BIGG DIGITAL ASSETS INC.

Consolidated Financial Statements
For the Year Ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of BIGG Digital Assets Inc.

Opinion

We have audited the consolidated financial statements of BIGG Digital Assets Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2023 and December 31, 2022
- the consolidated statements of loss for the years then ended
- the consolidated statements of comprehensive loss for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Entity has incurred losses and has had negative cash flows from operations since inception that have primarily been funded through financing activities. The Entity continues to rely on financing through equity raises or debt instruments to support its operations and expects to do so until the business operates with sufficient cash flows from operations.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the ***"Material Uncertainty related to Going Concern"*** section of the auditor's report, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of audit evidence pertaining to the existence and ownership of digital currencies and digital currency inventory (collectively, "digital currencies")

Description of the matter

We draw attention to notes 3, 6 and 7 to the financial statements. The Entity has recorded digital currency inventory of $91,188,257 accounted for as inventory at fair value less costs to sell and digital currencies of $1,147,967 accounted for as intangible assets under the revaluation method.

Why the matter is a key audit matter

We identified the evaluation of audit evidence pertaining to the existence and ownership of digital currencies as a key audit matter.

Significant auditor judgment was required in determining the nature and extent of audit evidence required to assess the existence and ownership of the digital currencies, as ownership of the digital currencies is obtained through private cryptographic keys stored using third parties. Information technology (IT) professionals with specialized skills and knowledge were needed to evaluate whether the Entity had ownership over the digital currencies.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

- We evaluated the design and tested the operating effectiveness of certain service organization controls over digital currencies performed at the external custodian.
- We obtained external confirmations for the Entity's digital currencies held with external custodians and compared the digital currencies confirmed to the Entity's records.
- We tested the reconciliation of opening to closing digital currency balances, including comparing a sample of the additions and disposals to third party statements and bank statements.
- We involved IT professionals with specialized skills and knowledge in blockchain technology, who assisted with the below procedures:
    - We observed the Entity transferring a selection of digital currency balances between custodial wallets to demonstrate ownership over the digital currency balances.
    - We performed year-end digital currencies counts for a selection of custodial wallets.
    - We performed independent blockchain extraction procedures using a software audit tool to test the existence of digital currencies by obtaining evidence from public blockchains.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor’s report is Jonathan Wong.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 29, 2024

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

As at	Note	December 31, 2023	December 31, 2022
ASSETS			
Current			
Cash and cash equivalents		**$ 4,304,802**	$ 5,678,236
Restricted cash	**5**	**5,590,708**	5,741,137
Accounts and other receivables		**1,596,778**	2,206,486
Digital currency inventory	**6**	**91,188,257**	39,591,608
Prepaids		**977,429**	666,196
Total current assets		**103,657,974**	53,883,663
Digital currencies	**7**	**1,147,967**	3,126,394
Investments	**8**	**278,533**	368,537
Investment in associate	**9**	**-**	7,143,760
Derivative financial asset	**10**	**-**	942,865
Investment tax credits receivable		**1,001,605**	175,325
Intangible assets	**11**	**589,737**	121,909
Goodwill	**11**	**17,087,618**	1,071,851
Right-of-use asset	**12**	**56,556**	23,685
Equipment	**14**	**369,062**	544,638
Total assets		**$ 124,189,052**	$ 67,402,627
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	**15, 17**	**$ 3,482,604**	$ 3,402,754
Income tax payable		**17,000**	153,410
Contract liability		**617,360**	409,543
Customer deposits – cash		**5,519,941**	5,658,637
Customer deposits – digital currency		**81,954,733**	34,622,369
Lease liability	**13**	**13,013**	28,644
Total current liabilities		**91,604,651**	44,275,357
Non-Current liabilities			
Lease liability	**13**	**45,554**	7,264
Total liabilities		**91,650,205**	44,282,621
Equity			
Share capital	**16**	**113,629,497**	98,784,811
Equity reserves	**16**	**16,167,651**	12,466,125
Accumulated other comprehensive income		**2,005,693**	66,085
Deficit		**(99,263,994)**	(88,197,015)
Total equity		**32,538,847**	23,120,006
Total liabilities and equity		**$ 124,189,052**	$ 67,402,627

Going Concern *[note 1]*
Contingent liability *[note 20]*
Subsequent events *[note 23]*

On behalf of the Board:

"Lance Morginn" Director *"Kim Evans"* Director

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

BIGG DIGITAL ASSETS INC.
CONSOLIDATED STATEMENTS OF LOSS
Expressed in Canadian dollars

	Notes	For the Year Ended December 31, 2023	December 31, 2022
Revenue			
Subscription revenue		**$ 1,214,513**	$ 1,487,834
Service revenue		**286,590**	542,668
Transaction revenue	**6**	**4,986,826**	5,442,318
Metaverse studio and advisory revenue		**6,768**	-
		6,494,697	7,472,820
Cost of sales		**262,353**	364,529
		6,232,344	7,108,291
Expenses			
Acquisition costs		**191,064**	-
Advertising and promotion		**1,593,208**	5,951,122
Amortization and depreciation	**11, 12, 14**	**313,858**	381,866
Bad debt		**41,508**	68,020
Business operations expense		**641,472**	2,034,607
Consulting		**330,038**	1,364,884
Director’s fees	**17**	**126,344**	111,705
Office and administration		**3,434,863**	2,952,401
Professional fees		**2,088,038**	2,221,492
Regulatory and listing fees		**125,238**	113,243
Research and development		**1,299,412**	912,329
Share-based compensation	**17**	**2,790,692**	1,766,447
Shareholder communications		**25,251**	39,900
Travel		**19,696**	60,356
Wages and benefits	**17**	**8,865,648**	7,588,336
Loss from operating activities		**(15,653,986)**	(18,458,417)
Other Income (Expenses)			
Interest income		**210,674**	195,463
Foreign exchange (loss) gain		**(72,777)**	50,376
Gain (loss) on sale of investments	**8**	**544,393**	(1,779,313)
Loss on derivative financial asset		**(523,435)**	-
Gain (loss) on sale of digital currencies		**51,061**	(4,439,565)
Loss on sale of digital currency inventory		**(571,327)**	(6,285,139)
Unrealized loss on investments	**8**	**(1,144)**	(146,525)
Unrealized gain (loss) on digital currencies		**86,308**	(1,366,895)
Unrealized gain (loss) on digital currency inventory		**6,308,382**	(9,743,516)
Share of loss from investment in associate	**9**	**(1,364,406)**	(2,178,270)
Loss on revaluation of investment in associate	**9**	**(216,663)**	-
Other		**645**	(1,381)
Loss before income taxes		**$ (11,202,275)**	$ (44,153,182)
Income tax recovery		**135,296**	-
Net loss for the year		**$ (11,066,979)**	$ (44,153,182)
Basic and diluted loss per common share		**$ (0.04)**	$ (0.18)
Weighted average number of common shares outstanding		**271,518,703**	248,367,113

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

BIGG DIGITAL ASSETS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Expressed in Canadian dollars

	For the Year Ended December 31, 2023	December 31, 2022
Net loss for the year	**$ (11,066,979)**	$ (44,153,182)
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Unrealized gain (loss) on digital currencies	**1,980,148**	(4,702,564)
Realized gain (loss) on investment in associate	**(3,325)**	57,459
Item that may be reclassified to profit or loss		
Currency translation adjustment	**(37,215)**	12,215
Other comprehensive income (loss) for the year	**1,939,608**	(4,632,890)
Comprehensive loss for the year	**$ (9,127,371)**	$ (48,786,072)

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

BIGG DIGITAL ASSETS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Expressed in Canadian dollars

	Share capital						
	Number of Shares	**Amount**	**Equity Reserves**	**Revaluation Reserve**	**Cumulative Translation Adjustment**	**Deficit**	**Total**
Balance at December 31, 2021	244,853,494	$ 96,095,693	$ 12,196,305	$ 4,702,564	$ (3,589)	$ (44,043,833)	$ 68,947,140
Shares issued on warrant exercises	5,708,675	1,568,615	(971,966)	-	-	-	596,649
Advance share subscriptions *[note 16]*	-	(4,000)	-	-	-	-	(4,000)
Shares issued on option exercises	3,223,232	1,133,030	(524,661)	-	-	-	608,369
Share issue costs	-	(8,527)	-	-	-	-	(8,527)
Share-based compensation	-	-	1,766,447	-	-	-	1,766,447
Loss for the year	-	-	-	-	-	(44,153,182)	(44,153,182)
Other comprehensive income (loss)	-	-	-	(4,645,105)	12,215	-	(4,632,890)
Balance at December 31, 2022	253,785,401	$ 98,784,811	$ 12,466,125	$ 57,459	$ 8,626	$ (88,197,015)	$ 23,120,006
Balance at December 31, 2022	253,785,401	$ 98,784,811	$ 12,466,125	$ 57,459	$ 8,626	$ (88,197,015)	$ 23,120,006
Shares issued for TerraZero acquisition *[note 4]*	62,305,177	14,018,665	1,275,223	-	-	-	15,293,888
Shares issued on option exercises	3,208,361	831,738	(364,389)	-	-	-	467,349
Share issue costs	-	(5,717)	-	-	-	-	(5,717)
Share-based compensation	-	-	2,790,692	-	-	-	2,790,692
Loss for the year	-	-	-	-	-	(11,066,979)	(11,066,979)
Other comprehensive income (loss)	-	-	-	1,976,823	(37,215)	-	1,939,608
Balance at December 31, 2023	319,298,939	$113,629,497	$ 16,167,651	$ 2,034,282	$ (28,589)	$ (99,263,994)	$ 32,538,847

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

BIGG DIGITAL ASSETS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Expressed in Canadian dollars

	For the Year Ended December 31, 2023	December 31, 2022
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the year	$ (11,066,979)	$ (44,153,182)
Restricted cash	150,429	1,207,172
Items not involving cash		
Amortization and depreciation	313,858	381,867
Income tax recovery	(136,410)	-
Share-based compensation	2,790,692	1,766,447
Foreign exchange loss	6,360	(17,320)
(Gain) loss on sale of digital currencies	(51,061)	4,439,565
Loss on sale of investments	(544,393)	1,779,313
Loss (gain) loss on the sale of digital currency inventory	571,327	6,285,139
Loss on derivative financial asset	523,435	-
Unrealized loss on investments	1,144	146,525
Unrealized gain on digital currencies	(86,308)	1,366,895
Unrealized loss (gain) on digital currency inventory	(6,308,382)	9,743,516
Share of loss from investment in associate	1,364,406	2,178,270
Loss on revaluation of investment in associate	216,663	-
Other	2,219	6,110
Changes in non-cash working capital items:		
Accounts and other receivables	855,631	756,254
Prepaids	32,007	98,602
Accounts payable and accrued liabilities	(297,964)	1,270,719
Contract liability	207,805	129,828
Customer deposits	47,193,668	(42,542,586)
Digital currency inventory	(45,859,594)	36,743,819
Net cash used in operating activities	(10,121,447)	(18,413,047)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of equipment	(60,855)	(430,772)
Purchase of investments	-	(2,153,043)
Purchase of digital currencies	(190,949)	(268,169)
Investment in associate	-	(9,800,000)
Proceeds from sale of investments	-	331,230
Proceeds from sale of digital currencies	4,286,893	3,391,680
Cash and cash equivalents received on acquisition of TerraZero *[note 4]*	4,298,527	-
Net cash from (used in) investing activities	8,333,616	(8,929,074)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	467,349	1,201,018
Share issue costs	(5,717)	(8,527)
Lease payments	(30,863)	(30,380)
Net cash from financing activities	430,769	1,162,111
Change in cash for the year	(1,357,062)	(26,180,010)
Cash, beginning of year	5,678,236	31,846,032
Effect of foreign exchange on cash	(16,372)	12,214
Cash, end of year	$ 4,304,802	$ 5,678,236

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

1. NATURE OF OPERATIONS AND GOING CONCERN

BIGG Digital Assets Inc. (the "Company" or "BIGG"), was incorporated on October 17, 2014 under the *Business Corporations Act* (British Columbia). On November 30, 2017, the Company acquired Blockchain Technology Group Inc. ("BTGI") through a reverse acquisition transaction. BTGI was incorporated under the *Business Corporations Act* (British Columbia) on May 31, 2010. On September 26, 2019, the Company changed its name to BIGG Digital Assets Inc. The Company's shares are traded on the Canadian Securities Exchange ("CSE") under the symbol "BIGG". The Company's head office and principal place of business is Suite 220 - 1130 West Pender Street, Vancouver, BC, Canada.

On August 1, 2023, the Company incorporated a new subsidiary entity, 1431224 B.C. Ltd. ("Subco"), to complete the acquisition of TerraZero Technologies Inc. and all of its subsidiaries ("TerraZero"). At closing of the acquisition on September 28, 2023, TerraZero was then immediately amalgamated into Subco, and the amalgamated entity adopted the name TerraZero Technologies Inc. (the "TerraZero Acquisition", Note 4). TerraZero is a vertically integrated Metaverse development group and leading Web3 technology company specializing in helping brands create immersive experiences.

The Company's principal business activity is investing in products and companies within the cryptocurrency industry. It has three operating divisions which provide blockchain search products to large enterprises with significant data requirements in the financial and ecommerce sectors globally, brokerage and exchange software to make the purchase and sale of cryptocurrency easily accessible to the mass consumer and investor with a focus on compliance and safety, and immersive metaverse experiences.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. For the year ended December 31, 2023, the Company reports net loss of $11,066,979, negative cash flow from operations of $10,121,447 and an accumulated deficit of $99,263,994.

The Company has incurred losses and has had negative cash flows from operations since inception that have primarily been funded through financing activities. The Company continues to rely on financing through equity raises or debt instruments to support its operations and expects to do so until the business operates with sufficient cash flows from operations. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Management cannot provide assurance that the Company will achieve profitable operations or become cash flow positive, or raise additional funds via equity issuances or debt instruments. Its ability to continue as a going concern depends upon whether it develops profitable operations and continues to raise adequate financing. These factors indicate a material uncertainty and may cast a significant doubt on the Company's ability to continue as a going concern. The consolidated financial statements do not reflect the adjustments to the carrying amounts of assets and liabilities and the reported expenses that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of these financial statements.

These consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2024.

2. BASIS OF PRESENTATION (cont'd…)

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain assets and liabilities which are measured at fair value as explained in Note 3 to these consolidated financial statements.

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its Canadian subsidiaries.

c) Basis of Consolidation

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

d) Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of the assets, liabilities, revenues and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements is described below:

Critical Judgments

Going concern assumption

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the year ended November December 31, 2023. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability and potential sources of replacement financing.

Functional currency

The functional currency of the Company and each of its subsidiaries is the currency of the primary economic environment in which the entities operate. The Company has determined that the functional currency for the Company is the Canadian dollar while the functional currency for all of its United States of America subsidiaries is the United States dollar. Assessment of functional currency involves certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

2. BASIS OF PRESENTATION (cont'd…)

Critical Judgments (cont'd…)

Digital currency

The IFRS Interpretations Committee (the "Committee") published its agenda decision on Holdings of Cryptocurrencies in June 2019. The Committee concluded that IAS 2, Inventories, applies to cryptocurrencies when they are held for sale in the ordinary course of business, otherwise an entity should apply IAS 38 - Intangible Assets to holdings of cryptocurrencies.

The Company has assessed that it acts in a capacity as a commodity broker-trader as defined in IAS 2, Inventories, in characterizing certain of its holdings as inventory, or more specifically, digital currencies. If assets held by commodity broker-traders are principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-trader margin, such assets are accounted for as inventory, and changes in fair value less cost to sell are recognized in net income or loss.

The Company's other digital currencies are treated as intangible assets in accordance with IAS 38, Intangible Assets.

Deferred income taxes

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant judgment of future taxable profit. Management is required to assess whether it is probable that the Company will benefit from its deferred tax assets. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

Revenue recognition

Judgment is required in determining whether the Company is the principal or the agent in transactions between customers. The Company evaluates the presentation of revenue on a gross or net basis based on whether it controls the cryptocurrency before it is transferred to the customer or whether it acts as an agent by arranging for other customers on the platform to provide the cryptocurrency to the customer. The Company has concluded that it acts as an agent in facilitating the ability for a customer to purchase and sell cryptocurrency.

Legal claims and contingent liabilities

The recognition of legal provisions and contingent liabilities involves the assessment of claims made against the Company and each of its subsidiaries. The recognition of a legal provision, or disclosure of a contingent liability, involves certain judgments to determine the probability of whether a cash outflow will occur. In making this judgment, management has assessed various criteria and also relies on the opinions of its legal advisers to assist in making this assessment.

Key Sources of Estimation Uncertainty

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting the consolidated financial statements include:

Valuation of share-based payments and compensatory warrants

Share-based payments and compensatory warrants are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to net income or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility, expected life of the option and forfeiture rate. Changes in these input assumptions can significantly affect the fair value estimate.

2. BASIS OF PRESENTATION (cont'd…)

Key Sources of Estimation Uncertainty (cont'd…)

Estimated useful lives and impairment considerations

Amortization of equipment and intangible assets is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of impairment of these assets, including goodwill, is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

The Company is required to assess the recoverability of its investment in associate when indicators of impairment are identified. Estimating the recoverable amount requires significant judgment in determination of fair value of the investment. Actual results could differ significantly from these estimates.

Income taxes

The determination of the Company's tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgment by management. In determining these amounts, management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities. Management also makes estimates of future earnings, which affect the extent to which potential future tax benefits may be used. The Company is subject to assessments by various taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payment of taxes. The Company provides for such differences where known based on management's best estimate of the probable outcome of these matters.

3. MATERIAL ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value net of transaction costs, if applicable. Measurement in subsequent periods depends on the classification of such financial assets and liabilities.

Financial assets

All financial assets are initially recorded at fair value and classified as measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL").

(i) Amortized cost

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortized cost using the effective interest rate method. The Company's accounts and other receivables are measured at amortized cost.

(ii) Financial assets at fair value through other comprehensive income ("FVTOCI")

Financial assets that are held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and sell financial assets, and the contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. MATERIAL ACCOUNTING POLICIES (cont'd…)

Financial assets (cont'd…)

Upon initial recognition of equity securities, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate its equity securities that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to retained earnings. The Company does not have any financial assets classified as FVTOCI.

(iii) Financial assets at fair value through profit or loss ("FVTPL")

By default, all other financial assets are measured subsequently at FVTPL. The Company's investments and derivative financial asset are measured at FVTPL.

Financial liabilities

All financial liabilities are initially recorded at fair value and classified as measured at amortized cost or FVTPL.

(i) Amortized cost

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method except for financial liabilities at FVTPL, financial guarantee contracts, loan commitments as below-market interest rate, and liabilities related to contingent consideration of an acquirer in a business combination. The Company's accounts payable, lease liability and cash portion of any customer deposits are measured at amortized cost.

(ii) Financial liabilities at fair value through profit or loss ("FVTPL")

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in the consolidated statements of comprehensive loss. The Company's customer deposits consisting of digital currencies are measured at FVTPL.

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on:

- Financial assets measured at amortized cost;
- Debt investments measured at FVOCI; and
- Contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

3. MATERIAL ACCOUNTING POLICIES (cont'd…)

Impairment of financial assets (cont'd…)

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- The financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument while 12-month ECLs are the portion of ECL's that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to the statement of operations and is recognized in OCI.

Write-off of financial assets

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3. MATERIAL ACCOUNTING POLICIES (cont'd…)

Share-based payment transactions

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

Stock options granted to directors, officers and employees are measured at their fair values determined on their grant date, using the Black-Scholes option pricing model, and are recognized as an expense over the vesting periods of the options on a graded basis. The measurement inputs used in the Black-Scholes option pricing model include share price, exercise price, expected volatility, expected life and risk-free rate of return. Options granted to consultants or other non-employees are measured at the fair value of the goods or services received from these parties, or at their Black-Scholes fair values if the fair value of goods or services received cannot be measured. A corresponding increase is recorded to equity reserves for share-based compensation recorded. When stock options are exercised, the cash proceeds along with the amount previously recorded as equity reserves are recorded as share capital. When the right to receive options is forfeited before the options have vested, any expense previously recorded is reversed.

Share capital

Financial instruments issued by the Company are classified as share capital only to the extent that they do not meet the definition of a financial liability. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share purchase warrants

The fair value of compensatory warrants issued by the Company are determined on their issuance date, using the Black-Scholes option pricing model, and are recorded as a component of equity reserves. The measurement inputs used in the Black-Scholes option pricing model include share price, exercise price, expected volatility, expected life and risk-free rate of return. When the warrants are granted as compensation for the receipt of goods or services, they are recorded either as an expense or as a cost, capitalized to share capital or assets, based on fair value of the goods or services received.

When share purchase warrants are exercised, the cash proceeds and their fair value previously recorded in equity reserves are recorded as share capital.

Cash

Cash consists of amounts held in demand deposits at bank accounts and other financial institutions amounts.

Restricted Cash

Restricted cash balances are those which meet the definition of cash and cash equivalents but are not available for use by the Company, as the funds are pledged bank balances and customer deposits held in trust accounts.

Investments

Investments in publicly traded companies listed on an active stock exchange are recorded at fair value based upon the closing bid price at the year-end date. If an active market does not exist, the investments are recorded at fair value using a valuation technique based upon management's estimates which consider unobservable market inputs.

Warrants received as attachments to various share purchase units may not trade in an active market. At the time of purchase, the per unit cost is allocated in full to each common share. The value of the warrants is subsequently determined at the measurement date using the Black Scholes option pricing model. The amounts at which investments could be disposed of may differ from fair value as a result of a number of factors including, but not limited to, premiums paid for large blocks of shares or discounts due to a lack of liquidity.

3. MATERIAL ACCOUNTING POLICIES (cont'd…)

Income taxes

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in net income or loss in the period in which the change occurs. Deferred tax assets or liabilities, arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to apply to the period when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in net income or loss in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in net income or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods.

(Loss) earnings per share

Basic (loss) earnings per share is calculated by dividing net (loss) earnings by the weighted average number of common shares outstanding during the period which excludes shares held in escrow whose issuance is contingent on future events.

Diluted earnings per share is determined by adjusting the net earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Equipment

Equipment is recorded at historical cost less related accumulated depreciation and impairment losses. Cost is determined as the expenditure directly attributable to the asset at acquisition, only when it is probable that future economic benefits will flow to the Company and the cost can be reliably measured. When an asset is disposed of, its carrying cost is derecognized. All repairs and maintenance costs are charged to net income or loss during the financial period in which they are incurred. The Company provides for depreciation of equipment on a straight-line balance basis over 36 months unless otherwise noted. Equipment is depreciated at an annual rate of 30 - 55%.

Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in net income or loss.

When equipment is composed of major components with different useful lives, the components are accounted for as separate items of capital assets. Expenditures incurred to replace an asset component that is accounted for separately, including major inspections and overhaul expenditures, are capitalized.

3. MATERIAL ACCOUNTING POLICIES (cont'd…)

Equipment (cont'd…)

The Company's equipment is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated. Impairment losses are recognized in net income or loss. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Digital currency inventory

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

Digital currencies

The Company's digital currencies are comprised of cryptocurrencies which are limited in supply, created and traded through open-source software and used as both a means of exchange and a store of value. Cryptocurrencies meet the definition of intangible assets in IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. On the date acquired, cryptocurrencies are initially recorded at cost and the revaluation method is used to measure the cryptocurrencies subsequently.

Under the revaluation method, increases in fair value are recognized in equity through other comprehensive income and recorded to a revaluation reserve, unless and to the extent that an increase in fair value reverses a previous decrease in fair value that has been recorded in net income or loss. Decreases in fair value are recorded in net income or loss, unless and to the extent that the decrease reduces any accumulated revaluation reserve, with any decrease in excess of the revaluation reserve being recognized in net income or loss. There is no recycling of gains from other comprehensive income to net income or loss.

The cryptocurrencies are subsequently re-measured at the end of each financial reporting period using a volume weighted average rate per CoinMarketCap, an online coin price aggregator, as at the period end date. The Company believes any price difference between the principal market and an aggregated price to be immaterial. Management considers the fair value to be a Level 2 input under IFRS 13 *Fair Value Measurement* fair value hierarchy as the price on this open source represents an average of quoted prices on multiple digital currency exchanges.

Foreign currency transactions

The financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent company, BIGG Digital Assets Inc., is the Canadian dollar; and the functional currency of the Company's subsidiaries is the Canadian dollar with the exception of its US subsidiaries for which the functional currency is the US dollar. The presentational currency of the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, "The Effects of Changes in Foreign Exchange Rates".

Transactions in currencies other than the entity's functional currency are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the financial reporting date while non-monetary assets and liabilities are translated at historical rates. Exchange gains and losses arising on translation are included in net income or loss.

3. MATERIAL ACCOUNTING POLICIES (cont'd…)

Foreign currency transactions (cont'd…)

The financial statements of entities that have a functional currency different from that of the Company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate for the applicable period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as currency translation differences and taken into a separate component of equity.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses in accumulated other comprehensive income related to the foreign operation are recognized in net income or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses in accumulated other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

Revenue recognition

The Company derives its revenues from four sources: (a) service fees from customers accessing its on-demand software platforms, under a pay-as-you-go model or a monthly subscription model; (b) consulting services; (c) transaction revenue; and (d) metaverse studio and advisory services. The Company recognizes revenue when all of the following conditions are met:

- the parties to the contract have approved the contract;
- each party's rights in relation to the goods or services to be transferred can be identified;
- the payment terms and conditions for the goods or services to be transferred can be identified;
- the contract has commercial substance; and
- the collection of an amount of consideration to which the entity is entitled to in exchange for the goods and services is probable.

The Company's arrangements do not contain general rights of return. Product and service elements that have been prepaid but do not yet qualify for recognition as revenue under the Company's revenue recognition policy are reflected as contract liabilities on the Company's statements of financial position.

Transaction revenue represents transaction fees earned from customers that buy and sell cryptocurrency from the Company or using the Company's software platform. For transaction fee revenue the Company views itself as the agent in these transactions and as a result records revenue on a net basis. The Company considers its performance obligation satisfied, and recognizes revenue, at the point in time the transaction is processed. Contracts with customers are usually open-ended and can be terminated by either party without a termination penalty. For certain transactions, transaction revenue is equal to the spread between the value of the cryptocurrency bought or sold by the customer and the cost of the transaction to the Company and are realized at the time the transaction is completed. The Company also earns fee revenue on certain transactions that may be collected in cryptocurrency, with revenue measured based on the fair value of the cryptocurrency received.

Metaverse studio and advisory revenue services comprise the (i) design, modelling, development and hosting of a custom virtual event experiences for customers or (ii) rental of digital land and/or other digital assets to customers for a metaverse event. The design and development of a virtual event experience is separated into components, with established pricing and delivery timing for each component in the customer contract. The Company considers its performance obligation satisfied, and recognizes revenue, at the point in time the component is delivered to the customer, using the output method to align revenue with milestones identified and priced separately in the contract. The Company also earns leasing revenue from the rental of its digital land and/or other digital assets to customers for a metaverse event. The Company recognizes revenue progressively over the term of the rental contract.

3. MATERIAL ACCOUNTING POLICIES (cont'd…)

Revenue recognition (cont'd…)

Digital currency staking revenue

The Company offers its customers the ability to participate in proof-of-stake validation on the Ethereum blockchain. Proof-of-stake validation requires that the Company bond certain of its customers' digital assets with a validator. Staking can be performed on proprietary validation infrastructure or through the use of third-party infrastructure or service providers. The Company uses a third-party service provider, BitGo Trust Company, Inc. ("BitGo"), for staking customers' digital assets. BitGo, acting as a staking delegator, contracts with a validator, Figment Inc., a Canadian based staking company.

Staked digital assets are recognized within digital currency inventory on the consolidated statements of financial position. In exchange for a transaction fee, calculated by BitGo, which is a percentage of the net amount of staking rewards earned by the customer, the Company facilitates the staking transaction and delivers the staked rewards to customers account on its proprietary crypto trading platform. The Company recognizes digital currencies received as non-cash consideration for staking activities as revenue measured at the fair value of the tokens at the time the staking rewards are deposited or are eligible for deposit to a customer's wallet. Digital currency staking revenue is included in Transaction revenue in the consolidated statements of loss.

Business combinations and goodwill

Acquisitions of of businesses are accounted for using the acquisition method. At the acquisition date the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except deferred tax assets or liabilities, which are recognized and measured in accordance with IAS 12 - Income Taxes. Subsequent changes in fair values are adjusted against the cost of acquisition if they qualify as measurement period adjustments. The measurement period is the period between the date of the acquisition and the date where all significant information necessary to determine the fair values is available and cannot exceed 12 months. All other subsequent changes are recognized in the consolidated statements of comprehensive loss.

The purchase price allocation process resulting from a business combination requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed including any contingently payable purchase price obligation due over time. The Company uses valuation techniques and these valuations are closely linked to the assumptions used by management on the future performance of the related assets and the discount rates applied. The determination of fair value involves making estimates relating to the assets acquired and the liabilities assumed.

In certain situations, goodwill or a bargain purchase gain may result from a business combination. Goodwill is measured as the excess of the consideration transferred over the net amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is measured at historical cost and is evaluated for impairment annually or more often if events or circumstances indicate there may be impairment. Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment is recorded in income in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. Acquisition related costs are recognized in the consolidated statements of comprehensive loss as incurred.

Provisions

Provisions are recorded when a present legal, statutory or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statements of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, if the effect is material, its carrying amount is the present value of those cash flows.

3. MATERIAL ACCOUNTING POLICIES (cont'd…)

Intangible assets

Internally-generated intangible assets - Research and development expenditures

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses. Intangible assets with finite lives are reviewed at least annually for impairment. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization is recognized in net income or loss on a straight-line basis over the estimated useful lives, generally 3-5 years, of intangible assets.

Intangible assets acquired in a business combination

The cost of intangible assets acquired in a business combination is the fair value as at the acquisition date. Following initial recognition, intangible assets are carried at cost, net of accumulated amortization and accumulated impairment losses, if any.

Separately acquired intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Cost comprises the purchase price, including non-refundable purchase taxes and any directly attributable costs of preparing the asset for its intended use. The purchase price of a separately acquired intangible asset incorporates assumptions about the probable economic future benefits that might be generated by the asset. Subsequent to initial recognition, intangible assets are carried at cost, net of accumulated amortization and accumulated impairment losses, if any. Amortization is recognized in net income or loss on a straight-line basis over the estimated useful lives of intangible assets.

Investments in associates

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

The Company has significant influence over an entity when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control. The Company's investment in the common shares of TerraZero Technologies Inc. was treated as an investment in an associate and accounted for using the equity method until the Company acquired control of TerraZero (notes 4 and 9).

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

3. MATERIAL ACCOUNTING POLICIES (cont'd…)

Investments in associates (cont'd…)

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

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

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if it has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain measurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the Company's estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to net income or loss.

The Company elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to net income or loss on a straight-line basis over the lease term.

3. MATERIAL ACCOUNTING POLICIES (cont'd…)

Government assistance

Government assistance consists of scientific research and experimental development ("SRED") tax credits and government grants.

SRED tax credits are accounted for as a reduction of the related expenditures and recorded when there is reasonable assurance that the Company has complied with the terms and conditions of the approved government program.

The refundable portion of tax credits is recorded in the period in which the related expenditures are incurred. The non-refundable portion of tax credits is recorded in the period in which the related expenditures are incurred or in a subsequent period to the extent that their future realization is determined to be probable, provided the Company has reasonable assurance the credits will be received and the Company will comply with the conditions associated with the award. SRED tax credits are subject to government review which could result in adjustments to net income or loss.

Government grants that compensate the Company for expenses incurred are recognized in net income and loss, by way of a reduction of the corresponding expenses.

New accounting standards adopted effective January 1, 2023

a) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

   The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

b) Definition of Accounting Estimates (Amendments to IAS 8). The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes). Amendments to IAS 12, Income Taxes clarify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of the related asset and liability. The implementation of these amendments did not have a significant impact on the Company's tax provision for its December 31, 2023 financial statements.

The adoption of these amendments did not have a material impact on these consolidated financial statements.

New accounting standards, interpretations and amendments not yet adopted

Certain new or amended standards and interpretations were issued by the International Accounting Standards Board or the IFRS Interpretations Committee ("IFRIC") are effective on January 1, 2024 and beyond.

Amendments to IAS 1, Presentation of Financial Statements. The amendments to IAS 1, clarifies the presentation of liabilities. The classification of liabilities as current or noncurrent is based on contractual rights that are in existence at the end of the reporting year and is affected by expectations about whether an entity will exercise its right to defer settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendment also introduces a definition of 'settlement' to

Expressed in Canadian dollars

3. MATERIAL ACCOUNTING POLICIES (cont'd…)

New accounting standards, interpretations and amendments not yet adopted (cont'd…)

make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendment issued in October 2022 also clarifies how conditions with which an entity must comply within twelve months after the reporting year affect the classification of a liability. Covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments are effective for annual reporting years beginning on or after January 1, 2024. The implementation of this amendment is not expected to have a material impact on the Company.

4. ACQUISITION OF TERRAZERO

On September 28, 2023, the Company completed the acquisition of TerraZero Technologies Inc. and its subsidiaries by purchasing all of the issued and outstanding shares of TerraZero not already owned by the Company. TerraZero is a leader in the Web3/Metaverse sector, developing metaverse projects for Fortune 500 brands across the industries of finance, beauty, consumer packaged goods, food and beverage, and others. The acquisition of TerraZero enhances the Company's position as a diversified digital assets company.

Pursuant to a definitive amalgamation agreement, the Company issued 62,305,177 common shares to TerraZero shareholders, based on an exchange ratio of 1.6886 BIGG share for each TerraZero share held (the "Exchange Ratio"). The BIGG shares were valued at the market price per common share at closing of the Acquisition. Certain of the BIGG shares are subject to escrow restrictions (Note 16). TerraZero was amalgamated with 1431224 B.C. Ltd., a newly incorporated subsidiary entity of the Company, and the amalgamated entity adopted the name TerraZero Technologies Inc.

The Acquisition has been accounted for as a business combination. The assets acquired and the liabilities assumed are to be recorded at their estimated fair value at the acquisition date, in accordance with IFRS 3, *Business Combinations.*

The following tables summarizes the fair value of consideration transferred, and its provisional allocation to estimated fair values assigned to each major class of assets acquired and liabilities assumed at the September 28, 2023 acquisition date. The Company may adjust the provisional purchase price allocation, as necessary, up to one year after the business combination date as new information is obtained about facts and circumstances that existed as of the closing date. The purchase price allocation process was not completed at the publication date of these consolidated financial statements. The amounts allocated to tax credit receivable is preliminary and may be restated upon completion of the purchase price allocation process.

Assets acquired and liabilities assumed:	
Cash and cash equivalents	$ 4,298,527
Accounts and other receivables	272,882
Prepaids	343,240
Tax credits receivable	826,280
Equipment	3,587
Intangible assets	523,759
Accounts payable and accrued liabilities	(377,802)
Contract liability	(12)
Net assets acquired	$ 5,890,461
Consideration	$ 21,906,258
Goodwill	$ 16,015,797
The consideration consists of the following components:	
Fair value of previously held interest (i)	6,612,370
Share consideration	14,018,665
Stock options consideration	1,013,225
Warrants consideration	261,998
	$ 21,906,258

(i) Remeasurement at fair value of the Company's previously held interests in TerraZero resulted in the recognition of a $216,663 loss in earnings, which is presented under the consolidated statement of comprehensive loss.

Expressed in Canadian dollars

4. ACQUISITION OF TERRAZERO (cont'd…)

As part of the transaction, the Company replaced the existing stock options and warrants of TerraZero, after giving effect to the Exchange Ratio, with those of the Company. The fair value of the TerraZero options and warrants already vested as of the date of acquisition has been incorporated into the purchase price consideration.

The following assumptions were used in the calculation of the fair value of options per the Black-Scholes option pricing model:

Share price at measurement date	$0.38
Risk-free interest rate	4.30%
Exercise Price	$0.15 to $0.70
Expected life of options	3.69 years
Expected volatility	100%
Dividend yield	Nil

The following assumptions were used in the calculation of the fair value of warrants per the Black-Scholes option pricing model:

Share price at measurement date	$0.38
Risk-free interest rate	4.68%
Exercise Price	$0.70
Expected life of warrants	9.74 years
Expected volatility	100%
Dividend yield	Nil

The resulting goodwill is attributable to certain intangible assets, including synergies from combining operations, expected growth, value of its assembled workforce and the highly specialized nature of the acquired business, which do not qualify for separate recognition, and the fact that additional value is generated through the collective use of the acquired assets rather than individually. Goodwill is included in the business segment and is not expected to be deductible for tax purposes.

The Company measured the fair value of the intangible assets using the historical costs, less impairment, of the digital land held by TerraZero.

Acquisition-related costs of $191,064, recorded to professional fees, are not included as part of consideration transferred and have been recognized as an expense in the consolidated statements of loss.

TerraZero has contributed $6,768 in revenue and incurred a loss of $1,209,474 to total comprehensive loss since the acquisition date. If the acquisition had occurred on January 1, 2023, management estimates that the consolidated revenue would have been $8,005,526 and consolidated loss for the year would have been $15,462,388. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same as if the acquisition had occurred on January 1, 2023.

Expressed in Canadian dollars

5. RESTRICTED CASH

		December 31, 2023		December 31, 2022
TD GIC – Visa credit lines	$	82,500	$	82,500
Customer cash deposits held in trust		5,508,208		5,658,637
	$	5,590,708	$	5,741,137

At December 31, 2023, the Company held restricted cash of:

(a) $82,500 (December 31, 2022 - $82,500) in a Guaranteed Investment Certificate (GIC), at an interest rate of 4.85% with a maturity date of July 8, 2024, pursuant to a demand operating facility agreement with the Toronto-Dominion Bank, to support Visa credit lines of $75,000; and

(b) $5,508,208 (December 31, 2022 - $5,658,637) in customer cash deposits, which are held in trust and represent the aggregate customer cash holdings on deposit in the Netcoins App.

6. DIGITAL CURRENCY INVENTORY

The Company holds digital currencies as inventory as follows:

		December 31, 2023		December 31, 2022
Bitcoin	$	40,451,491	$	14,297,995
Ethereum		19,083,393		11,233,476
XRP		17,485,984		8,387,384
USDC		388,299		771,980
LTC		1,306,332		1,123,641
XLM		1,368,834		551,191
BCH		516,524		384,430
DOGE		570,394		350,304
SHIB		958,776		437,739
SOL		2,427,740		104,556
ADA		1,062,798		186,098
Other digital currencies		5,567,692		1,762,814
	$	91,188,257	$	39,591,608

During the year ended December 31, 2023, net revenue from digital currency brokerage sales of $4,978,210 (2022 - $5,442,318).

During the year ended December 31, 2023, the Company offered digital currency inventory staking service to its customers, resulting in net staking revenue of $8,616 (2022 - Nil). As at December 31, 2023, the total digital currency inventory staked, included in digital currency inventory, was $2,056,231 (2022 - Nil).

Expressed in Canadian dollars

7. DIGITAL CURRENCIES

The Company holds digital currencies as investments as follows:

		Digital currencies (units)									
		Bitcoin	Solarcoin	Bitcoin Cash	Bitcoin Gold	Bitcoin SV	Lumen	USDT	USDC	XDC	Other
Balance, December 31, 2021	**$ 16,758,928**	**282.79**	**25,916.45**	**21.53**	**25.20**	**52.88**	**529.93**	**93,434.84**	**-**	**519,740.67**	**14.77**
Digital currencies purchased or received(i)	268,169	2.66	-	-	-	-	-	14,789.36	13,512.21	1,860,569.00	4.12
Traded for cash or digital currencies(ii)	(3,388,288)	(150.15)	-	-	-	(27.92)	(5.00)	(106,890.20)	(8,816.00)	(140,000.00)	(5.59)
Used for research and development(iii)	(3,392)	(0.08)	-	(0.05)	-	-	-	(635.00)	-	-	-
Gain on sale of digital currencies (iv)	(4,439,565)	-	-	-	-	-	-	-	-	-	-
Revaluation of digital currencies (iv)	(6,069,458)	-	-	-	-	-	-	-	-	-	
Balance, December 31, 2022	**$ 3,126,394**	**135.22**	**25,916.45**	**21.48**	**25.20**	**24.96**	**524.93**	**699.00**	**4,696.21**	**2,240,309.67**	**13.30**
Digital currencies purchased or received(i)	276,418	0.83	-	-	-	-	-	21,578.47	98,440.14	2,240,301.00	-
Traded for cash or digital currencies(ii)	(6,318,316)	(119.30)	-	(21.48)	-	-	(524.93)	(699.00)	(102,981.35)	(2,240,335.67)	(9.00)
Used for research and development(iii)	(5,317)	(0.11)	-	-	-	-	-	-	(155)	-	-
Gain on sale of digital currencies (iv)	51,061	-	-	-	-	-	-	-	-	-	-
Revaluation of digital currencies (iv)	4,017,727	-	-	-	-	-	-	-	-	-	
Balance, December 31, 2023	**$ 1,147,967**	**16.64**	**25,916.45**	**-**	**25.20**	**24.96**	**-**	**21,578.47**	**-**	**2,240,275.00**	**4.30**

(i) During the year ended December 31, 2023, the Company purchased or received 0.83 Bitcoin valued at $22,800 (2022 – 2.66 Bitcoin valued at $101,938), 21,578.47 USDT valued at $29,562 (2022 – 14,789.36 USDT valued at $18,505), 98,440.14 USDC valued at $135,817 (2022 – 13,512.21 USDC valued at $17,722) and 2,240,301.00 XDC valued at $88,239 (2022 - 1,860,569.00 XDC valued at $113,770). In the prior year, the Company received 4.12 other coins valued at $16,234.

(ii) During the year ended December 31, 2023, the Company exchanged digital currencies for cash and other services as follows: 119.30 Bitcoin valued at $6,077,817, 21.48 Bitcoin Cash valued at $9,352, 524.93 Lumen valued at $85, 699.00 USDT valued at $955, 102,981.35 USDC valued at $141,868 and 2,240,301.00 XDC valued at $88,239. In the prior year, the Company exchanged digital currencies for cash and other services as follows: 150.15 Bitcoin valued at $3,228,011, 27.92 Bitcoin SV valued at $2,935, 106,890.20 USDT valued at $137,292, 8,816 USDC valued at $11,498, and 140,000.00 XDC valued at $12,464. As well, the Company wrote-off various digital currencies of 43.66 units valued at $3 (2022 - $3,912).

(iii) During the year ended December 31, 2023, the Company used 0.11 BTC valued at $5,144 and 155 USDC valued at $173 for research and development purposes and consultant payments. In the prior year, the Company used 0.08 Bitcoin valued at $2,557, 0.05 Bitcoin Cash valued at $24 and 635.00 USDT valued at $811 for research and development testing.

(iv) Digital currencies held are revalued each reporting period based on the fair market value of the price of the digital currencies on the reporting date. As at December 31, 2023, a revaluation gain of $4,017,727 (2022 - loss of $6,069,458) was recorded. A gain of $51,061 (2022 - loss of $4,439,565) was realized on disposal of coins, an unrealized gain of $86,308 (2022 - loss of $1,366,895) was recorded to the consolidated statement of comprehensive loss, and an unrealized gain of $1,980,148 (2022 - loss of $4,702,564) was recorded to other comprehensive income (loss).

Expressed in Canadian dollars

8. INVESTMENTS

At December 31, 2023 and December 31, 2022, the Company held the following equity investments:

	December 31, 2023				December 31, 2022			
	Shares #	Warrants #	Cost $	Fair Value $	Shares #	Warrants #	Cost $	Fair Value $
LQwD FinTech Corp.	28,600	-	100,100	14,014	28,600	14,300	100,100	15,158
TerraZero Technologies Inc.	-	-	-	-	1,650,000	-	82,500	82,500
ZenLedger Inc.	70,062	-	251,859	264,519	70,062	-	251,859	270,879
Luxxfolio Holdings Inc.	-	12,500,000	944,643	-	-	12,500,000	944,643	-
Totals	98,662	12,500,000	1,296,602	278,533	1,748,662	12,514,300	1,379,102	368,537

During the year ended December 31, 2023, the Company:

a) held a total of 28,600 units of LQwD FinTech Corp. (“LQwD”) at a cost of $100,100. On November 14, 2022, LQwD completed a 10:1 share consolidation which reduced the Company’s holdings to 28,600 common shares and 14,300 share purchase warrants. The share purchase warrants, which entitled the Company to acquire an additional common shares of LQwD at a price of $5.00 until October 28, 2023, expired unexercised. LQwD, a publicly traded company listed on the TSX Venture Exchange under the symbol LQWD, is Lightning Network, layer-two software developer. At December 31, 2023 and December 31, 2022, it was related via a director in common;

b) a total of 1,650,000 preferred shares of TerraZero Technologies Inc. (“TerraZero”), acquired at a cost of $82,500, were remeasured at fair value pursuant to the TerraZero Acquisition (Note 4). This previously held investment is considered part of what was given up by the Company to obtain control of TerraZero. Accordingly, the fair value of the investment is included in the purchase consideration of the acquisition;

c) held a total of 70,062 shares of Series A preferred stock in ZenLedger,Inc. (“ZenLedger”) at a cost of $251,859 (USD$199,999). The valuation of the ZenLedger securities, which are unlisted, has been measured using the market approach which was unchanged. During the year ended December 31, 2023, a foreign exchange loss of $6,360 (2022 - gain of $17,320) was recorded. ZenLedger, Inc., a US-based company, is a leading cryptocurrency tax platform; and,

d) held 12,500,000 share purchase warrants of Luxxfolio Holdings Inc (“Luxxfolio”) which entitles it to acquire 12,500,000 common share of Luxxfolio at a price of $0.21 until June 8, 2024; however, given that Luxxfolio has suspended its operations and is actively seeking to restructure and/or refinance the Company has written-down its investment to $Nil. Luxxfolio, a publicly traded company listed on the Canadian Securities Exchange, operated an industrial scale cryptocurrency mining facility in the United States powered primarily by renewable energy, with a focus on Bitcoin mining and generating digital assets on the blockchain ecosystem.

The Company records its investments as FVTPL. During the year ended December 31, 2023, the Company recorded a loss of $1,144 (2022 – loss of $146,525) on revaluation of its securities to their fair market value.

Expressed in Canadian dollars

9. INVESTMENT IN ASSOCIATE

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

On February 9, 2022, the Company acquired an additional 14 million common shares and 2 million warrant exercisable at $0.90 per warrant share for a period of five years (the "TerraZero Warrant"), at a cost of $9,800,000, representing a 31.81% ownership interest in TerraZero. In connection with this transaction, the Company and TerraZero entered into an Investor Rights Agreement entitling the Company to propose one member of three of the TerraZero Board of Directors.

On September 7, 2022, the Company acquired 1,650,000 preferred shares at a cost of $82,500, bringing the Company's equity stake in TerraZero to 14,650,000 common shares, 2 million warrants and 1,650,000 preferred shares at an aggregate cost of $10.08 million.

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

A gain or loss on the dilution of the Company's investment in TerraZero is calculated as the difference between the Company's ownership interest in the consideration received by the investee for the issuance of new shares and the reduction in ownership interest in the previous carrying amount.

TerraZero, a private company is a private Canadian company incorporated under the laws of British Columbia on May 28, 2021, is involved in developing, acquiring and financing entities, entrepreneurs and developers actively engaged in the Metaverse. No quoted market prices were available for its shares. It has a December 31 year-end, the same as the Company. There were no mutual transactions outside of the Company's equity investment into TerraZero.

On completion of the TerraZero Acquisition (Note 4), the investment was remeasured at fair value and subsequently derecognized. This previously held investment is considered part of what was given up by the Company to obtain control of TerraZero. Accordingly, the fair value of the investment is included in the purchase consideration of the acquisition.

The following table summarizes the Company's investment accounted for using the equity method:

	December 31, 2023	December 31, 2022
Balance, beginning of year	$ 7,143,761	$ -
Additions		
Initial investment in TerraZero	-	9,264,572
Share of loss in investment accounted for using the equity method:		
Share of investee's loss	(1,364,406)	(2,178,270)
Gain from dilution of interest in associate	-	54,356
Associate revaluations	3,325	3,103
Derecognition of investment on acquisition (Note 4)	(5,782,680)	-
Balance, end of year	$ -	$ 7,143,761

As at December 31, 2023, the Company's percentage of ownership in TerraZero was 100% (December 31, 2022 – 30.33%).

Expressed in Canadian dollars

9. INVESTMENT IN ASSOCIATE (cont'd…)

The following table summarizes the financial information of TerraZero as included in its own financial statements, adjusted for fair value adjustments at acquisition. The table also reconciles the summarized financial information to the carrying amount of the Company's interest in TerraZero:

	December 31, 2023	December 31, 2022
Current assets	$ -	$ 9,102,059
Non-current assets	-	536,682
Current liabilities	-	(706,274)
Net assets	$ -	$ 8,932,467

	Year ended December 31, 2023	Year ended December 31, 2022
Revenue	$ 1,510,829	$ 939,638
Net loss from continuing operations (100%)	$ (4,519,312)	$ (8,690,290)
Other comprehensive (loss) income (100%)	21,193	10,228
Total comprehensive loss (100%)	(4,498,119)	(8,680,062)
Company's share of total comprehensive loss	(1,364,406)	(2,178,270)
Opening balance	$ 7,143,761	$ -
Initial investment in TerraZero	-	455,000
Step up investment in TerraZero	-	8,809,572
Total investments in TerraZero	7,143,761	9,264,572
Share of loss in investment accounted for using the equity method:		
Share of investee's loss	(1,364,406)	(2,178,270)
Gain from dilution of interest in associate	-	54,356
Revaluation of assets	3,325	3,103
Derecognition of investment on acquisition of control (Note 4)	(5,782,680)	-
Carrying amount of investment in associate	$ -	$ 7,143,761
Company's share of:		
Net loss from continuing operations until date of acquisition of control	$ (1,364,406)	$ (2,178,270)
Other comprehensive income gain recognized on acquisition of control	(3,325)	51,750
Total other comprehensive loss	$ (1,367,731)	$ (2,126,520)

10. DERIVATIVE FINANCIAL ASSET

The Company determined that the TerraZero Warrant is classified as a derivative financial instrument on the consolidated statements of financial position, fair valued using the Black-Scholes valuation model at initial recognition, and subsequently remeasured to fair value as at each reporting date. Any change in the fair value of the derivative is recognized to revaluation loss (gain) in the consolidated statements of comprehensive income (loss).

On completion of the TerraZero Acquisition (Note 4), the derivative financial instrument was remeasured at fair value and subsequently derecognized. This previously held investment is considered part of what was given up by the Company to obtain control of TerraZero. Accordingly, the fair value of the investment is included in the purchase consideration of the acquisition.

Expressed in Canadian dollars

10. DERIVATIVE FINANCIAL ASSET (cont'd…)

The following table summarizes the derivative financial asset for the years ended December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Balance, beginning of year	$ 942,865	$ -
Additions	-	990,428
Change in fair value due to revaluation of derivative financial asset	(523,435)	(47,563)
Derecognition of asset on acquisition of control (Note 4)	(419,430)	-
Balance, end of year	$ -	$ 942,865

The Company used the Black-Scholes option pricing model to calculate the fair value of the warrants held in TerraZero. The Company used the following assumptions to fair value the warrants on September 28, 2023:

Share price at measurement date	$0.34
Risk-free interest rate	4.30%
Exercise Price	$0.90
Expected life of options	3.37 years
Expected volatility	115.62%
Dividend yield	Nil

11. GOODWILL & INTANGIBLE ASSETS

	LMS Platform	Netcoins App	Netcoins.com	TerraZero domains	Metaverse Land	Subtotal – Intangible Assets	Goodwill	Total
Cost								
December 31, 2022 and 2021	$ 129,972	$ 882,000	$ 181,464	$ -	$ -	$ 1,193,436	$ 1,071,851	$ 2,265,287
Additions through acquisition	-	-	-	299,750	224,009	523,759	16,015,767	16,539,526
December 31, 2023	129,972	882,000	181,464	299,750	224,009	1,717,195	17,087,618	18,804,813
Accumulated amortization			-					
December 31, 2021	129,972	710,500	23,265	-	-	863,737	-	863,737
Additions	-	171,500	36,290	-	-	207,790	-	207,790
December 31, 2022	129,972	882,000	59,555	-	-	1,071,527	-	1,071,527
Additions	-	-	36,288	19,643	-	55,931	-	55,931
December 31, 2023	129,972	882,000	95,843	19,643	-	1,127,458	-	1,127,458
December 31, 2022	$ -	$ -	$ 121,909	$ -	$ -	$ 121,909	$ 1,071,851	$ 1,193,760
December 31, 2023	$ -	$ -	$ 85,621	$ 280,107	$ 224,009	$ 589,737	$ 17,087,618	$ 17,677,355

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

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

During the year ended December 31, 2023, the Company recognized $299,750 as intangible assets comprising three domains upon the acquisition of TerraZero (Note 4). The domains are amortized on a straight-line basis over a period of five years representing the estimated useful life of the intangible assets.

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

Goodwill of $16,015,767 was recorded in connection with the TerraZero Acquisition (Note 4), attributable to the workforce and the highly specialized nature of the acquired business, and is not deductible for tax purposes.

Amortization of intangible assets for the year ended December 31, 2023 was $55,931 (2022 - $207,790).

Expressed in Canadian dollars

12. RIGHT-OF-USE ASSET

At December 31, 2023, the right-of-use asset is an office lease, as amended, entered into by the Company commencing March 1, 2021, which terminates on February 28, 2027. The right-of-use asset is amortized over the shorter of the asset's useful life and the lease term on a straight-line basis.

	Office Operating Lease
Balance at December 31, 2021	$ 55,207
Additions	-
Depreciation	(31,522)
Balance at December 31, 2022	$ 23,685
Additions	51,303
Depreciation	(18,432)
Balance at December 31, 2023	$ 56,556

13. LEASE LIABILITIES

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

	Office Operating Lease
Balance at December 31, 2021	$ 61,559
Lease payments	(30,380)
Interest expense on lease liability	4,729
Balance at December 31, 2022	$ 35,908
Lease payments	(30,863)
Interest expense on lease liability	2,219
Additions	51,303
Balance at December 31, 2023	$ 58,567
Current	$ 13,013
Non-current	$ 45,554

14. EQUIPMENT

Cost	**Total**
Balance at December 31, 2021	**$ 1,318,974**
Additions	430,772
Disposals	(1,950)
Balance at December 31, 2022	**$ 1,747,796**
Additions and reallocations	60,855
Additions through acquisition	3,065
Disposals	-
Balance at December 31, 2023	**$ 1,811,716**
Accumulated depreciation	
Balance at December 31, 2021	**$ 1,061,172**
Disposals	(569)
Depreciation for the year	142,555
Balance at December 31, 2022	**$ 1,203,158**
Disposals	-
Depreciation for the year	239,496
Balance at December 31, 2023	**$ 1,442,654**

Expressed in Canadian dollars

14. EQUIPMENT (cont'd…)

Carrying amounts		
At December 31, 2022	**$**	**544,638**
At December 31, 2023	**$**	**369,062**

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2023		**December 31, 2022**
Accounts payable	$	1,517,430	$	2,114,268
Accrued liabilities		1,579,188		989,522
Payroll liabilities		385,986		298,964
	$	3,482,604	$	3,402,754

16. SHARE CAPITAL

Authorized share capital

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

Share Issuances

2023

During the year ended December 31, 2023, the Company:

(i) issued an aggregate 3,208,361 common shares upon the exercise of options for gross proceeds of $467,349; and

(ii) issued a total of 62,305,177 common shares at a price of $0.225 per share in connection with the TerraZero Acquisition (Note 4).

2022

During the year ended December 31, 2022, the Company:

(i) issued an aggregate 3,223,232 common shares upon the exercise of options for gross proceeds of $608,369, and recorded a reduction of $4,000 in advance share subscriptions for stock options received in December 2021; and,

(ii) issued an aggregate 5,708,675 common shares upon the exercise of share purchase warrants for gross proceeds of $596,649.

Share purchase warrants

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

Expressed in Canadian dollars

16. SHARE CAPITAL (cont'd…)

Share purchase warrants (cont'd…)

Share purchase warrant transactions are summarized for the years ended December 31, 2023 and 2022.

	For the Year Ended December 31, 2023		For the Year Ended December 31, 2022	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Opening balance	9,988,550	$ 2.07	12,094,656	$ 1.76
Granted for business combination (Note 4)	4,079,576	0.46	-	-
Exercised	-	-	(1,265,800)	0.30
Expired	(9,988,550)	2.07	(840,306)	-
Ending balance	4,079,576	$ 0.46	9,988,550	$ 2.07
Warrants exercisable	3,467,912	$ 0.47	9,988,550	$ 2.07

As at December 31, 2023 and December 31, 2022, the following share purchase warrants were outstanding:

	Expiry Date	Exercise Price	December 31, 2023 Number Outstanding	December 31, 2023 Number Exercisable	December 31, 2022 Number Outstanding	December 31, 2022 Number Exercisable	Weighted Average Remaining Contractual Life
Warrants	January 28, 2023	$ 0.70	-	-	1,360,550	1,360,550	0.00 years
Warrants	February 5, 2023	$ 0.70	-	-	1,800,000	1,800,000	0.00 years
Warrants	April 16, 2023	$ 2.70	-	-	6,828,000	6,828,000	0.00 years
Warrants	February 8, 2025	$ 0.53	1,688,600	1,688,600	-	-	1.11 years
Warrants	March 1, 2025	$ 0.31	337,720	337,720	-	-	1.17 years
Warrants	October 31, 2025	$ 0.41	422,150	422,150	-	-	1.84 years
Warrants	June 21, 2033	$ 0.41	1,631,106	1,019,442	-	-	9.48 years
			4,079,576	3,467,912	9,988,550	9,988,550	

Performance-based share purchase warrants

Performance share purchase warrant transactions are summarized for the years ended December 31, 2023 and 2022.

	For the Year Ended December 31, 2023		For the Year Ended December 31, 2022	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Opening balance	-	$ -	4,777,750	$ 0.05
Exercised	-	-	(4,442,875)	0.05
Expired	-	-	(334,875)	0.05
Ending balance	-	$ -	-	$ -
Performance Warrants exercisable	-	$ -	-	$ -

Stock options

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

Expressed in Canadian dollars

16. SHARE CAPITAL (cont'd…)

Stock options (cont'd…)

Stock option transactions are summarized for the years ended December 31, 2023 and 2022.

	For the Year Ended December 31, 2023		For the Year ended December 31, 2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	13,998,750	$ 0.79	16,226,982	$ 0.76
Granted	12,859,000	0.31	2,755,000	0.48
Granted for business combination (Note 4)	8,122,166	0.27	-	-
Exercised	(3,208,361)	0.15	(3,223,232)	0.19
Expired	(822,056)	0.95	(1,443,750)	1.11
Forfeited/cancelled	(490,161)	0.40	(316,250)	1.00
Ending balance	30,459,338	$ 0.52	13,998,750	$ 0.79
Options exercisable	24,865,995	$ 0.56	11,421,250	$ 0.80

Weighted Average Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Weighted Average Remaining Contractual Life
$ 0.08	August 13, 2024	628,750	628,750	0.62 years
$ 0.08	January 14, 2025	140,000	140,000	1.04 years
$ 0.08	July 27, 2025	400,000	400,000	1.57 years
$ 0.75	February 5, 2026	3,570,000	3,570,000	2.10 years
$ 1.75	March 3, 2026	1,275,000	1,275,000	2.17 years
$ 3.00	April 22, 2026	65,000	65,000	2.31 years
$ 1.40	July 13, 2026	1,920,000	1,920,000	2.53 years
$ 1.60	November 2, 2026	620,000	620,000	2.84 years
$ 0.09	November 12, 2026	2,131,856	2,131,856	3.44 years
$ 0.24	January 28, 2027	1,686,490	1,393,091	3.67 years
$ 0.50	June 8, 2027	1,735,000	1,461,250	4.05 years
$ 0.41	June 8, 2027	2,364,040	2,131,856	2.87 years
$ 0.45	September 1, 2027	625,000	312,500	3.08 years
$ 0.32	January 18, 2028	6,172,500	5,782,500	3.44 years
$ 0.41	March 17, 2028	827,412	709,192	4.21 years
$ 0.41	August 1, 2028	253,290	-	4.59 years
$ 0.30	December 4, 2028	6,045,000	2,325,000	4.93 years
		30,459,338	24,865,995	

Share-based compensation

During the year ended December 31, 2023, the Company recorded share-based compensation of $2,790,692 (2022 - $1,766,447) as follows:

a) $2,511,551 (2022 - $1,766,447) in relation to the stock options, which was expensed as share-based compensation in operations, which includes $43,091 (2022 – Nil) related to the vesting of options granted pursuant to a business combination (Note 4);

b) $40,418 (2022 - Nil) related to the vesting of warrants issued pursuant to a business combination (Note 4); and

c) $238,723 (2022 – Nil) related to a business combination (Note 4), comprising $201,599 in relation to options granted that vested immediately at the date of acquisition and $37,124 related to the incremental market-based measure of the replacement warrants over the market-based measure of the Terrazero warrants at the date of acquisition.

Expressed in Canadian dollars

16. SHARE CAPITAL (cont'd…)

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

	For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
Share price at measurement date	$0.225 to $0.31	$0.38 to $0.47
Risk-free interest rate	2.80 to 4.30%	3.18 to 3.37%
Exercise price	$0.09 to $0.41	$0.45 to $3.00
Expected life of options	3.31 to 5 years	5 years
Expected volatility	133 - 139%	138 – 140%
Forfeiture rate	12%	13%
Dividend yield	Nil	Nil

Escrowed shares

As at the date of the TerraZero Acquisition described in Note 4, 39,148,287 common shares of the Company were subject to an escrow and voting trust agreement dated August 25, 2023, pursuant to which 3,568,755 shares were released upon closing of the TerraZero Acquisition with the remaining escrowed shares scheduled to be released over a period of 24 months, as follows:

	2023			2024			2025	Total
Oct 28	Nov 28	Dec 28	Jan 28	Mar 28	Sept 28	Mar 28	Sept 28	escrow
2,077,160	2,077,160	2,077,160	2,077,161	7,936,415	7,936,422	5,699,027	5,699,027	35,579,532

At December 31, 2023, a total of 9,800,235 common shares had been released from escrow and an aggregate 29,348,052 common shares remain in escrow.

17. RELATED PARTY TRANSACTIONS

Key Management Compensation

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

	For the Year Ended December 31, 2023	2022
Director's fees	$ 126,344	$ 111,705
Consulting	15,500	17,500
Wages and benefits	1,876,141	1,440,748
Share-based compensation	2,012,394	770,751
Total	$ 4,030,379	$ 2,340,704
Accounts payable due to related parties	$ 81,216	$ 130,603

As at December 31, 2023 and December 31, 2022, the following deposits were held by key management personnel:

	For the Year Ended December 31, 2023	2022
Deposits held on Netcoins App	$ 333,923	$ 258,099
Digital currencies held in trust by a director of the Company	172,505	-

Expressed in Canadian dollars

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability; and;
Level 3 – Inputs that are not based on observable market data (unobservable inputs).

The following table presents the fair value hierarchy for the Company's assets and liabilities measured at fair value by level as at December 31, 2023 and December 31, 2022:

	December 31, 2023			**December 31, 2022**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Digital currency inventory	$ -	$ 91,188,257	$ -	$ -	$ 39,591,608	$ -
Digital currencies	-	1,147,967	-	-	3,126,394	-
Investments	14,014	-	264,519	15,158	-	353,379
Derivative financial asset	-	-	-	-	-	942,865
Total	$ 14,014	$ 92,336,224	$ 264,519	$ 15,158	$ 42,718,002	$1,296,244
Liabilities						
Customer deposits - digital currency	$ -	$ 81,954,733	$ -	$ -	$ 34,662,369	$ -

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

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

Valuation of Assets / Liabilities that use Level 3 Inputs ("Level 3 Assets / Liabilities"). Consists of certain of the Company's investments. Non-marketable equity investments in privately-held companies are generally accounted for under the measurement alternative, defined as cost, less impairments, adjusted for subsequent observable price changes and are periodically assessed for impairment when events or circumstances indicate that a decline in value may have occurred.

<u>Level 3 Continuity</u>

The following is a reconciliation of Level 3 assets for the year ended December 31, 2023 and December 31, 2022:

	Fair Value at December 31, 2022	**Purchases**	**Sales**	**Net Realized Gain (Loss) on Investments**	**Net Unrealized Gain (Loss) on Investments**	**Transfers in/(out) of Level 3**	**Fair Value at December 31, 2023**
Assets							
Investments	$ 353,379	$ -	$ -	$ 544,393	$ (6,360)	$ (626,893)	$ 264,519
Derivative financial asset	942,865	-	-	(523,435)	-	(419,430)	-
	$ 1,296,244	$ -	$ -	$ 20,958	$ (6,360)	$(1,046,323)	$ 264,519

Expressed in Canadian dollars

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

	Fair Value at December 31, 2021	Purchases	Sales	Net Realized Gain (Loss) on Investments	Net Unrealized Gain (Loss) on Investments	Transfers in/(out) of Level 3	Fair Value at December 31, 2022
Assets							
Investments	$ 513,559	$ 82,500	$ -	$ -	$ 212,320	$ (455,000)	$ 353,379
Derivative financial asset	-	990,428	-	-	(47,563)	-	942,865
	$ 513,559	$ 1,072,928	$ -	$ -	$ 164,757	$ (455,000)	$ 1,296,244

Transfers in and out of Level 3 are considered to have occurred at the beginning of the period the transfer occurred.

	Fair value at December 31, 2023	Valuation technique	Unobservable input	Range (weighted average)
Private equity investments	$ 264,519	Market comparable companies	Discount for lack of marketability(a)	10-35% (10%)
			Control premium(a)	10-50% (10%)

	Fair value at December 31, 2022	Valuation technique	Unobservable input	Range (weighted average)
Private equity investments	$ 353,379	Market comparable companies	Discount for lack of marketability(a)	10-35% (18%)
			Control premium(a)	10-50% (22%)
Derivative financial asset	942,865	Option pricing model	Current stock price Historical price volatility	

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

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

As at December 31, 2023 and 2022, the fair value of cash and cash equivalents, restricted cash and customer deposits-cash held by the Company approximates carrying value and was based on level 1 of the fair value hierarchy. Investments, where quoted prices in active markets are available, are level 1 assets. The carrying values of accounts and other receivables, accounts payable and accrued liabilities are based on level 2 inputs and approximate fair value due to their short-term maturities. The carrying value of the Company's lease liability is measured as the present value of the discounted future cash flows.

Risk

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk arising from operations. The Company has cash balances but no interest-bearing debt. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash, restricted cash and accounts receivable. Credit risk associated with digital currencies proceeds collected by vendors on behalf of the Company is limited as transactions are usually settled within 1 to 15 days. The Company's credit risk has not changed significantly from the prior year.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Credit risk (cont'd…)

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

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by ensuring that it has sufficient cash and other financial resources available to meet its short-term obligations. The Company forecasts cash flows for a period of twelve months to identify financial requirements. These requirements are met by accessing financing through public equity offerings and private placements.

Accounts payable and accrued liabilities, other than accrued compensation, generally have maturities of 30 days or less or are due on demand.

Commitments - operational	**2024**	**2025 - 2027**
Lease payments	$ 13,013	$ 45,554
Accounts payable	1,517,430	-
Accrued liabilities	1,965,174	-
Total contractual obligations	$ 3,495,617	$ 45,554

Market risk

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

i. Interest rate risk

Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company currently has no interest-bearing financial instruments other than cash, so its exposure to interest rate risk is insignificant.

ii. Foreign currency risk

Foreign currency risk arises from fluctuations in foreign currencies versus the Canadian dollar that could adversely affect reported balances and transactions denominated in those currencies. The Company currently has investment assets, some liabilities and revenue or expenses denominated in a foreign currency, so is exposed to foreign currency risk. The Company does not currently hedge its exposure to foreign currency cash flows as management has determined that currency risk is not significant. The Company's main risk is associated with fluctuations in US dollars. The following amounts are presented in to demonstrate the effect on net income or loss of changes in foreign exchange rates:

		December 31, 2023	**December 31, 2022**
Cash held	USD	$ 323,631	$ 793,156
Accounts and other receivables	USD	790,404	1,637,618
Accounts payable	USD	234,101	445,259
Effect of +/- 5% change in exchange rate		$ 88,028	$ 193,982

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Market risk

iii. Commodity and equity price risk

Commodity and equity price risk arises from market fluctuations in commodity and equity prices that could adversely affect the Company's operations. The Company's current exposure to equity price risk includes declines in the values and volumes of (i) its own equity shares which could impede its ability to raise additional funds when required and (ii) its investment in various marketable securities.

All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value. At December 31, 2023, management's estimate of the effect on equity to a +/- 5% change in its investments is +/- $13,900 (2022 - $14,300).

Digital currencies risk

Digital asset prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. Further, digital currencies have no underlying backing or contracts to enforce recovery of invested amounts.

At December 31, 2023, the Company held with reputable custodians and liquidity providers digital currency inventory valued at $91,188,257 (2022 - $39,591,608) and digital currency investments of $1,147,967 (2022 - $3,126,394). At December 31, 2023, had the market price of the Company's digital currency assets changed by 10% with all other variables remaining constant, the corresponding digital asset value change would be approximately $9,233,600 (2022 - $4,271,800).

The profitability of the Company is directly related to the current and future market price of digital assets. In addition, the Company may not be able liquidate its digital currency inventory at its desired price if required. Investing in digital currencies is speculative, prices are volatile, and market movements are difficult to predict. Supply and demand for such currencies change rapidly and are affected by a variety of factors, including regulation and general economic trends. A decline in the market prices for digital assets could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its sales of digital assets. Digital assets have a limited history and the fair value historically has been very volatile. Historical performance of digital assets is not indicative of their future price performance.

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

The Company utilizes BitGo Trust Company, Inc. ("BitGo") as its primary custodian for the majority of its digital currency inventory holdings (cold wallets solution). The Company also utilizes BitGo and Fireblocks Ltd's ("Fireblocks") self-custody technology (hot wallets solution) for the remaining digital currency inventory to support its daily transactions. As at December 31, 2023, approximately 90% (2022 - ~90%) of total digital currency inventory was held in custody with BitGo.

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

19. CAPITAL MANAGEMENT

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

Expressed in Canadian dollars

19. CAPITAL MANAGEMENT (cont'd…)

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

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

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash on deposit in interest bearing Canadian chartered bank accounts. Some cash is kept on deposit with fiat to cryptocurrency exchanges in order to facilitate the Company's business. There have been no significant changes to the Company's approach to capital management during the year ended December 31, 2023 and 2022.

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

20. CONTINGENT LIABILITY

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

As at December 31, 2023 and December 31, 2022, the Company has considered contingent liabilities arising from its operations, as well as potential penalties, and determined that no amount need be accrued in respect of such amounts.

21. SEGMENTED INFORMATION

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

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

	For the year ended December 31, 2023				
	Parent	**Blockchain**	**Netcoins**	**TerraZero**	**Total**
Total assets	$ 18,028,208	$ 2,359,739	$ 99,741,882	$ 4,059,223	**$ 124,189,052**
Total liabilities	2,455,553	712,748	88,081,005	400,899	**91,650,205**
Total revenue	-	1,501,103	4,986,826	6,768	**6,494,697**
Net (loss) income	(6,126,489)	(3,725,245)	301,123	(1,516,368)	**(11,066,979)**
Included in Net loss:					
Share of loss from investment in associate	(1,364,406)	-	-	-	**(1,364,406)**

	For the year ended December 31, 2022				
	Parent	**Blockchain**	**Netcoins**	**TerraZero**	**Total**
Total assets	$ 14,334,001	$ 3,090,248	$ 49,978,378	$ -	**$ 67,402,627**
Total liabilities	1,247,148	625,400	42,410,073	-	**44,282,621**
Total revenue	-	2,030,502	5,442,318	-	**7,472,820**
Net loss	(14,960,196)	(3,117,332)	(26,075,654)	-	**(44,153,182)**
Included in Total Assets:					
Investment in associate	7,143,760	-	-	-	**7,143,760**
Included in Net loss:					
Share of loss from investment in associate	(2,178,270)	-	-	-	**(2,178,270)**

Expressed in Canadian dollars

21. SEGMENTED INFORMATION (cont'd…)

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

	December 31, 2023		December 31, 2022	
	Revenues	Non-current Assets	Revenues	Non-current Assets
Canada	$ 5,163,668	$ 20,266,559	$ 5,566,042	$ 13,295,648
USA	629,126	264,519	911,017	270,879
Europe	285,286	-	411,649	-
Other	416,617	-	584,112	-
	$ 6,494,697	**$ 20,531,078**	**$ 7,472,820**	**$ 13,566,527**

22. INCOME TAXES

The Company's provision for income taxes differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to loss before income taxes as a result of the following:

	For the year ended December 31, 2023	2022
Loss for the year before income tax	**$ (11,202,275)**	$ (44,153,182)
Statutory rate	**27.0%**	27.0%
Expected income tax recovery	**$ (3,024,614)**	$ (11,921,359)
Permanent and other differences	**441,753**	78,236
Change in statutory, foreign tax, foreign exchange rates and other	**(99,321)**	1,474,578
Items recorded through other comprehensive income	**534,640**	(943,353)
Adjustment to prior years provision versus statutory tax returns	**(451,976)**	(1,236,018)
Change in unrecognized deductible temporary differences	**2,464,222**	12,547,916
Provision for income taxes	**$ (135,296)**	$ -

The Company's deferred tax liabilities are as follows:

	For the year ended December 31, 2023	2022
Investments	**$ -**	$ -
Inventory	**-**	-
Digital currencies	**(136,000)**	-
Intangible assets	**-**	-
	$ (136,000)	$ -

The Company's deferred tax assets are as follows:

	For the year ended December 31, 2023	2022
Non-capital losses	**$ 136,000**	$ -
	$ 136,000	$ -

Expressed in Canadian dollars

22. INCOME TAXES (cont'd…)

Deferred tax assets have not been recognized because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom. The Company has deductible temporary differences for which no deferred tax assets are recognized as follows:

		2023		2022
Non-capital losses available for future periods	**$**	**73,560,296**	$	53,249,000
Capital losses		**8,386,000**		6,220,000
Other		**13,845,000**		20,501,000
	$	**95,791,296**	$	79,970,000

The Company has $69,653,000 Canadian non-capital losses and $3,943,000 United States non-capital losses which may be applied to reduce taxable income in future years, and which if not utilized, will expire through to 2042.

23. SUBSEQUENT EVENT

Subsequent to December 31, 2023, the Company closed a private placement (the "Offering"), issuing a total of 33,333,333 units of the Company priced at $0.24 per unit for aggregate gross proceeds of $8,000,000. Each unit consisted of one common share and one share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional common share of the Company at a price of $0.30 for a period of five years. A.G.P. Canada Investments ULC ("AGP") acted as sole agent and bookrunner under the Offering. In connection with the Offering, the Company paid AGP a cash commission of $529,396 and issued 2,151,166 compensation warrants (each, a "Broker Warrant"). Each Broker Warrant entitles AGP to purchase a common share of the Company at a price of $0.30 for a period of five years. The Company reimbursed AGP $54,054 for legal and other related expenses incurred.