Stake technology (see “Proof-of-Stake”) that supports the growth of decentralized finance applications (which are built on top of blockchains).

On April 28, 2021, the Company completed the reverse takeover with Tokens.Com Inc. (“Tokens”) and changed its name from COIN Hodl Inc. to Tokens.com Corp. The transaction provided for the acquisition of all of the outstanding equity interests of Tokens by COIN in a transaction in which the shareholders of Tokens received common shares of the resulting issuer (see note 4). Tokens was identified as the accounting acquirer and, as such, these financial statements are considered a continuation of Tokens and any comparative information provided prior to the reverse takeover are those of Tokens, which was incorporated on November 9, 2020 under the laws of Ontario.

The financial statements were authorized for issue on November 3, 2021 by the directors of the Company.

On April 27, 2021, the Company completed the split of its common shares on the basis of 3.133 post-consolidation common share for every 1 pre-consolidation common shares. As a result, all outstanding common shares and stock option, and warrant information presented in these consolidated financial statements has been retroactively adjusted on this basis.

Going concern

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company is subject to risks and uncertainties common to digital currency companies, including technological change, potential infringement on intellectual property of and by third parties, new product development, regulatory approval and market acceptance of its products, activities of competitors and its limited operating history. During the nine months ended September 30, 2021 the Company has not generated a significant amount of revenue, incurred a net loss of \$4,756,290 and has not generated positive cash flows from operations. The ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. These factors form a material uncertainty, which may raise significant doubt about the Company’s ability to continue as a going concern.

The financial statements do not include any adjustments that might result from the outcome of this uncertainty if the Company is unable to continue as a going concern.

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.

TOKENS.COM CORP.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)
For the three and nine months ended September 30, 2021
(Expressed in United States Dollars)

2. BASIS OF PRESENTATION

a) Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”), using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

These condensed interim consolidated financial statements have been presented in United States dollars, which is also the Company’s functional currency. The accounting policies followed in these condensed interim financial statements are materially the same as those applied in the Company’s audited annual financial statements for the period from incorporation on November 9, 2020 to December 31, 2020.

No comparative period is presented in these condensed interim consolidated financial statements as the Company was formed on November 9, 2020 and therefore does not have any other historical quarterly information.

b) Accounting judgments and use of estimates:

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.
- (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*.

TOKENS.COM CORP.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)
For the three and nine months ended September 30, 2021
(Expressed in United States Dollars)

2. BASIS OF PRESENTATION (continued)

Significant estimates

- (i) Digital currency valuation - Digital assets consist of cryptocurrency denominated assets (Note 4). 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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies and methods of computation were followed in the preparation of these condensed interim consolidated financial statements as were followed in the preparation and described in Note 3 of the annual financial statements as at and for the period from incorporation on November 7, 2020 to December 31, 2020. Accordingly, these condensed interim consolidated financial statements for the three and nine months ended September 30, 2021 should be read together with the annual consolidated financial statements as at and for the period from incorporation on November 9, 2020 to December 31, 2020. There were no accounting standards adopted on January 1, 2021.

4. REVERSE TAKEOVER

On April 28, 2021, the COIN completed the merger with Tokens, pursuant to which Tokens amalgamated with a wholly-owned subsidiary of COIN, resulting in the indirect acquisition by COIN of all of the issued and outstanding securities of Tokens (the "Transaction" or "RTO"). This resulted in a reverse takeover of COIN by the shareholders of Tokens. In connection with the Transaction, the Company changed its name from "COIN Hodl Inc." to "Tokens.com Corp." and consolidated its existing common shares on the basis of one common share for each 11.326 existing common shares of the Company. At the time of the Transaction, COIN did not constitute a business as defined under IFRS 3; therefore, the Transaction was accounted for under IFRS 2, where the difference between the consideration given to acquire COIN and the net asset value of COIN was recorded in the consolidated statement of loss and comprehensive loss as a listing fee expense. As Tokens was deemed to be the acquirer for accounting purposes, these consolidated financial statements present the historical financial information of Tokens up to the date of the Transaction.

Because the Company cannot identify specifically some or all of the goods or services received in the Transaction in return for the exchange of shares, the value in excess of the net identifiable assets of COIN acquired on closing was expensed in the consolidated statement of loss and comprehensive loss as a listing expense.

TOKENS.COM CORP.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)
For the three and nine months ended September 30, 2021
(Expressed in United States Dollars)

4. REVERSE TAKEOVER (continued)

The listing transaction expense in the amount of \$1,108,883 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.

The fair value of 1,399,851 common shares issued was \$853,658, reflecting the price of shares issued in the concurrent private placement at \$0.61 (C\$0.75) per share.

The fair value of the consideration is as follows:

Deemed issuance of 1,399,851 common shares to the former shareholders of COIN	\$ 853,658
	<hr/>
	\$ 853,658

The allocation of the consideration is as follows:

Cash	\$ 331,629
Accounts payable	(29,814)
Net working capital acquired	<hr/>
	\$ 301,815
Total consideration	\$ 853,658
Transaction legal and listing costs	557,040
Net working capital acquired	(301,815)
Total listing expense	<hr/>
	\$ 1,108,883

5. DIGITAL ASSETS

Digital assets are recorded at their fair value on the acquisition date or when they are received as revenues and are revalued to their current market value at each reporting date. The fair value is determined using the spot price based on the hourly volume weighted average from www.coinbase.com on the date the tokens are received or recorded as a receivable.

As at September 30, 2021 and December 31, 2020, the fair value of the digital assets is as follows:

Balance on incorporation, November 9, 2020	\$ -
Digital assets acquired (i)	250,000
Revaluation of Digital assets	116,667
Balance, December 31, 2020	<hr/>
	366,667
Digital assets acquired	20,930,963
Digital assets sold	(1,868,310)
Rewards earned	626,093
Revaluation of digital assets	(324,883)
Balance, June 30, 2021	<hr/>
	\$ 19,730,530

During the nine months ended September 30, 2021, the Company sold digital assets for proceeds totaling \$1,706,280 with a cost of \$1,868,310 and recorded a resulting loss \$162,030. The digital assets were sold to exchange for other digital currencies, in order to rebalance the assets held.

TOKENS.COM CORP.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)
For the three and nine months ended September 30, 2021
(Expressed in United States Dollars)

5. DIGITAL ASSETS (continued)

As at September 30, 2021, the Company's holdings of digital assets consisted of:

	As at September 30, 2021		As at December 31, 2020	
	Holdings	Fair Value	Holdings	Fair Value
Polkadot	284,850.40	\$ 8,140,982	-	\$ -
Ethereum	2681.46	8,024,166	-	-
BNB Binance	5,201.92	2,013,456	-	-
Rose	5,583,333.00	893,333	8,333,333	366,667
Bitcoin	13.09	573,365	-	-
Axie Infinity AXS	980.00	73,020	-	-
Axie Infinity SLP	174,400	12,208	-	-
		\$ 19,730,530		\$ 366,667

On November 17, 2020, the Company subscribed for (the "Subscription Agreement") 8,333,333 Oasis Rose Tokens ("Rose Tokens") at a cost of \$250,000. In accordance with the Subscription Agreement, the number of Rose Tokens purchased shall be delivered and released to the Company in accordance with the following schedule:

- (a) 33% of the Number of Tokens Purchased shall be delivered and released to the Purchaser on the date that is the later of (i) forty days after the date of closing of this Subscription Agreement, and (ii) the date that the Rose Token is launched;
- (b) an additional 33% of the number of Rose Tokens purchased shall be delivered and released to the Company on the one-year anniversary of the First Release Date; and
- (c) the remaining 34% of the number of Rose Tokens purchased shall be delivered and released to the Purchaser on the 18-month anniversary of the First Release Date (the "Final Delivery Date");

The effective staking yield for the first-year post Rose Token launch is set at 18% per year. The Rose Token was launched on November 17, 2020.

Additionally, in exchange for consulting services performed by the Company, Oasis Foundation agreed to issue an additional grant of Rose Tokens as consideration for these services. As a result of the Subscription Agreement 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.

During the three and nine months ended September 30, 2021, the Company earned a total of \$46,871 and \$115,945, respectively, in revenues related to Rose Tokens, of which \$78,704 was consulting services revenue and the remaining \$37,241 was the staking yield revenue. \$115,945 was included in amounts receivable at September 30, 2021 (December 31, 2020 - \$5,932).

6. RELATED PARTY BALANCES AND 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 September 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:

TOKENS.COM CORP.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)
For the three and nine months ended September 30, 2021
(Expressed in United States Dollars)

6. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Nature of Transactions	2021
Management fees and salaries	\$ 317,937
Stock based compensation – options and RSUs	676,485
	<u>\$ 994,422</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 for other related party transactions with respect to share and option issuances.

7. COMMITMENTS AND CONTINGENCIES

As part of the Board’s ongoing compliance process, the Board continues to monitor legal and regulatory developments and their potential impact on the Company. The Company takes legal advice as to the potential outcomes of claims and actions and provisions are made where appropriate. No provision is made where the directors consider, based on that advice, that the action does not meet the more likely than not criteria. Contingent liabilities are disclosed where the Company cannot make a sufficiently reliable estimate of the potential obligation.

Management is not aware of any contingencies that may have a significant impact on the financial position of the Company.

8. SHARE CAPITAL

a) Authorized Share Capital

Authorized share capital consists of an unlimited number of voting common shares without par value and an unlimited number of preferred shares, issuable in series. All issued shares are fully paid. No dividends have been paid or declared by the Company since inception.

TOKENS.COM CORP.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2021

(Expressed in United States Dollars)

8. SHARE CAPITAL (continued)

b) Share split

On April 27, 2021, the Company completed a share split at a rate of 3.133:1 for all of its issued common shares (“share split”), resulting in an increase in the issued shares from 12,868,131 to 34,463,000 common shares. The loss per share and the weighted average common shares outstanding disclosed in these condensed interim consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2021 and 2020 have been adjusted to reflect the share split. All other share capital, stock options, warrants, DSUs and RSUs amounts in the consolidated statement of equity and financial statement note disclosures have been retroactively adjusted to reflect the share split unless stated otherwise.

c) Share Capital Issued –Common Shares

	Number of shares	Amount
Issuance of founders’ shares (i)	34,463,000	\$ 550,000
Private placement of shares (ii)	5,852,854	1,699,999
Issuance costs – cash (ii)	-	(26,756)
As at December 31, 2020	40,315,854	\$ 2,223,243
Shares issued on RTO	1,399,851	853,658
Private placement of shares (iii)	33,329,958	19,866,917
Issuance costs – cash (iii)	-	(1,151,517)
Issuance costs – broker warrants (iii)	-	(772,233)
Exercise of stock options (iv)	37,596	13,834
Issued to settle accounts payable	76,766	70,172
As at September 30, 2021	75,160,025	\$ 21,104,074

- i. Between November 17 and November 27, 2020, the Company issued 34,463,000 common shares at \$0.015 per share for proceeds of \$550,000. Two directors subscribed for a total of 23,497,500 shares.
- ii. On December 18, 2020 the Company completed a private placement with the issuance of 5,852,854 common shares at \$0.32 per share for proceeds of \$1,699,999. The company incurred \$26,756 of legal fees associated with the financing.
- iii. On March 16, 2021, the Company closed a private placement for gross proceeds of CAD\$25.0 million from the sale of subscription receipts of Tokens at a price of CAD\$0.75 per subscription receipt. The offering was comprised of: (i) a brokered private placement of 27,637,543 subscription receipts for aggregate gross proceeds of \$20,730,363 million that closed on March 10, 2021, and (ii) a non-brokered private placement of 5,692,438 subscription receipts for aggregate gross proceeds of CAD\$4,269,783 million that closed on March 16, 2021. Upon completion of the RTO, the sub-receipts were exchanged for common shares of the Company.

In connection with the financing, the Company paid the agents a cash commission and advisory fee in the aggregate amount of \$1,151,517 million, and (ii) issued the agents an aggregate of 1,775,381 compensation options, each of which is exercisable into one share at a price of CAD\$0.75 per Tokens Share for a period of 24 months following the closing of the RTO. The warrants were assigned a value of \$772,233 using the Black-Sholes fair value option pricing model using the following assumptions: two year expected average life, volatility of 150%, risk free interest rate of 0.76%; and an expected dividend yield of 0%.

TOKENS.COM CORP.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2021

(Expressed in United States Dollars)

8. SHARE CAPITAL (continued)

- iv. During the nine months ended September 30, 2021, a total of 37,596 stock options were exercised for proceeds of \$3,008. The options had a fair value of \$8,592 which upon exercised was debited from contributed surplus and credit to share capital. On the date of exercise, the options had a weighted average market value of \$0.60.

d) Incentive plan

On April 23, 2021, the shareholders approved an incentive plan under which it is authorized to grant options, deferred share units, restricted share units, performance share units and stock appreciation rights to directors, employees and consultants to acquire up to 10% of the issued and outstanding common shares.

Stock Options

Details of stock option transactions are as follows:

	Number of options	Weighted average exercise price of options
Opening balance	-	\$ -
Granted	2,189,967	0.08
Outstanding, December 31, 2020	2,189,967	0.08
Cancelled	(815,763)	(0.18)
Exercised	(37,596)	(0.08)
Issued	550,000	0.50
Outstanding, September 30, 2021	1,886,608	\$ 0.16

On December 2, 2020, the Company granted 2,189,967 stock options to officers, directors and consultants. 1,898,598 of the options were granted to officers and directors of the Company. The options have an exercise price of \$0.08 and expire 10 years from the date of grant. 75,192 of the options vested on the date of grant, 352,462 options vest on February 28, 2021, 352,462 options vest on December 2, 2021, 704,925 options vest on December 2, 2022 and the remaining 704,925 options vest on December 2, 2023. The fair value of each option was estimated on the date of the grant at \$0.29 per option using the Black-Scholes fair value option pricing model.

On April 28, 2021, the Company granted 150,000 stock options to a consultant. The options have an exercise price of CAD\$0.75 and expire 5 years from the date of grant. 50,000 option vest on December 2, 2021, 50,000 options vest on December 2, 2022 and the remaining 50,000 options vest on December 2, 2023. The fair value of each option was estimated on the date of the grant at \$0.68 per option using the Black-Scholes fair value option pricing model. The options were cancelled on September 30, 2021.

On September 1, 2021, the Company granted 400,000 stock options to an officer of the Company. The options have an exercise price of CAD\$0.46 and expire 5 years from the date of grant. 75,000 options vest on December 1, 2021, 150,000 options vest on December 1, 2022 and the remaining 175,000 options vest on December 1, 2023. The fair value of each option was estimated on the date of the grant at \$0.42 per option using the Black-Scholes fair value option pricing model.

TOKENS.COM CORP.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)
For the three and nine months ended September 30, 2021
(Expressed in United States Dollars)

8. SHARE CAPITAL (continued)

The following assumptions were used for options issued:

	2021	2020
Risk-free interest rate	0.76%	0.76%
Volatility	150%	150%
Share price	\$0.46 - 0.61	\$ 0.29
Exercise price	\$0.46 - 0.75	\$ 0.08
Dividend yield	0%	0%
Forfeiture rate	0%	0%
Weighted average expected life of options	5 years	10 years

The following table summarizes the information regarding stock options outstanding as at September 30, 2021:

Exercise price per share	Number outstanding	Number exercisable	Weighted average life
\$0.46	400,000	-	4.10
\$0.08	1,486,608	311,733	9.17
	1,886,608	311,733	8.10

In the nine months ended September 30, 2021, the Company recorded a share-based compensation expense of \$329,829 over the vesting period for these stock options.

Deferred Share Units (“DSUs”) and Restricted Stock Units (“RSUs”)

On April 28, 2021, the Company granted 270,000 deferred share units of the Company to three directors of the Company, each having a value of CAD\$0.75 based on the fair market value of the common shares on last date prior to the date of grant. An additional 10,000 deferred share units will be granted to each of the three directors if (i) the holder doesn’t miss more than two board meetings during a calendar year, and (ii) the holder attends the Company annual and general meeting.

On May 20, 2021, the Company granted 80,000 deferred share units of the Company to a director of the Company, each having a value of CAD\$0.72 based on the fair market value of the common shares on the last date prior to the date of grant. An additional 10,000 deferred share units will be granted the directors if (i) the holder doesn’t miss more than two board meetings during a calendar year, and (ii) the holder attends the Company annual and general meeting.

On May 20, 2021, the Company granted 65,000 restricted stock units of the Company to a consultant of the Company, each having a value of CAD\$0.72 based on the fair market value of the common shares on the last date prior to the date of grant.

Warrants (see share capital (iii))

Exercise price per share	Number outstanding	Grant Date	Expiry Date
CAD \$0.75	1,775,381	Apr-28-2021	Apr-28-2023

TOKENS.COM CORP.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)
For the three and nine months ended September 30, 2021
(Expressed in United States Dollars)

9. RISK MANAGEMENT

The Company's financial instruments are exposed to the following financial risks:

Credit risk

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 restricted cash.

The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure 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 manages company-wide cash projections centrally and regularly updates projections for changes in business and fluctuations cause in digital currency prices and exchange rates. 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.

10. FAIR VALUE HIERARCHY

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in levels 1 to 3 of the fair value hierarchy based on the degree to which inputs used in measuring fair value is observable:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(a) Fair values of financial instruments measured at fair value on a recurring basis.

	Quoted prices in active markets for identical instruments Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total
September 30, 2021				
Cash	\$ 839,571	\$ -	\$ -	\$ 839,571

TOKENS.COM CORP.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2021

(Expressed in United States Dollars)

10. FAIR VALUE HIERARCHY (continued)

The Company has determined the estimated fair value of its financial instruments, if any, based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments, if any, are not materially different from their carrying values.

- (b) All digital assets described in Note 5 are measured at fair value and are categorized as Level 2 under the fair value hierarchy described above.

11. 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.

12. LOAN FACILITY

On June 28, 2021, the Company entered into a collateralized loan facility (the "Loan") with Genesis Global Trading ("Genesis"), 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 initial annual interest rate of 9.75%. As at September 30, 2021, the Company had drawn \$250,000 on this facility.

13. SUBSEQUENT EVENTS

Subsequent to September 30, 2021, the Company has drawn \$704,000 against the Loan facility.

Subsequent to September 30, 2021, 39,162 stock options were exercised for proceeds of \$3,133.

On October 25, 2021, updated on October 26, 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.