



# **CLOUD NINE WEB3 TECHNOLOGIES**

**CLOUD NINE WEB3 TECHNOLOGIES INC.**

**ANNUAL INFORMATION FORM**

**FOR THE FINANCIAL YEAR ENDED SEPTEMBER 30, 2022**

**January 17, 2023**

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## GLOSSARY OF DEFINED TERMS

In this Annual Information Form, the following capitalized words and terms shall have the following meanings:

<b>\$</b>	Canadian dollars.
<b>AIF</b>	The Annual Information Form of the Company for the financial year ended September 30, 2022.
<b>BCBCA</b>	Business Corporations Act (British Columbia).
<b>BHR</b>	BHR Capital Corp., a British Columbia company incorporated under the BCBCA on December 3, 2014 under incorporation number BC1020797, and a wholly owned subsidiary of the Company.
<b>Board or Board of Directors</b>	Board of directors of the Company as constituted from time to time.
<b>CEO</b>	Chief Executive Officer.
<b>CFO</b>	Chief Financial Officer.
<b>Cloud Nine or the Company</b>	Cloud Nine Web3 Technologies Inc.
<b>Cloud Nine Education Platform</b>	Cloud Nine ESL Program, which is a proprietary, digital based ESL curriculum developed by the Company.
<b>Common Shares</b>	Common shares in the capital of the Company.
<b>COVID-19 pandemic</b>	COVID-19 pandemic declared by the World Health Organization on March 11, 2020.
<b>CSE or Exchange</b>	Canadian Securities Exchange.
<b>English Canada</b>	English Canada World Organization Inc., a wholly owned subsidiary of BHR incorporated in the province of Nova Scotia on November 27, 2003, under the Business Corporations Act of Nova Scotia.
<b>ESL</b>	English as a second language.
<b>IELTS</b>	International English Language Testing System.
<b>NI 51-102</b>	National Instrument 51-102 – <i>Continuous Disclosure Obligations</i> .
<b>NI 52-110</b>	National Instrument 52-110 – <i>Audit Committees</i> .
<b>Share Consolidation</b>	Consolidation of Cloud Nine’s Common Shares on the basis of one (1) new Common Share for every five (5) old Common Shares effective March 21, 2019.
<b>VPN or Limitless VPN</b>	“Limitless” virtual private network - a proprietary product owned by the Company.

## ANNUAL INFORMATION FORM

The information in this AIF is dated as of January 17, 2023, unless otherwise indicated. For additional information and details, readers are referred to the audited consolidated financial statements for the financial year ended September 30, 2022, and notes that follow, as well as the accompanying management's discussion and analysis for the financial year ended September 30, 2022, which are available for review on the System for Electronic Documents Analysis and Retrieval ("**SEDAR**") at [www.sedar.com](http://www.sedar.com) under the Company's profile.

All financial information in this AIF for the year ended September 30, 2022, has been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### CURRENCY AND EXCHANGE RATES

Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to \$ are to Canadian dollars.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. For a complete list of the factors that could affect the Company, please make reference to those risk factors further detailed under the heading "*Risk Factors*". Readers are cautioned that such risk factors, uncertainties and other factors are not exhaustive. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this AIF.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this AIF speak only as of the date of this AIF or as of the date specified in such statement. Specifically, forward-looking statements in this AIF include, but are not limited to, statements with respect to:

- timelines;
- the Company's anticipated cash needs and its needs for additional financing;
- the Company's anticipated use of proceeds and business strategy;
- the Company's ability to protect, maintain and enforce its intellectual property;
- the Company's future growth plans, including growth of its userbase;
- the Company's expectations with respect to advancement of its business, operations, products, and services, including its monetization strategies;
- the Company's ability to attract new customers and develop and maintain existing customers;
- the Company's competitive position;
- the COVID-19 pandemic and other global health pandemics and events that could substantially affect the Company's business; and
- anticipated trends and challenges in the Company's business.

The actual results, performance or achievements of the Company could differ materially from those anticipated in the Forward-Looking Statements as a result of the risk factors set forth below and under the heading "Risk Factors", including, but not limited to, risks related to: (i) the Company's ability to generate sufficient cash flow from operations and obtain financing, if needed, on acceptable terms or at all; (ii) general economic, financial market and regulatory conditions in which the Company operates; (iii) advancement of technology to support the Company's operations; (iv) customer interest in the Company's products; (v) competition; (vi) anticipated and unanticipated costs; (vii) government regulation of the Company's products and operations, including privacy, cryptocurrency and cybersecurity laws and regulations; (viii) the timely receipt of any required regulatory approvals; (ix) the Company's ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; (x) the Company's ability to conduct operations in a safe, efficient and effective manner; and (xi) the Company's plans and timeframe for completion of such plans.

Readers are cautioned that these factors are difficult to predict and that the assumptions used in developing the Forward-Looking Statements may prove to be incorrect. Readers are also cautioned that the list of risk factors contained in this AIF is not exhaustive. Accordingly, readers are cautioned that the Company's actual results may vary from the Forward-Looking Statements, and the variations may be material.

Although the Company believes that the expectations reflected in the Forward-Looking Statements are reasonable, it can give no assurance that such expectations will prove to be correct, and the Forward-Looking Statements are expressly qualified in their entirety by this cautionary statement. The purpose of the Forward-Looking Statements is to provide the reader with a description of management's expectations, and the Forward-Looking Statements may not be appropriate for any other purpose. The reader should not place undue reliance on the Forward-Looking Statements. The Forward-Looking Statements are made as at the date hereof and the Company undertakes no obligation to update or revise any of the Forward-Looking Statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

## CORPORATE STRUCTURE

### Name, Address and Incorporation

Cloud Nine was incorporated under the BCBCA on April 14, 2015 under the name “Anterior Education Holdings Ltd.”. On March 30, 2016, the Company changed its name to “Cloud Nine Education Group Ltd.”; on February 18, 2021, the Company changed its name to “Limitless Blockchain Technologies Inc.”; and on February 26, 2021, the Company changed its name to “Cloud Nine Web3 Technologies Inc.”.

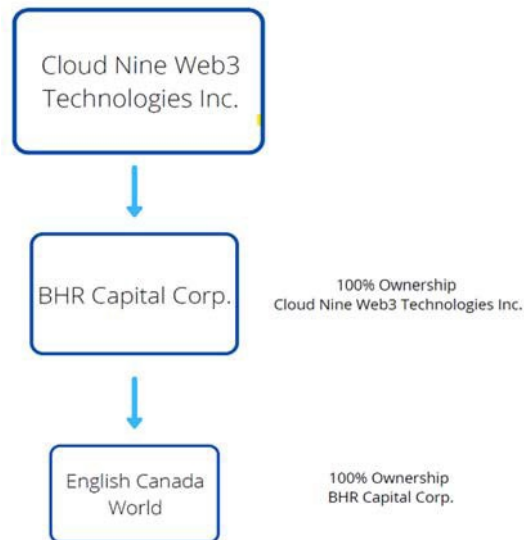
The registered office of the Company is located at 800 - 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1 and the head office is located at 610 - 700 West Pender Street, Vancouver, British Columbia, V6C 1G8.

The Company’s Common Shares are listed on the CSE under the symbol “CNI”, on the OTC Markets under the symbol “CLGUF” and on the Frankfurt Stock Exchange under the symbol “1JI0”. Cloud Nine is a reporting issuer in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

### Intercorporate Relationships

As of the date of this AIF, the Company has the following subsidiaries:

- BHR Capital Corp., a wholly owned subsidiary of Cloud Nine incorporated in the Province of British Columbia under the BCBCA on December 3, 2014, under incorporation number BC1020797; and
- English Canada World Organization Inc., a wholly owned subsidiary of BHR Capital Corp. incorporated in the Province of Nova Scotia on November 27, 2003, under the Business Corporations Act of Nova Scotia.



## GENERAL DEVELOPMENT OF THE BUSINESS

### General

Cloud Nine was incorporated in the Province of British Columbia on April 14, 2015, under the BCBCA. The primary office of Cloud Nine is located at 610 – 700 West Pender Street, Vancouver, British Columbia V6C 1G8.

Effective June 10, 2015, the Company completed a plan of arrangement with BHR Capital Corp. (“BHR”) and Cervantes Capital Corp., whereby the Company became a reporting issuer. Following the closing of the plan of arrangement, the Company’s principal business was the development, marketing and sale of its proprietary, cloud-based digital English as a Second Language (ESL) curriculum, designed to be used by teachers to teach beginners to advanced English to students aged 15 years and older. The digital curriculum was able to be used by universities, schools, and English learning centers to replace or augment textbook learning systems. The Company has written down such legacy assets and is looking at strategic alternatives to divest them.

During COVID-19 pandemic, the Company’s focus shifted from product development through external consultants and the acquisition of assets to complement its existing platform, to capital preservation and the restructuring of its business operations. The Company’s management team had to temporarily suspend discussions related to the vending in of new technologies to support the Cloud Nine Education Platform due in part to travel restrictions resulting from the COVID-19 pandemic.

On February 26, 2021, the Company changed its name to “Cloud Nine Web3 Technologies Inc.”. Along with the name change, the Company adopted a new brand and launched its new website, cloud9web3.com. There was no change to Cloud Nine’s capitalization structure and trading symbol as a result of the name change.

Pursuant to the Asset Purchase Agreement dated March 15, 2021, the Company completed the acquisition of certain development stage intellectual property assets which were branded as the “Limitless VPN”. Following the acquisition, the Company engaged in the development of the assets to create a marketable product for use by the public.

On September 23, 2021, the Company released the initial version of its Limitless VPN product to the public and commenced marketing the product to increase its userbase. During the end of 2021, the Company also offered free and reduced EdTech content and an Email Education Course Platform through its website to drive its user base and promote its Limitless VPN product. In the Spring of 2022, the Company ceased marketing its EdTech content and the Email Education Course Platform, instead focusing on the marketing of its Limitless VPN product.

### Three Year History

The development of the Company’s business over the three most recently completed financial years and for the period since September 30, 2022, is described below. For more information, please refer to the publicly available information under the Company’s SEDAR profile.

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**Year****Key Developments**

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**2022**

On November 8, 2021 the Company announced that it is offering free and reduced cost EdTech content and an Email Education Course Platform through its website available at [www.cloud9web3.com](http://www.cloud9web3.com) to drive its user base and promote its Limitless VPN product.

On November 8, 2021 the Company signed a virtual office services agreement with TerraZero Technologies Inc. (“TerraZero”), to provide Cloud Nine with direct access within Decentraland, a decentralized Metaverse world.

On January 14, 2022, the Company amended the exercise price of 558,078 warrants which expire on May 12, 2022, from \$1.75 per share to \$0.40 per share. In addition, the Company extended the exercise period of an aggregate of 4,723,654 warrants exercisable at \$0.75 per share by approximately six months, from February 2022 to August 31, 2022. These warrants were issued pursuant to a non-brokered private placement which closed in two tranches in February 2021.

On January 20, 2022, the Company signed a service agreement with Argent Crypto Inc. whereby Argent will utilize Cloud Nine’s proprietary technology to access the unused computer processing power of the Company’s userbase to mine digital assets, collect digital assets from such activity and convert such assets into fiat currency on behalf of the Company. Argent is a blockchain and cryptocurrency based Money Services Business (MSB) which aims to promote the adoption of blockchain technology.

On February 7, 2022, the Company announced that its audited consolidated financial statements for the year ended September 30, 2021 included amended and restated comparative figures for the years ended September 30, 2020 and 2019 in connection with a change in accounting policy and correction of certain material classification errors.

On February 14, 2022, the Company announced that it has decided not to proceed with the Preliminary Base Shelf Prospectus dated August 9, 2021, which was filed with the British Columbia Securities Commission. The Prospectus lapsed on February 4, 2022.

Effective February 14, 2022, Lucas Russell was appointed President and CEO of the Company. Mr. Russell is CEO of Valdor Technology International Inc., a Layer 2 crypto technology company. Mr. Russell replaced Allan Larmour who resigned as CEO of the Company and Sefton Fincham who resigned as President of the Company. Mr. Larmour remains a director of Cloud Nine. Peter Lee also resigned as a director of the Company effective February 14, 2022.

On March 1, 2022, the Company has deployed advertising billboards in the Decentraland Metaverse, promoting Cloud Nine’s Limitless VPN. Cloud Nine was able to work with TerraZero and use their virtual land holdings and their portfolio of land-holding partners, to select billboard locations, ideate content for the creative and



deploy the billboards all in one go, including interactive functionality that gives viewers truly unique impressions.

Effective March 10, 2022, the Company appointed James Floreani and Daryn Fahlman to the advisory board.

The Company announced its uplisting from the OTC Pink Open market to the OTCQB® Venture Market and began trading under the existing symbol “CLGUF” on March 15, 2022.

On April 26, 2022, the Company announced that it extended the expiry date of 558,078 warrants exercisable at \$0.40 per share from May 12, 2022 to May 31, 2023, subject to accelerated expiry in the event that the Company’s common shares trade above \$0.50 per share.

On June 27, 2022, the Company announced that it extended the expiry date of an aggregate of 4,723,654 transferable share purchase warrants from August 31, 2022 to December 31, 2023, and reduced the exercise price of the warrants from \$0.75 per share to \$0.40 per share. The amended warrants are subject to accelerated expiry provision in the event the shares of the Company trade above \$0.50 per share. The warrants were issued pursuant to a non-brokered private placement which closed in two tranches in February 2021.

Effective July 20, 2022, Anthony Zelen was appointed to the Board of Directors. Mr. Zelen was a co-founder of BIGG Digital Assets Inc.

Effective August 29, 2022, John Bean was appointed to the Board of Directors and Kulwant Sandher as a director effective August 23, 2022.

## **2021**

On January 18, 2021, the Company closed a non-brokered private placement of a one year convertible debentures in the principal amount of \$1,199,600 (the “Debentures”). The Debentures bear interest at a rate of 5% per annum, payable on maturity, and are secured by a general security agreement covering all the assets of the Company. The Debentures are convertible into units of the Company at a price of \$0.06 per unit, where each unit is comprised of one Common Share and one transferable Common Share purchase warrant of the Company. Each warrant is exercisable into one additional Common Share at a price of \$0.07 per Common Share for a period of two years from the date of conversion. During fiscal 2021, 15,993,333 common shares and 15,993,333 warrants were issued on partial conversion of \$959,600 principal amount of Debentures.

On February 2, 2021, the Company closed the first tranche of a non-brokered private placement consisting of 6,235,666 units at a price of \$0.30 per unit for gross proceeds of \$1,870,700. Each unit is comprised of one Common Share and one-half of one transferable Common Share purchase warrant of the Company. Each whole warrant is exercisable into one Common Share at a price of \$0.75 per Common Share for a period of one year from the date of issuance. On February 5, 2021, the Company

closed the second tranche of the non-brokered private placement consisting of 3,211,641 units for gross proceeds of \$963,492.

On February 9, 2021, Kant Trivedi was appointed as an independent director of the Company.

Effective February 15, 2021, Nilda Rivera was appointed as the Company's CFO and Corporate Secretary. Ms. Rivera replaced Kulwant Sandher as CFO, who remains a director of the Company.

On February 15, 2021, the Company entered into a letter of intent with Victory Square Technologies Inc. ("Victory Square") to acquire certain intellectual property assets ("IP Assets").

The Company completed a debt settlement pursuant to a debt assignment and settlement agreement dated February 17, 2021, related to unsecured convertible debentures in the aggregate principal amount plus interest of \$321,950, of which, \$21,950 was assigned to a related party. The debentures, which were originally issued on July 10, 2017 in the principal amount of \$274,000, matured on February 28, 2019, bore interest at 12% per annum and were convertible into Common Shares at a price of \$0.70 per Common Share. Pursuant to the debt assignment and settlement agreement and as approved by the CSE, the conversion price of the debentures was reduced from \$0.70 to \$0.10 per Common Share. On February 19, 2021, the \$321,950 debentures were converted into 3,219,500 Common Shares.

On February 26, 2021, the Company changed its name to "Cloud Nine Web3 Technologies Inc.". Along with the name change, the Company adopted a new logo and launched its new website, cloud9web3.com. The Company's new CUSIP and ISIN numbers are 18913C101 and CA18913C1014, respectively. There was no change to Cloud Nine's capitalization structure and trading symbol as a result of the name change.

On March 1, 2021, Cloud Nine entered into an agreement with ARI LLC, an independent systems and programming firm, to enhance and develop Cloud Nine's educational technology platform. This includes content design, data centre hosting, software development and security auditing.

On March 3, 2021, Cloud Nine retained Bluzelle Networks Pte Ltd. ("Bluzelle") for specialized Web3 development services to oversee the expanded Cloud Nine development team to focus on the creation of global assessment platform to provide services for storing and managing degree information, capacity-currency transformation bank and file storage.

On March 3, 2021, the Company engaged Fortyfive Media Inc. to provide marketing and publication services to assist in creating and increasing public awareness of Cloud Nine's activities, strategic plans and investment opportunities.

On March 8, 2021, the Company appointed Pavel Bains as a strategic advisor. Mr. Bains is a Blockchain expert and CEO and co-founder of Bluzelle.

Pursuant to an asset purchase agreement dated March 15, 2021, the Company completed the acquisition of the IP Assets from Victory Square. In consideration for the acquisition of the IP Assets, the Company issued 4,411,765 Common Shares and paid a finder's fee of \$300,000 in connection with the acquisition. The IP Assets included the Limitless VPN and related decentralized storage technologies.

On March 24, 2021, the Company appointed Shafin Diamond Tejani as a strategic advisor. Mr. Tejani is the CEO and founder of Victory Square. Mr. Tejani assists Cloud Nine with product development, marketing, and expanding on partnerships in the emerging technology space.

On March 30, 2021, the Company appointed Hussein Hallak as a strategic advisor. Mr. Hallak is the CEO and founder of Unleashed Ventures Inc., a venture capital and private equity firm in Vancouver, British Columbia. Mr. Hallak assists with the advancement of the Company's product portfolio.

Effective April 1, 2021, Sefton Fincham was appointed President of the Company. Mr. Fincham replaced Allan Larmour who remains CEO and a director of the Company.

On April 1, 2021, the Company commenced trading on the Frankfurt Stock Exchange under the ticker symbol "1JI0", and that it had been assigned an International Securities Identification Number (ISIN: CA18913C1014) and a German Securities Identification Number (WKN: A2QQ2V).

On May 12, 2021, the Company closed the first tranche of a non-brokered private placement consisting of 933,655 units at a price of \$1.37 per unit for gross proceeds of \$1,278,857. Each unit consisted of one Common Share and one-half of one transferable Common Share purchase warrant of the Company. Each whole warrant is exercisable into one Common Share at a price of \$1.75 per Common Share for a period of 12 months from the date of issuance, subject to accelerated expiry if the Common Shares have a closing price on the CSE of greater than \$2.50 for ten consecutive trading days. On May 14, 2021, the Company closed the second tranche of the non-brokered private placement consisting of 182,500 units for gross proceeds of \$250,025.

On June 16, 2021, the Company appointed Dan Reitzik as special advisor to the Board of Directors. Mr. Reitzik has co-founded and managed both private and publicly listed technology companies for over 20 years. Mr. Reitzik works closely with the Company's senior management team to identify additional product areas, open up new lines of business, commercialize the Company's latest technology products and build significant strategic distribution relationships.

On June 28, 2021, the Company entered into the following agreements with Next Decentrum, each dated June 25, 2021: (i) a strategic alliance agreement, pursuant to

which Next Decentrum is to provide development services to Cloud Nine; (ii) a share purchase agreement (“SPA”), to facilitate Cloud Nine’s strategic investment in Next Decentrum; and (iii) an investor rights agreement, which grants Cloud Nine a right of first refusal to acquire Next Decentrum in the event of a potential change in control sale. In accordance with the terms and conditions of the SPA, Cloud Nine provided a total cash payment of \$500,000 in eight tranches over a period of six months, in exchange for the issuance of an aggregate of 2,673,792 units of Next Decentrum, at a price of \$0.187 per unit. Each unit is comprised of: (i) one common share of Next Decentrum, and (ii) one non-transferable common share purchase warrant, with each warrant entitling Cloud Nine to acquire one additional common share of Next Decentrum at a price of \$0.2805 per share for a period of 24 months from the date of issuance. Cloud Nine completed its investment in full on December 31, 2021 and currently holds a 16% ownership interest in Next Decentrum. The Company has the right to increase its ownership in Next Decentrum to up to 27.6% by providing an additional investment of up to \$750,000 in connection with the exercise of all 2,673,792 warrants granted under the SPA.

Effective August 6, 2021, Mr. Dalton Larson resigned as a Director of the Company.

On August 10, 2021, the Company filed a preliminary short form base shelf prospectus (the “Base Shelf Prospectus”) with the securities regulatory authorities in each of the provinces and territories of Canada, other than Quebec. The Base Shelf Prospectus, when made final or effective, will allow the Company to make offerings of common shares, warrants, subscription receipts, units, debt securities, share purchase contracts, or any combination thereof, from time to time, during the 25-month period that the Base Shelf Prospectus remains effective. The specific terms of any future offering of securities, including the use of proceeds, will be established in a prospectus supplement to the Base Shelf Prospectus which will be filed with the applicable Canadian securities regulatory authorities. There is no certainty that any securities will be offered or sold under the Base Shelf Prospectus within the 25 month period that it becomes effective.

Effective September 14, 2021, the shareholders of the Company approved the Company’s new long-term Omnibus Equity Incentive Plan (the “Equity Incentive Plan”). The Equity Incentive Plan was adopted by the Board of Directors of the Company on July 15, 2021, which provides that the Board may from time to time, at its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Company, equity-based incentive awards in the form of stock options (“Options”), restricted share units (“RSUs”), performance share units (“PSUs”) and deferred share units (“DSUs”). The 2021 Plan is a rolling plan which provides that the aggregate maximum number of common shares that may be issued upon the exercise or settlement of awards granted under the 2021 Plan shall not exceed 10% of the Company’s issued and outstanding common shares from time to time.

On September 23, 2021 the Company announced the initial release of its Limitless VPN.

**2020**

On November 13, 2019, the Company added Dr. Elsa Perez, PhD in applied linguistics, as corporate director of business development in the greater Latin American and Mexican territories.

On April 23, 2020, the Company secured a loan in the aggregate amount of \$60,000 from the Government of Canada under the Canada Emergency Business Account COVID-19 relief loan. The loan carries no interest and matures on December 31, 2022. If the Company repays \$40,000 of the loan on or before December 31, 2022, the remaining amount of \$20,000 will be forgiven. If the loan is not repaid in full by December 31, 2022, it may be extended to December 31, 2025, at a rate of 5% per annum.

During COVID-19 pandemic, the Company's focus shifted from product development through external consultants and the acquisition of assets to complement its existing platform, to capital preservation and the restructuring of its business operations. The Company's management team had to temporarily suspend discussions related to the vending in of new technologies to support the Cloud Nine Education Platform due in part to travel restrictions resulting from the COVID-19 pandemic.

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## **Significant Acquisitions**

During the financial year ended September 30, 2022, the Company did not complete any significant acquisitions for which disclosure is required under Part 8 of NI 51-102.

## **DESCRIPTION OF THE BUSINESS**

### **Overview**

The Company is a technology enabled cryptocurrency mining issuer focused on developing and offering peer-to-peer or decentralized infrastructure products. The Company's current sole product is the Limitless VPN which is currently functional and offered to the public.

The Company has not commenced cryptocurrency mining operations but intends to do so shortly. The Company is in the pre-revenue phase as business efforts to date have focused on growing the Company's userbase to generate a sufficient Hash Rate for cryptocurrency mining operations. The Company is not acting as an exchange, not offering coins or tokens, nor is it acting as a platform that facilitates the trading of crypto assets that are securities or instruments or contracts involving crypto assets. As of the date hereof, the Company had 31,159 active registered users of the Company's Limitless VPN. The Company considers active registered users as those persons who provide the Company with full time access to their hardware at a sufficient Hash Rate to generate operations. Those users who do not provide full time access or who have outdated or legacy hardware are not considered active registered users by the Company.

The Company currently offers its product without charge. Instead, users who wish to use its Limitless VPN product are required to agree to the Company's terms of use and privacy policies as described below under the headings "Privacy Policy", "Terms of Use Generally" and "Terms of Use – Limitless VPN". The Company intends to monetize its Limitless VPN product by accessing and utilizing the Hash Rate of the Company's

userbase for cryptocurrency mining through a third party or directly with its existing technology. Future monetization through cryptocurrency mining may occur directly or through third parties.

The decentralized web is a concept that proposes the reorganization of the internet in order to remove centralized data hosting services by instead using peer-to-peer infrastructure. Currently, a relatively small number of corporations control a disproportionate amount of online functioning, including control over personal data and activities. In a decentralized ecosystem, proponents believe that content creators and users will have more power, control and revenue channels. While the concept of the decentralized web is in its infancy, proponents like the Company are pursuing their business models by offering peer-to-peer products and promoting educational content that promote the growth of the concept.

## **Products**

The Limitless VPN is a proprietary product owned by the Company and offered to users which relates to the usage of network infrastructure to perform distributed computational processing and to provide the user secure and encrypted connection to the internet. The initial version of the Limitless VPN ([www.limitlessvpn.com](http://www.limitlessvpn.com)) was released and available to the public on September 23, 2021.

The Limitless VPN consists of a novel process for utilizing the Hash Rate that computers and mobile devices have to perform distributed computational processing within a network infrastructure while providing secure and encrypted access to the internet. When a user connects to a network infrastructure, which can be implemented either in hardware or software form, a process is used to evaluate the user's unused computational power. One potential embodiment of a hardware - implemented network infrastructure is a connection to a carrier or internet service provider's physical network.

The Company's software intelligently monitors user's computers to check on resource availability and ensure the Company's program never interferes with the main user's day to day activities. As a privacy first company, the Company currently manually checks and validates all sign ups, and is developing a secure algorithm to automate and accelerate the process.

The Company continues to test its crypto-mining capabilities with a small group of users (less than 1,000) to ensure proper testing. The Company has not commenced cryptocurrency mining operations but intends to do so shortly. This user group is to ensure operational stability and troubleshoot tech support issues with our third party monetization relationship with Argent Crypto, an arm's length party.

As the Company expands, it intends to add additional personnel. However, the Company has determined it does not need to do so at this time. Users are not rewarded in crypto, but the Company plans to develop a loyalty and rewards program for power to users that provide above average hash rate.

### *Limitless VPN - Background*

Networks enable the average person to connect to the internet by routing the computer's connection through to network infrastructures located nearby. Historically, there has been little to no encryption and security measures in place to protect the data that is being transferred back and forth between the user's computer to the end server. This means that the connection is easily intercepted. With the evolution of internet tracking tools, random packets of user data now turn into identifiable packets of user data, tracking search history, browsing history, shopping history, communication history and any sort of data consumption. The use of identifiable user data allows big data companies, internet service providers and

advertising and marketing agencies to sell and exchange a user's data in order to profit from the information.

Network infrastructures exist to protect user privacy by encrypting packets of data being transferred from the user's connection to the internet. Network infrastructures have both hardware and software implementation as users can own private physical hardware servers or use software implemented network to re-route their connection through an encrypted connection tunnel.

However, the process of setting up and running a personal network infrastructure can be technically challenging and expensive for the average user who simply does not have technical capabilities or resources to implement the solution.

In the recent years, new network infrastructures have been introduced in the market to allow users to plug in a new hardware server and install hardware-specific software to activate or even simply install end user software to connect through a software implemented network with a click of a button through a software graphical user interface.

These new services and products allow users to safely connect through to the internet at a monetary cost. Others may allow for the user to use a service for free, but at the cost of losing true end to end encryption and privacy. Many of these service providers sell the data of the end user to the highest bidder or sell the bandwidth of those connected to the software implemented network or worse, allow other users of the software implemented network to share the user's internet protocol which is your identifiable digital footprint in the network. This can mean that others can conduct activities on the internet that may be traced back to the incorrect, unsuspecting user.

All electronic devices have both a Central Processing Unit (CPU) and a Graphics Processing Unit (GPU). These two devices are central to a computer to be able to carry out the instructions of a computer program and rapidly manipulate and alter memory to create images in a frame buffer to output to a display device, respectively. As computers and mobile devices become more exponentially powerful with increased computational power, the processing power required to perform normal daily tasks have a relatively small increase in contrast to the performance increase. Thus, most end consumers do not require a majority of their processing power at any given time, leaving a large potential of underutilized pool of processing power.

Computational processing has generally been done on singular devices, servers, or enclosed networks. Distributed computational processing is the process of utilizing the computing power throughout the network infrastructure and spreading the workload through the network infrastructure, much like taking an entire puzzle and giving hundreds or thousands of computers small quadrants of the puzzle to solve. By breaking up a large problem to solve into many different quadrants, the puzzle gets solved quicker as the number of computers within the network infrastructure increases the number of solutions being attempted per second.

Cryptocurrencies are digital decentralized currency that uses cryptography as a means to create, transact and verify utilization. Each cryptocurrency has a unique method that defines each unique currency. However, a general common theme requires that the network maintain a public ledger in which new transactions are checked and verified by other members of the network via cryptography. This process is often referred to as mining due to the association of a reward in the form of newly minted cryptocurrency when a mining operation is complete, or solved. Verified transactions and newly created cryptocurrency are documented in the public ledger of each cryptocurrency. Public ledgers serve as an official record of all transaction that happened since the inception of the currency.

Cryptocurrency mining is an embodiment of the distributed computational processing. Cryptocurrency mining generally requires the utilization of physical computational hardware which is often both the CPUs and GPUs. Borrowing from the analogy of the puzzle above, these hardware components are tasked with attempting to fit every single puzzle piece to a single position and does not stop until a puzzle piece fits in that position. Then the computer moves on to the next puzzle position and tries to fit every single puzzle piece into that position, and so on and so forth until the completion of the entire puzzle. A reward is not awarded until the puzzle is complete.

Generally speaking, the average individual computer would take months, if not years, to solve a billion-piece puzzle. However, if multiple computers in a network infrastructure contributed their respective computing power, the puzzle gets solved quicker, and the user receives compensation for their contribution.

Monetization for data storage will be determined on a fee basis calculated whereby the user pays per GB of storage being used/requested. Fees may be offset, and discounts maybe applied for sharing space on a user's own computer in exchange for using decentralized storage space across the network. This model provides value because the service provides a means of offsetting offsite backup and redundancy costs against local hard drive space that a user likely already has but is not using. Regardless of whether a user shares a portion of their hard drive with the network or simply subscribes to offsite storage, a fee will be applied to account for the expense of managing the network and maintaining storage reliability.

#### *Limitless VPN Security*

The Limitless VPN currently uses military grade Advanced Encryption Standard (AES) 256-bit encryption protocols and primitives to ensure secure transmission of information across the network. The Company utilizes several protocols within its framework to facilitate secure transmission. Anything stored via decentralized storage among users of the Limitless VPN is secure as it is data is broken down into 'parcels' and stored in multiple locations across the network. Nothing being stored on the user's device can be accessed, as only a fraction of each file is stored on each system. Unpackaging and repackaging is handled via a modified CD erasure coding protocol. Furthermore, personal information and other information of the owner of the computer remains completely isolated from VPN access in the same way that occurs when one connects to the internet using industry standard practices of an internet service provider (in this case, as well, the user's system files remain private). The Limitless VPN adds layers of security and protection against outside data breach attacks for systems who are not otherwise running additional protection software.

#### *Custody and Third Party Platforms*

The Company has not commenced cryptocurrency mining operations but intends to do so shortly. Cloud Nine has entered into the Argent Services Agreement with Argent Crypto, an arm's length third party, to provide third-party custody of crypto assets. Argent Crypto is a financial and blockchain services advising firm based in Victoria, British Columbia. Argent Crypto temporarily holds crypto assets in an exchange wallet hosted by Payward Inc., an arm's length financial services company doing business as Kraken Digital Asset Exchange ("**Kraken**"). Kraken has a corporate address located in San Francisco, CA, United States, with a Canadian subsidiary located in Halifax, Nova Scotia.

Argent Crypto can operate as both a payment processor and temporary holder of crypto assets for Cloud Nine in exchange for access to the Hash Rate of the users of Cloud Nine's proprietary Limitless VPN to mine crypto assets. When mining operations are initiated by the Company, any crypto assets collected by Argent Crypto through mining activities will be temporarily held in a Kraken exchange wallet before being converted



to fiat currency on the first of every month. The fiat currency would then be split between Cloud Nine and Argent Crypto at a ratio of 93:7 in favour of Cloud Nine. The result is that Argent Crypto will perform all mining, holding, and conversion activities associated with any crypto assets before transferring profits in the form of fiat currency to Cloud Nine. Cloud Nine does not currently mine or hold any crypto assets. The Company has no independent agreement or contract with Kraken, and all services provided by Kraken are facilitated and authorized through Argent Crypto's contractual arrangement with Kraken.

Kraken provides exchange wallet services to Argent Crypto for the period of time between collection of crypto assets and conversion to fiat currency. Argent Crypto uses the Kraken exchange wallet solely for the purpose of temporarily holding crypto assets collected from mining activities and does not use the platform to trade, invest, or purchase crypto assets.

Argent Crypto is not a Canadian financial institution as defined in NI 45-106. Argent Crypto is a non-reporting money services business incorporated under the laws of the Province of British Columbia. There is no provincial regulatory framework for money services businesses in British Columbia, although such businesses are required to register with FINTRAC. Argent Crypto is registered with FINTRAC.

Kraken is not a Canadian financial institution as defined in NI 45-106. Kraken is a U.S.-based crypto firm, placing it within the regulatory framework of the *Bank Secrecy Act*, 31 U.S.C. 5311. Kraken also recently received a Special Purpose Depository Institution ("SPDI") Bank Charter from the State of Wyoming, which allows Kraken to house digital currencies alongside fiat currencies under an independent affiliate called "Kraken Bank".<sup>1</sup> Assets held with Kraken Bank will be subject to Wyoming's forward-facing regulatory framework and oversight from the Wyoming Division of Banking.<sup>2</sup>

When operations are initiated by the Company, the amount of crypto assets held by Argent Crypto via Kraken at each reporting period end date will depend on the amount of crypto assets mined by Argent Crypto in the calendar month immediately preceding the respective reporting period end date. In any instance, any crypto assets held by Argent Crypto at the reporting period end date are converted to fiat currency on the first day of the month immediately following the reporting period end date. For example, for the three-month interim reporting period ending on December 31, Argent Crypto will hold, on the reporting period end date, any crypto assets mined using Cloud Nine's Hash Rate from December 1 to December 31. Argent Crypto will then convert all such crypto assets to fiat currency on January 1 and transfer 93% of said fiat currency to Cloud Nine. Any crypto assets collected and held by Argent Crypto during that three-month reporting period are converted to fiat currency and proceeds paid to Cloud Nine prior to the end of the reporting period.

Crypto assets held by Argent Crypto via Kraken are not insured.

#### *Third-Party Custody via Crypto Asset Trading Platform*

Cloud Nine may elect to terminate its service agreement with Argent Crypto, and by extension Kraken, and to assume part of the operations previously performed by Argent Crypto. Under such circumstances, and instead of allowing Argent Crypto access to Cloud Nine's Hash Rate to perform crypto mining activities, Cloud Nine will provide its Hash Rate directly to hash rate broker NICEHASH Ltd. ("**NiceHash**"), an arm's length party, which will in turn rent the Hash Rate to other buyers on the platform to mine crypto assets. Cloud

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<sup>1</sup> "SPDI: Special Purpose Depository Institution Bank Charter", <https://www.kraken.com/en-us/learn/finance/spdi-bank-charter>.

<sup>2</sup> "Frequently asked questions", <https://www.kraken.com/bank>.

Nine will then collect a portion of the rental fee charged by NiceHash, in the form of crypto assets, for use of the Hash Rate. The Company can commence a contractual relationship with NiceHash by agreeing to NiceHash's standard corporate service terms available through its website.

Any crypto assets earned from renting out the Hash Rate will be transferred from a NiceHash wallet (the "**NiceHash Wallet**") to an exchange wallet hosted by Canadian crypto asset trading platform Newton Crypto Ltd. ("**Newton**", or the "**Newton Wallet**") every four hours. The transfer between the NiceHash Wallet and the Newton Wallet will be performed automatically by the NiceHash platform using NiceHash's "pay-per-share" system.<sup>3</sup> NiceHash and Newton are arm's length to the Company. Cloud Nine will then convert any crypto assets held in the Newton Wallet to fiat currency manually at pre-determined intervals to minimize the risk of loss and/or theft of such assets. The intervals will mirror those currently employed by Argent Crypto, such that all crypto assets accumulated in an exchange wallet over the course of a calendar month will be converted to fiat currency on the first day of the following month. The Company's relationship with Newton will be governed by Newton's standard terms of use available on Newton's website.

Newton is a non-reporting crypto asset trading platform with a registered office at Toronto, Ontario, and is extra-provincially registered in British Columbia. NiceHash is a hash rate broker and marketplace headquartered in the British Virgin Islands with an address located at Road Town, Tortola, VG1110.

Newton uses the following sub-custodians upon the deposit, purchase, or withdrawal of crypto assets from the Newton platform:

- Paradiso Ventures Inc., operating as Balance ("**Balance**"), is an arm's length digital asset custody service with a registered office address located at Toronto, Ontario. Balance is registered with FINTRAC as a money services business dealing in virtual currencies.
- Etana Trust Company, doing business as Etana Custody ("**Etana Custody**"), is an arm's length fiat and digital asset custody service with an address located at Denver, Colorado, United States. Etana Custody is a chartered trust company regulated by the Colorado Division of Banking.
- Coinbase Custody Trust Company LLC ("**Coinbase Custody**") is an arm's length digital asset custody service with an address located at New York, New York, United States. Coinbase Custody is licensed as a limited purpose trust company with the New York Department of Financial Services. Approximately 80% of Newton's total client assets are held in cold storage by Coinbase Custody.<sup>4</sup>
- Fireblocks Ltd. ("**Fireblocks**") is an arm's length digital asset wallet provider incorporated in Delaware and headquartered in New York. They use enterprise-grade multi-layer security and insure assets in storage, transfer, and E&O. Fireblocks is also SOC 2 Type 2 certified and completes regular pen testing from ComSec and NCC Group, and is certified by the ISO in security (ISO 27001), cloud (ISO 27017) and privacy (ISO 27018).<sup>5</sup> In 2021, Fireblocks introduced its global Regulatory Compliance Team to demonstrate their commitment to regulatory compliance and educate banks and financial institutions on digital assets.<sup>6</sup> Fireblocks also works with blockchain organizations to improve regulatory clarity across the globe, including the Association for Digital Asset Markets and

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<sup>3</sup> NiceHash, "What is the PPS reward system?", <https://www.nicehash.com/support/mining-help/earnings-and-payments/what-is-the-pps-reward-system>.

<sup>4</sup> Newton Relationship Disclosure, "Custodial Arrangements", <https://www.newton.co/relationship-disclosure>.

<sup>5</sup> Fireblocks Security, <https://www.fireblocks.com/platforms/security/>.

<sup>6</sup> Fireblocks Blog, <https://www.fireblocks.com/blog/building-out-our-regulatory-compliance-team/>.

Blockchain Association in the US, INATBA in the EU, and Crypto UK. The company's current Regulatory Advisor is former US SEC Chairman Jay Clayton.<sup>7</sup> Approximately 20% of Newton's total client assets are held online in hot wallets secured by Fireblocks.<sup>8</sup>

- Newton has licensed software from Digital Services Limited (trading as CoinCover) ("**CoinCover**"), an arm's length party to the Company, to provide additional security for keys to crypto assets held by Newton using Fireblocks, including key pair creation, device access recovery and account access recovery. CoinCover is based in the United Kingdom and is regulated by the U.K. Financial Conduct Authority.

The Company has no independent agreement or contract with the sub-custodians listed above, and all services provided by Newton that involve such sub-custodians are facilitated and authorized through Newton's contractual arrangement with each sub-custodian.

NiceHash uses the following sub-custodians to host and manage the NiceHash Wallet, including holding, storing and transferring funds:

- BitGo Holdings, Inc. ("**BitGo**") is an arm's length digital asset trust company that provides institutional digital asset custody services. BitGo is a Delaware corporation with headquarters at 2443 Ash Street, Palo Alto, California, 94306, United States. BitGo provides both hot wallet access and cold storage. For hot wallet access, BitGo uses "leading institutional grade, multi-signature wallets" which comply with SOC 2 Type 2 certification and are protected by third-party key recovery service insurance.<sup>9</sup> BitGo's cold storage is performed by BitGo Trust Company, which is a chartered trust company in South Dakota (and in New York for New York clients only). BitGo Trust Company is also a "qualified custodian", meaning it is a regulated entity that has a fiduciary duty to its clients and meets rigorous regulatory standards and audits that help protect client funds against loss, theft, or misuse.<sup>10</sup>
- Fireblocks is an arm's length digital asset wallet provider incorporated in Delaware and headquartered in New York. They use enterprise-grade multi-layer security and insure assets in storage, transfer, and E&O. Fireblocks is also SOC 2 Type 2 certified and completes regular pen testing from ComSec and NCC Group, and is certified by the ISO in security (ISO 27001), cloud (ISO 27017) and privacy (ISO 27018).<sup>11</sup> In 2021, Fireblocks introduced its global Regulatory Compliance Team to demonstrate their commitment to regulatory compliance and educate banks and financial institutions on digital assets.<sup>12</sup> Fireblocks also works with blockchain organizations to improve regulatory clarity across the globe, including the Association for Digital Asset Markets and Blockchain Association in the US, INATBA in the EU, and Crypto UK. The company's current Regulatory Advisor is former US SEC Chairman Jay Clayton.<sup>13</sup>

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<sup>7</sup> Fireblocks About, <https://www.fireblocks.com/about/>.

<sup>8</sup> Newton Risk Disclosure, Section 4(b), <https://www.newton.co/risk-disclosure>.

<sup>9</sup> BitGo Wallet Platform, <https://www.bitgo.com/services/custody/wallet-platform>.

<sup>10</sup> BitGo Blog, "Not All Custody Is Created Equal: A Guide to Choosing the Right Custodian", <https://blog.bitgo.com/not-all-custody-is-created-equal-a-guide-to-choosing-the-right-custodian-9823d48a26d8>.

<sup>11</sup> Fireblocks Security, *supra* note 9.

<sup>12</sup> Fireblocks Blog, *supra* note 10.

<sup>13</sup> Fireblocks About, *supra* note 11.

- NICEX Ltd. (“NiceX”) is an arm’s length cryptocurrency exchange created by NiceHash. NiceX has an address located at Road Town, Tortola, British Virgin Islands. NiceX secures wallets and private keys using AES-256 encryption and backs all crypto assets with full reserves.<sup>14</sup> Cloud Nine’s activities involving NiceX will be limited to dealing in virtual assets as a medium of exchange, and are therefore outside the regulatory remit of the BVI FSC and other pertinent securities regulation pursuant to the FSC Guidance.<sup>15</sup>

The Company has no independent agreement or contract with the sub-custodians listed above, and all services provided by NiceHash that involve such sub-custodians are facilitated and authorized through NiceHash’s contractual arrangement with each sub-custodian.

Newton provides an exchange wallet in which Cloud Nine will temporarily hold crypto assets received in exchange for renting out Cloud Nine’s Hash Rate on the NiceHash platform. Cloud Nine will convert any crypto assets held in the Newton Wallet to fiat currency on the first day of each calendar month.

NiceHash provides a marketplace in which users can buy and sell hash power necessary for crypto mining activities. Cloud Nine will offer its Hash Rate for rent on the NiceHash platform and receive compensation from NiceHash in the form of crypto assets paid by other NiceHash users for use of the Hash Rate. NiceHash also provides an online wallet to hold crypto assets prior to transfer and conversion to fiat currency in the Newton Wallet.

Neither Newton nor NiceHash is a Canadian financial institution as defined in NI 45-106. Newton does hold fiat cash currency on clients’ behalf in an account at a Canadian financial institution that is a qualified custodian for cash under applicable securities laws, separate and apart from Newton’s own assets.<sup>16</sup>

When mining operations are initiated by the Company, the amount of crypto assets held by Newton at each reporting period end date will depend on the amount of crypto assets received from NiceHash in the calendar month immediately preceding the respective reporting period end date. In any instance, any crypto assets held by Newton at the reporting period end date will be converted to fiat currency on the first day of the month immediately following the reporting period end date. For example, for the three-month interim reporting period ending on December 31, Newton will hold, on the reporting period end date, any crypto assets received from NiceHash from December 1 to December 31. Cloud Nine will then convert all such crypto assets to fiat currency on January 1 and transfer all proceeds to a banking account at a Canadian financial institution. Any crypto assets collected and held in the Newton Wallet in during that three-month reporting period are converted to fiat currency and transferred out of the Newton Wallet prior to the end of the reporting period.

There will be no crypto assets held by NiceHash at any reporting period end date. Any crypto assets earned from renting out the Hash Rate will be transferred from the NiceHash Wallet to the Newton Wallet every four hours. The transfer between the NiceHash Wallet and the Newton Wallet will be performed automatically by the NiceHash platform using NiceHash’s “pay-per-share” system.<sup>17</sup>

Newton, in its Terms of Use, makes no representations or warranties as to whether deposits are insured or whether each sub-custodian provides insurance or coverage limits. Newton has obtained a guarantee from

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<sup>14</sup> NiceX Security, <https://www.nicex.com/security>.

<sup>15</sup> Padarin, Michael and Daniel Moore, *supra* note 2.

<sup>16</sup> Newton Relationship Disclosure, *supra* note 8.

<sup>17</sup> NiceHash, *supra* note 7.

CoinCover for 100% of the client assets held with sub-custodian Fireblocks, excluding losses arising from the gross negligence, willful misconduct or fraud of an employee or representative of Newton. The guarantee covers the theft or loss of crypto assets and also includes a software technology solution which monitors and limits transactions and prevents funds from being maliciously taken from Fireblocks wallets. The total aggregated cover amount under the CoinCover guarantee is currently over US\$19.5 million and the coverage amount is reviewed periodically by Newton.<sup>18</sup> Additionally, sub-custodian Coinbase Custody maintains US\$320 million of insurance (pre-incident and overall) which covers losses of assets held by Coinbase Custody on behalf of its customers due to third party hacks, copying or theft of private keys, insider theft, or dishonest acts by the Coinbase Custody's employees or executives and loss of keys.<sup>19</sup> Newton expressly limits its liability in all other instances of theft and loss in its Terms of Use. Cloud Nine aims to mitigate this risk by converting crypto assets to fiat currency at regularly scheduled intervals, thus reducing the amount of crypto assets held in the Newton Wallet over time.

#### *Treatment of assets in the event of an insolvency or bankruptcy of a custodian*

The Company is not aware of any specific protocols relating to the treatment of assets in the event of an insolvency or bankruptcy of either Argent Crypto or Kraken. In the event of an insolvency or bankruptcy of Argent Crypto, the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, or *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, will apply as required. Kraken will be subject to the *United States Bankruptcy Code* (U.S.C. Title 11) and *Federal Rules of Bankruptcy Procedure*, subject to certain exemptions under the California Code of Civil Procedure § 703.

The Company is not aware of any specific protocols relating to the treatment of assets in the event of an insolvency or bankruptcy of either Newton or NiceHash. In the event of an insolvency or bankruptcy of Newton, the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, or *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, will apply as required. Insolvency or bankruptcy of NiceHash will be governed by the British Virgin Islands *Insolvency Act* 2003 and the British Virgin Islands *Insolvency Rules* 2005.

#### *Due diligence on the custodian*

With regards to NiceHash, the Company has reviewed the NiceHash website generally at <https://www.nicehash.com/> and <https://www.nicehash.com/about>, as well as the Terms of Use publicly available at <https://www.nicehash.com/terms>, the security features at <https://www.nicehash.com/security>. The Company can monitor the status of NiceHash at <https://status.nicehash.com/>, and has identified alternate services that may be used in the event the NiceHash service is disrupted or fails.

With regards to Kraken, the Company has reviewed the Kraken website generally at <https://www.kraken.com/why-kraken> and <https://blog.kraken.com/about/>, as well as the Terms of Service publicly available at <https://www.kraken.com/legal>, the security features at <https://www.kraken.com/features/security>, and details regarding Kraken Bank and its SPDI Bank Charter at <https://www.kraken.com/en-us/learn/finance/spdi-bank-charter>. The Company can monitor the status of Kraken at <https://status.kraken.com/>.

#### *Security breaches or other similar incidents involving custodians*

The Company is not aware of any security breaches or other similar incidents involving either Argent Crypto

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<sup>18</sup> Newton Terms of Use, "Depositing Digital Assets, Transactions and Third-Party Custody", <https://www.newton.co/terms-of-use>.

<sup>19</sup> Newton Risk Disclosure, Section 4(c), <https://www.newton.co/risk-disclosure>.

or Kraken which resulted in the loss or theft of crypto assets.

The Company is not aware of any security breaches or other similar incidents involving Newton in which crypto assets have been lost or stolen. A cybersecurity breach involving one of Newton's sub-custodians occurred in April 2021, although which sub-custodian in particular was not disclosed. The breach did not cause any loss to Newton customers. At the time, Newton announced that it was halting trading on its platform to allow the sub-custodian to remedy the breach. Newton further announced that the breach was unlikely to affect Newton users in any event as the platform stores the majority of customer assets in cold storage and only keeps a limited amount of funds in hot wallets to facilitate withdrawals.<sup>20</sup>

On December 6th, 2017, NiceHash was hacked for 4,736 Bitcoin ("BTC"). At the time, the stolen BTC was worth roughly \$70 million (in USD). The attacker was able to obtain a NiceHash employee's credentials via a spear phishing email and was able to perform lateral movement within the NiceHash data center via the stolen VPN credentials. NiceHash immediately reported the incident to law enforcement, as well as hired LIFARS, an arm's length cyber security company, to investigate the breach and attempt to recover misappropriated funds. NiceHash cooperated with Europol and U.S. law enforcement agencies throughout the process.<sup>21</sup> While funds were unable to be recovered, NiceHash established a repayment plan under which it promised to fully reimburse all users who lost funds as a result of the breach. NiceHash repaid all eligible users who applied for reimbursement by December 16, 2020.<sup>22</sup>

### *Cryptocurrencies*

The Company anticipates dealing primarily in cryptocurrency USD Coin. USD Coin is a stablecoin that is pegged to the US Dollar. USD Coin is managed by a consortium called Centre, and is 100% backed by cash and short-dated US treasuries held in the custody of US financial institutions, including BlackRock and BNY Mellon. Centre was founded by Circle, which is regulated as a licensed money transmitter under US state law. Circle's financial statements are audited annually and subject to review by the US SEC.<sup>23</sup> Since USD Coin can be exchanged for US Dollars at a 1:1 ratio, it is generally protected from the market volatility experienced by other cryptocurrencies, but it may still be affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. Once future operations commence, any future profitability of the Company will be directly related to the current and future market price of cryptocurrencies that can be exchanged for USD Coin. A decline in the market prices for cryptocurrencies could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its cryptocurrency revenue or future mining of cryptocurrencies. Cryptocurrencies have a limited history and the fair value historically has been very volatile. Historical performance of cryptocurrencies are not indicative of their future price performance.

Once cryptocurrency mining operations commence, the Company intends on providing Hash Rate primarily for the mining of cryptocurrency Monero. The Company will be paid in USD Coin in exchange for providing Hash Rate to mine Monero. The Company is not aware of any risk of decreased rewards for mining Monero in particular. Crypto assets behave like many other marketable assets in that they have the potential to

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<sup>20</sup> Megan Simpson, "Newton Had An Outage And Now Users Are Complaining Their Transactions Are Pending", Canadian Startup News, April 28, 2021, betakit, <https://betakit.com/newton-had-an-outage-and-now-users-are-complaining-their-transactions-are-pending/>.

<sup>21</sup> "NiceHash security breach investigation update", November 11, 2018, <https://www.nicehash.com/blog/post/nicehash-security-breach-investigation-update>.

<sup>22</sup> "NiceHash keeps the promise and will fully reimburse its users", November 15, 2020, <https://www.nicehash.com/blog/post/nicehash-keeps-the-promise-and-will-fully-reimburse-its-users>

<sup>23</sup> USD Coin Home Page, <https://www.circle.com/en/usdc#:~:text=USDC%20is%20a%20fully%2Dreserved,equivalence%20to%20the%20U.S.%20dollar>.

fluctuate in value. The amount of any future revenue the Company is able to receive from NiceHash in exchange for Hash Rate rental will depend on the number of NiceHash users who plan on using the Hash Rate to mine Monero. Unfavourable and unforeseen market conditions may cause decreased rewards for mining any particular crypto asset, including Monero.

### *Regulatory Framework*

Argent Crypto is not a Canadian financial institution as defined in NI 45-106. Argent Crypto is a non-reporting money services business incorporated under the laws of the Province of British Columbia. There is no provincial regulatory framework for money services businesses in British Columbia, although such businesses are required to register with FINTRAC. Argent Crypto is registered with FINTRAC.

Kraken is not a Canadian financial institution as defined in NI 45-106. Kraken is a U.S.-based crypto firm, placing it within the regulatory framework of the *Bank Secrecy Act*, 31 U.S.C. 5311. Kraken also recently received a Special Purpose Depository Institution (“SPDI”) Bank Charter from the State of Wyoming, which allows Kraken to house digital currencies alongside fiat currencies under an independent affiliate called “Kraken Bank”.<sup>24</sup> Assets held with Kraken Bank will be subject to Wyoming’s forward-facing regulatory framework and oversight from the Wyoming Division of Banking.<sup>25</sup>

Neither Newton nor NiceHash is a Canadian financial institution as defined in NI 45-106. Newton does hold fiat cash currency on clients’ behalf in an account at a Canadian financial institution that is a qualified custodian for cash under applicable securities laws, separate and apart from Newton’s own assets.<sup>26</sup>

Newton is incorporated in Canada under the federal *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, and is subject to Canadian securities regulation. Newton has not provided a pre-registration undertaking pursuant to the Canadian Securities Administrators’ announcement on August 15, 2022, but has been granted relief to distribute crypto contracts and operate a platform in Canada that facilitates the buying, selling and holding of crypto assets while seeking registration as an investment dealer and membership with IIROC.<sup>27</sup>

NiceHash is incorporated under the *BVI Business Companies Act* of the British Virgin Islands. The British Virgin Islands does not currently have a specific regulatory framework for virtual assets or cryptocurrencies, although it is expected that the jurisdiction will in time develop a regulatory framework tailored specifically for virtual assets.<sup>28</sup> In the meantime, the BVI FSC has issued the FSC Guidance outlining which types of crypto assets and activities are subject to the regulatory remit of the BVI FSC and other pertinent securities regulation.<sup>29</sup> A virtual asset or other digital property which is only a medium of exchange with no benefits or rights other than ownership of the coin would not be considered an investment and the FSC Guidance confirms that such assets will generally fall outside the scope of regulation.<sup>30</sup> The Company’s proposed use of the NiceHash platform relates only to activities involving virtual assets that are used as a medium of exchange and do not fall within the regulatory remit of the BVI FSC or related securities legislation.

Generally and in Canada, the Company is required to follow the requirements of provincial privacy laws,

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<sup>24</sup> “SPDI: Special Purpose Depository Institution Bank Charter”, <https://www.kraken.com/en-us/learn/finance/spdi-bank-charter>.

<sup>25</sup> “Frequently asked questions”, <https://www.kraken.com/bank>.

<sup>26</sup> Newton Relationship Disclosure, *supra* note 8.

<sup>27</sup> Ontario Securities Commission, *supra* note 1.

<sup>28</sup> Padarin, Michael and Daniel Moore, *supra* note 2.

<sup>29</sup> BVI FSC Guidance on Regulation of Virtual Assets in the Virgin Islands, *supra* note 3.

<sup>30</sup> Padarin, Michael and Daniel Moore, *supra* note 2.

such as the *Personal Information Protection Act* (BC), and the federal privacy laws in Canada, namely the *Personal Information Protection and Electronic Documents Act* (Canada). In the United States, the Company is not subject to the California Consumer Privacy Act at this time, but is subject to other US state and federal privacy laws. The Company's privacy policy is compliant with applicable Canadian and United States privacy laws. As noted above, personal information is not accessed when a user accesses the Limitless VPN or when a user's latent computer processing power is accessed for monetization purposes. At this time, the Company is not accepting users located in Europe or other jurisdictions as the Company has not considered compliance with the European or UK General Data Protection Regulation or compliance with privacy legislation of other jurisdictions.

### *Privacy Policy*

The Company's Privacy Policy governs the use of personal information by the Company and its authorized affiliates and contractors in the operation of its business and how the Company uses such personal information. Under the policy, "personal information" means information about an identifiable individual, such as their name, address or contact information (including home telephone number and personal e-mail address). By submitting personal information to the Company or by otherwise using the Company's services, the user is deemed to consent to the collection, use and disclosure of their personal information in accordance with the Privacy Policy. If a user does not agree with some or all of the Privacy Policy, the user must not use the services or submit personal information to the Company. The Privacy Policy sets out how the Company collects personal information and is used for a variety of purposes including the following:

- to create and administer the user account on the services;
- where a user provides consent after requesting access to the Company's Limitless VPN services, to determine the user's hardware capabilities and general system profile in order to optimize available computer resources for task synchronization with a view to permitting the Company and its authorized affiliates and contractors to utilize the processing power of devices across the shared VPN network;
- to share information about the Company, its services, and other products and services with the user;
- to communicate with users regarding changes to services, maintenance, account confirmation, technical support or any security issues;
- to communicate with users regarding inquiries for information or customer service requests or employment opportunities;
- to conduct market research;
- to monitor traffic on the Company's services;
- to determine the future direction of the Company's services, including technical upgrades;
- to provide, monitor, personalize and improve the Company's services;
- to develop new products and services;
- to protect the Company's rights and the rights of other registered users;
- to investigate security breaches, protect against, detect, investigate and prevent potentially fraudulent, unauthorized or illegal activities or cooperate with government and law enforcement authorities in connection with legal matters;
- to aggregate and anonymize personal information; and
- for other purposes related to the relationship between the Company and the user, where the user has provided its consent or as otherwise permitted or required by law.



The Company also shares some of a user's personal information with third parties in order to offer the services to its userbase, including:

- the Company may disclose user personal information to third party service providers for fraud prevention or for law enforcement purposes;
- protecting the Company's rights and property, including for security breach, loss or fraud prevention, investigation or mitigation purposes;
- protecting the safety of a person or a group of persons;
- with third party service providers that help the Company to provide its services, including course providers, platform providers, app providers, providers of website hosting, data warehousing, data analysis, event logging, information technology, customer service, payment processing, user analytics, notifications and email delivery and messaging services (including third party service providers which are engaged by the Company to access and utilize the unused processing power of the devices of users of the Limitless VPN in order to mine cryptocurrencies or perform various background CPU tasks such as research data mining);
- with a third party, in the event of a change in ownership of all or a part of the Company through some form of merger, purchase, sale, lease or amalgamation or other form of business combination, provided that the parties are bound by appropriate agreements or obligations which require them to use or disclose personal information in a manner consistent with the use and disclosure provisions of this Privacy Policy;
- other purposes identified when the personal information is collected, or as permitted or required by law; and
- with any third party, where a user has provided their consent for such disclosure or where disclosure is required or permitted by law.

By submitting personal information to the Company, creating a user account, or otherwise using the Company's services, a user is deemed to consent to the collection, use and disclosure of their personal information in the manner described in the Privacy Policy. To the extent that the Company is required by applicable laws to obtain a user's explicit consent for the collection, use or disclosure of their personal information in accordance with the Privacy Policy, such consent will be requested at the appropriate time. Further, if the Company plans to use or disclose a user's personal information for a purpose not previously identified, the Company will advise the user of that purpose before such use or disclosure. However, the Company may collect, use or disclose a user's personal information without their knowledge or consent where the Company is permitted or required to do so by applicable law or regulatory requirements.

A user may change or withdraw their consent at any time, subject to legal or contractual restrictions and reasonable notice, by contacting the Company's privacy officer. In some circumstances, a change or withdrawal of consent may limit the Company's ability to provide services to a user or their ability to access certain areas of the Company's services.

#### *Terms of Use - Generally*

The Company has a general Terms of Use agreement. The agreement describes a user's rights and responsibilities as a user of the Company's website and related services offered by the Company. Use of the Company's services, including a visit to its website, is deemed to be acceptance of the agreement.

Use of the Company's website and its services are undertaken at a user's own risk and to the extent not prohibited by applicable law, the Company will not be liable for any general, direct, incidental, special,

exemplary, consequential, indirect, or punitive damages arising out of a user's access to or use of the website or the Company's services. The agreement states that the Company will not be responsible for late, lost, incomplete, illegible, misdirected or stolen messages, unavailable network connections, failed, incomplete, garbled or delayed computer transmissions, on-line failures, hardware, software or other technical malfunctions or disturbances or any other communications failures or circumstances affecting, disrupting or corrupting communications. If a user is dissatisfied with the Company's website or services or with the terms of use agreement, a user's sole and exclusive remedy is to discontinue using them.

By agreeing to the terms of use, a user agrees to indemnify and save harmless the Company from and against any claim or liability brought against or suffered or incurred by us as a result of a user's use of the Company's website or services. In addition, in the event the Company is made a party to any claim, suit or action relating to or arising from any services offered by the Company that is initiated by a user, which is unsuccessful or initiated by a third party, who is suing a user, the user agrees to reimburse the Company at a reasonable rate for all personnel time and expenses expended by the Company in response to such claim, suit or action including without limitation, all attorney fees and expenses incurred by the Company with respect to such response. The defence and indemnification obligations survive termination of the terms of use agreement and a user's cessation of use of the Company's website and services.

#### *Terms of Use – Limitless VPN*

In addition to the general Terms of Use agreement set out above, use of the Company's Limitless VPN by users also requires agreement with a separate terms of use for the Limitless VPN. Generally speaking, a user is prohibited from undertaking certain actions such as violating any domestic or foreign laws, engaging in unsolicited advertising, engaging in harassing messages, engaging in fraudulent activities, downloading and transmitting any material that infringes the intellectual property rights of third parties, and downloading and transmitting any material that is libelous, defamatory, discriminatory, etc. Similarly, a user is prohibited from scanning for open proxies or open relays, port scanning, storing any data that violates applicable laws, and launching any pop-ups from the Company's services.

By accessing the Limitless VPN, a user acknowledges that a portion of the unused computational power of their computer or other device will join the network infrastructure of the Limitless VPN to perform distributed computational processing tasks. When a user connects to the Limitless VPN network infrastructure, a process is used to evaluate the user's unused computational power after the user is notified that this process will be used and the user has provided consent. Cloud Nine uses third party service providers to access and utilize unused processing power of the computer and devices in the Company's userbase to mine cryptocurrency or perform various background CPU tasks ("**Computational Tasks**"). By using the Limitless VPN, a user acknowledges that the third party service providers are authorized to perform the Computational Tasks and that the user will be subject to the terms, conditions and policies of the third party service providers. The Computational Tasks are not part of the services provided by Cloud Nine.

## **RISK FACTORS**

The following discussion summarizes the principal risk factors that apply to the Company's business and that may have a material adverse effect on the Company's business, assets, liabilities, financial condition, results of operations, prospects, and cash flows and the future trading price of the Common Shares. Due to the nature of Cloud Nine's business, the legal and economic climate in which it operates and its present

stage of development and proposed operations, Cloud Nine is subject to significant risks. The risks described herein are not the only risks and uncertainties that the Company faces. Additional risks and uncertainties of which management is not currently aware or that management currently believes to be immaterial may also materially adversely affect Cloud Nine's business and financial condition and the future trading price of the Common Shares.

This AIF also contains forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors. See "*Cautionary Note Regarding Forward-Looking Statements*" for additional information on the risks, assumptions and uncertainties found in this AIF.

### **Reliance on Management**

The success of Cloud Nine is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on Cloud Nine's business, operating results or financial condition.

### **Key Personnel**

The Company's success will depend on its directors' and officers' ability to develop and execute its business strategies and manage its ongoing operations. Furthermore, the Company's continued growth will depend on its ability to identify, recruit and retain key management and technical personnel. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the business. Competition for qualified technical staff as well as officers and directors can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future which may adversely impact operations.

### **Cybersecurity**

The Company relies on digital and internet technologies to conduct and expand its operations, including reliance on information technology to process, transmit and store sensitive and confidential data, including personally identifiable information, and proprietary and confidential business performance data. As a result, the Company and/or its customers are exposed to risks related to cybersecurity. Such risks may include unauthorized access, use, or disclosure of sensitive information (including confidential private information), corruption or destruction of data, or operational disruption resulting from system impairment (e.g., malware). Third parties to whom the Company outsources certain functions, or with whom their systems interface, are also subject to the risks outlined above and may not have or use appropriate controls to protect confidential information. A breach or attack affecting a third-party service provider or partner could harm the Company's business even if the Company does not control the service that is attacked.

The Company's operations depend, in part, on how well it protects networks, equipment, information technology systems and software against damage from a number of threats, including, but not limited to, damage to hardware, computer viruses, hacking and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, information technology systems

and software, as well as pre-emptive expenses to mitigate the risks of failures. A compromise of the Company's information technology or confidential information, or that of the Company's userbase and third parties with whom the Company interacts, may result in negative consequences, including the inability to onboard new users, reputational harm affecting customers and/or investor confidence, potential liability under privacy, security, consumer protection or other applicable laws, regulatory penalties and additional regulatory scrutiny, any of which could have a material adverse effect on the Company's business, financial position, results of operations or cash flows. As the Company has access to sensitive and confidential information, including personal information, and since the Company may be vulnerable to material security breaches, theft, misplaced, lost or corrupted data, programming errors, employee errors and/or malfeasance (including misappropriation by departing employees), there is a risk that sensitive and confidential information, including personal information, may be disclosed through improper use of Company systems, software solutions or networks or that there may be unauthorized access, use, disclosure, modification or destruction of such information. The Company's ongoing risk and exposure to these matters is partially attributable to the evolving nature of these threats. As a result, cybersecurity and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage, malfunction, human error, technological error or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities. There could also be elevated risk associated with cybersecurity matters as a result of COVID-19.

As with any computer code generally, flaws in cryptocurrency codes of the Company's third party custodians may be exposed by malicious actors. To date, several hackings of third party custodians have become public knowledge whereby hackers have exploited security vulnerabilities in computer code used by cryptocurrency exchanges, digital wallets and companies that hold cryptocurrency to steal the equivalent of hundreds of millions of dollars based on current exchange rates. Such events would have a material adverse effect on Cloud Nine's ability to continue as a going concern, which would have a material adverse effect on the Company's business, prospects or operations and potentially the value of any cryptocurrencies the Company holds or expects to acquire for its own account.

### **Privacy Laws**

Cloud Nine is subject to federal, state, provincial and foreign laws regarding privacy and protection of data. Some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. Any failure by the Company to comply with privacy related laws and regulations could result in proceedings against Cloud Nine by governmental authorities or others, which could harm the Company's business. In addition, the interpretation of data protection laws, and their application is unclear and in a state of flux. There is a risk that these laws may be interpreted and applied in conflicting ways from province to province, state to state, country to country or region to region, and in a manner that is not consistent with the Company's current data protection practices. Complying with these varying requirements could cause Cloud Nine to incur additional costs and change the Company's business practices. Further, any failure by the Company to adequately protect partner or consumer data could result in a loss of confidence in Cloud Nine's platform which could adversely affect its business.

### **Third Parties**

The Company relies heavily on third parties such as its IT and cryptocurrency mining service providers to provide some of its services. If these third parties were unable or unwilling to provide these goods and services in the future due to COVID-19 or other events that cause an anomalous in supply or demand of such services, the Company would need to obtain such services from other providers if they are available. This could cause the Company to incur additional costs or cause material interruptions to its business until these services are replaced if possible.

### **Regulatory Risks**

The Company is subject to a variety of laws, regulations and guidelines in the jurisdictions in which it operates and may become subject to additional laws, regulations and guidelines in the future, particularly as a result of acquisitions or additional changes to the jurisdictions in which it operates. The financial and managerial resources necessary to ensure such compliance could escalate significantly in the future which could have a material adverse effect on the business of the Company. In addition, the Company's failure to comply with laws and regulations or obtain any required approvals thereunder could also have a material adverse effect on its business. Such laws and regulations are subject to change, including as a result of unforeseen events such as the current COVID-19 pandemic. Accordingly, it is impossible for the Company to predict the cost or impact of changes to such laws and regulations on its respective future operations.

Changes in or more aggressive enforcement of laws and regulations could adversely impact companies involved in the technology industry. Failure or delays in obtaining necessary approvals, changes in government regulations and policies and practices could have an adverse impact on such businesses' future cash flows, earnings, results of operations and financial condition. Operation in the technology industry may carry significantly higher risks of litigation or regulatory oversight than operations in other industries.

### **Dependence on Internet Infrastructure**

The success of any developer of VPN technology will depend by and large upon the continued development of a stable public infrastructure, with the necessary speed, data capacity and security, and the timely development of complementary products such as high-speed modems for providing reliable internet access and services. It cannot be assured that the infrastructure will continue to be able to support the demands placed upon it by Cloud Nine's technology or that the performance or reliability of the technology will not be adversely affected by continued growth.

### **Technological change**

The Company operates in a highly competitive environment where its software and other products and services are subject to rapid technological change and evolving industry standards. The Company's future success partly depends on its ability to acquire, design and produce new products and services, deliver enhancements to its existing products and services, accurately predict and anticipate evolving technology and respond to technological advances in its industry and its customers' increasingly sophisticated needs. There is a risk that similar products which may include features more appealing to customers may be developed after the Limitless VPN has established itself in the North American markets; and that other

products competing with the Company's Limitless VPN may use technologies not yet incorporated in the Company's business.

### **Limited Operating History**

The Company has a limited history of operations. As such, the Company will be subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment. There can be no assurance that the Company will be able to develop any of its projects profitably or that any of its activities will generate positive cash flow.

### **Liquidity and Additional Financing**

Additional funds, by way of private placement offerings, may need to be raised to finance the Company's future activities. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could cause the Company to reduce or terminate its operations.

### **Going-Concern Risk**

The Company's financial statements have been prepared on a going-concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing equity or debt financing or in achieving profitability. The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

### **Operating Losses**

The Company is in the growth phase of its business and is subject to the risks associated with early stage companies, including the fact it has not generated revenues to date, and the need to raise additional funding to continue operations. Cloud Nine's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development, particularly companies in relatively new and evolving markets.

The Company has had no earnings or cash flow. The Company has had negative operating cash flow since the Company's inception and the Company will continue to have negative operating cash flow for the foreseeable future. No assurance can be given that the Company will ever attain positive cash flow or profitability or that additional funding will be available for operations on acceptable terms or at all.

## **Conflicts of Interest**

The Company may be subject to potential conflicts of interest as some of its directors and officers may be engaged in a range of other business activities. The Company's executive officers and directors are permitted to devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations.

The Company may also become involved in other transactions which conflict with the interests of its directors and officers who may, from time to time, deal with persons, institutions or corporations with which the Company may be dealing, or which may be seeking investments similar to those the Company desires. The interests of these persons could conflict with the Company's interests. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Board, a director who has such a conflict will abstain from voting for or against the approval thereof in accordance with applicable laws. In accordance with applicable laws, the Company's directors are required to act honestly, in good faith and in the Company's best interests.

## **Risks Related to Insurance**

The Company intends to insure its operations and intellectual property assets in accordance with technology industry practice. However, such insurance may not be available, may be uneconomical for the Company, or the nature or level may be insufficient to provide adequate insurance coverage. The occurrence of an event that is not covered or not fully covered by insurance could have a material adverse effect on the Company.

The Company may become subject to liability for risks against which it is uninsurable or against which the Company may opt out of insuring due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for usual business activities. Payment of liabilities for which insurance is not carried may have a material adverse effect on the Company's financial position and operations.

## **Litigation, Mediation, and/or Arbitration**

The Company may become party to regulatory proceedings, litigation, mediation, and/or arbitration from time to time in the ordinary course of business, which could adversely affect its business, financial condition and operations. Monitoring and defending against legal actions, with or without merit, can be time-consuming, divert management's attention and resources and can cause it to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant and the Company could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages. While Cloud Nine has insurance that may cover the costs and awards of certain types of litigation, the amount of insurance may not be sufficient to cover any costs or awards. Substantial litigation costs or an adverse result in any litigation may adversely impact Cloud Nine's business, financial

condition, or operations. Litigation, and any decision resulting therefrom, may also create a negative perception of the Company.

### **Share Price Volatility**

The market price for the Common Shares may be volatile and subject to wide fluctuations in response to several factors, many of which are beyond the Company's control including actual or anticipated fluctuations in the Company's results of operations; changes in the economic performance or market valuations of companies in the same industry in which the Company operates; sales or perceived sales of additional Common Shares; release or expiration of transfer restrictions on outstanding Common Shares; operating and share price performance of other companies that investors deem comparable to the Company; addition or departure of the Company's executive officers and other key personnel; announcements of developments and other material events by the Company or its competitors; sentiments toward technology sector stocks; recommendations by securities research analysts; operating and financial performance that varies significantly from the expectations of management, securities analysts and investors; regulatory changes affecting the Company's industry, business and operations; news reports relating to trends, concerns, technological or competitive developments, and other related issues in the Company's industry or target markets; significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and changes in global financial markets, global economies and general market conditions, such as interest rates and product price volatility.

These factors may have a significant impact on the market price of the Common Shares. Global stock markets, including the CSE, have, from time-to-time, experienced extreme price and volume fluctuations. The same applies to companies in the technology sectors. There can be no assurance that an active or liquid market will develop or be sustained for the Common Shares.

Finally, as a result of the COVID-19 pandemic, global equity and capital markets have experienced significant volatility and weakness. The extent to which the COVID-19 pandemic impacts the Company's future business, including Cloud Nine's operations and the market for securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the COVID-19 pandemic and the actions taken to contain or treat the COVID-19 pandemic. It is not possible to reliably estimate the length and severity of these developments or the negative impact on our financial results, Common Share price and financial position in future periods. Many of the risks, uncertainties and other risk factors identified in this AIF are, and will be, amplified by the COVID-19 pandemic.

### **Intellectual Property**

Cloud Nine's success depends in part on its ability to protect its ideas and technology. Even if it moves to protect its technology with trademarks, patents, copyrights or by other means, Cloud Nine is not assured that competitors will not develop similar technology and business methods or that it will be able to exercise its legal rights. Policing the unauthorized use of current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Actions taken to protect or preserve intellectual



property rights may require significant financial and other resources such that said actions may have a materially adverse impact in its ability to successfully grow its business. An adverse result in any litigation or defense proceedings could put one or more of the trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could materially and adversely affect Cloud Nine's business, financial condition and operations.

### **Defects or Disruptions in Technology Platforms**

Defects or disruptions in the technology platforms and network infrastructure Cloud Nine relies on could materially harm the Company's business and operating results. The Company's operations are dependent upon its ability to protect its computer equipment and stored information against damage that may be caused by fire, power loss, telecommunications failures, unauthorized intrusion, computer viruses and disabling devices, and other similar events. Although the Company has redundant and back-up systems for some of Cloud Nine's solutions and services, these systems may be insufficient or may fail and result in a disruption of availability of the Company's solutions or services. Cloud Nine also relies on third-party Internet providers and developers, and such third parties and their technology platforms, services and operations may also be vulnerable to similar defects and disruptions, which could in turn affect the Company's operations. Any disruption to the Company's services could impair Cloud Nine's reputation and cause it to lose partners, customers or revenue, or face litigation, necessitate service or repair work that would involve substantial costs and distract management from operating the business. The Company may not be indemnified by third parties for any disruptions to our services that are outside of our direct control.

### **Confidentiality Risk**

Personal information collected by the Company in the ordinary course of business may be vulnerable to breach, theft or loss. This could subject the Company to liability or negatively impact the Company's reputation and operations. The Company collects, uses and retains large amounts of personal information from its student base, including personal and financial data. The Company also collects and maintains personal information of its employees. Although the Company uses security controls to limit access and use of personal information, a third party or internal errors within the Company may circumvent these controls, which could result in a breach of student or employee privacy. A violation of any laws or regulations relating to the collection or use of personal information could result in the Company incurring fines. While the Company believes it takes appropriate precautions and safety measures, there is still a possibility that a breach, theft or loss of personal information may occur. Any breach, theft or loss of such personal information could negatively impact the Company's financial condition, reputation, and may result in the Company incurring liability.

### **The Company may write-off intangible assets**

The carrying value of the Company's intangible assets is subject to periodic impairment testing. Under current accounting standards, intangible assets are tested for impairment on a recurring basis and the Company may be subject to impairment losses as circumstances change after an acquisition. The circumstances leading to an impairment loss may also have a material adverse impact on the Company's business, financial condition, results of operations, or cash flows. If the Company records an impairment

loss related to its intangible assets, it could have a material adverse effect on the trading price of the Common Shares.

### **COVID-19 Pandemic and Other Global Pandemics and Events**

Cloud Nine's business, results of operations and financial position may be affected by the COVID-19 pandemic. The efforts to contain it have negatively impacted the global economy, disrupted manufacturing operations as well as global supply chains and created significant volatility and disruption of financial markets. Businesses in many countries around the globe, including Canada, the United States and other countries have been required to close, or materially alter their day-to-day operations due to government-ordered or recommended shut-downs or equivalent restrictions on individuals and businesses, which may prevent many businesses from operating. A pandemic poses the risk that the Company's employees and partners may be prevented from conducting business activities for an indefinite period due to the transmission of the disease or due to emergency measures or restrictions that may be requested by governmental authorities. These emergency measures and restrictions, and future measures and restrictions taken in response to the COVID-19 pandemic or other pandemics, have caused and may cause, material disruptions to businesses globally. The COVID-19 pandemic may affect our employees' ability to perform work and operate the Company, may affect the financial viability of Cloud Nine's partners and customers, and could cause them to exit certain business lines, or change the terms on which they are willing to purchase the Company's products and solutions. Further, the impact of the COVID-19 pandemic has resulted in a significant reduction in global advertising expenditures for many brands. The duration of the recovery period is uncertain, and it is challenging to accurately forecast spending recovery and regional and category growth over the coming quarters, which may impact the Company's revenue projections. Any of these events could cause or contribute to risk and uncertainty and could adversely affect Cloud Nine's business, results of operations and financial position.

### **Cryptocurrency exchanges**

The Company is not acting as an exchange, not offering coins or tokens, nor is it acting as a platform that facilitates the trading of crypto assets that are securities or instruments or contracts involving crypto assets. When cryptocurrency exchanges or other trading venues are involved in fraud or experience security failures or other operational issues, such events could result in a reduction in cryptocurrency prices or confidence and impact Cloud Nine's business and have a material adverse effect on the Cloud Nine's ability to continue as a going concern or to pursue this segment at all, which would have a material adverse effect on the business, prospects and operations of the Company.

Cryptocurrency market prices depend, directly or indirectly, on the prices set on exchanges and other trading venues, which are new and, in most cases, largely unregulated as compared to established, regulated exchanges for securities, commodities or currencies. For example, during the past three years, a number of Bitcoin exchanges have closed due to fraud, business failure or security breaches. In many of these instances, the customers of the closed exchanges were not compensated or made whole for partial or complete losses of their account balances. While smaller exchanges are less likely to have the infrastructure and capitalization that may provide larger exchanges with some stability, larger exchanges may be more likely to be appealing targets for hackers and "malware" (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer

systems) and may be more likely to be targets of regulatory enforcement action. The Company does not maintain any insurance to protect from such risks, and does not expect any insurance for customer accounts to be available (such as federal deposit insurance) at any time in the future, putting customer accounts at risk from such events. In the event the Company faces fraud, security failures, operational issues or similar events such factors would have a material adverse effect on Cloud Nine's ability of to continue as a going concern or to pursue this segment at all, which would have a material adverse effect on the business, prospects and operations of the Company.

The Company anticipates dealing primarily in cryptocurrency USD Coin. USD Coin is a stablecoin that is pegged to the US Dollar. USD Coin is managed by a consortium called Centre, and is 100% backed by cash and short-dated US treasuries held in the custody of US financial institutions, including BlackRock and BNY Mellon. Centre was founded by Circle, which is regulated as a licensed money transmitter under US state law. Circle's financial statements are audited annually and subject to review by the US SEC.<sup>35</sup> Since USD Coin can be exchanged for US Dollars at a 1:1 ratio, it is generally protected from the market volatility experienced by other cryptocurrencies, but it may still be affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. Once future operations commence, any future profitability of the Company will be directly related to the current and future market price of cryptocurrencies that can be exchanged for USD Coin. A decline in the market prices for cryptocurrencies could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its cryptocurrency revenue or future mining of cryptocurrencies. Cryptocurrencies have a limited history and the fair value historically has been very volatile. Historical performance of cryptocurrencies are not indicative of their future price performance.

### **Cryptocurrency Regulatory Changes**

As cryptocurrencies have grown in both popularity and market size, governments around the world have reacted differently to cryptocurrencies, with certain governments deeming them illegal while others have allowed their use and trade.

Governments may in the future curtail or outlaw the acquisition, use or redemption of cryptocurrencies. Ownership of, holding or trading in cryptocurrencies may then be considered illegal and subject to sanction. Governments may also take regulatory action that may increase the cost and/or subject cryptocurrency companies to additional regulation. The effect of any future regulatory change on the Company's business or any cryptocurrency that may impact the Company's business is impossible to predict, but such change could be substantial and would have a material adverse effect on the business, prospects and operations of Cloud Nine.

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<sup>35</sup> USD Coin Home Page,  
<https://www.circle.com/en/usdc#:~:text=USDC%20is%20a%20fully%2Dreserved,equivalence%20to%20the%20U.S.%20dollar.>

Governments may in the future take regulatory actions that prohibit or severely restrict the right to acquire, own, hold, sell, use or trade cryptocurrencies or to exchange cryptocurrencies for fiat currency. Similar actions by governments or regulatory bodies could result in restriction of the acquisition, ownership, holding, selling, use or trading in the Company's securities. Such a restriction could have a material adverse effect on the Company's ability to continue as a going concern or to pursue this segment at all, raise new capital which would have a material adverse effect on the business, prospects or operations of Cloud Nine and harm investors in the Company's securities.

On-going and future regulatory actions and regulatory change related to the Company's business or cryptocurrencies, may impact its ability to continue to operate and such actions could affect the Company's ability to continue as a going concern or to pursue this segment at all, which would have a material adverse effect on the business, prospects or operations of Cloud Nine.

Current and future legislation and rulemaking and other regulatory developments, including interpretations released by a regulatory authority, may impact the manner in which cryptocurrencies are viewed or treated for classification and clearing purposes. Cloud Nine cannot be certain as to how future regulatory developments will impact the treatment of cryptocurrencies under the law. If the Company determines not to comply with such additional regulatory and registration requirements, Cloud Nine may seek to cease certain of its operations or be subjected to fines, penalties and other governmental action. Any such action may adversely affect an investment in the Company as well as its ability to continue as a going concern or to pursue this segment at all, which would have a material adverse effect on the Company's business, prospects or operations and potentially the value of any cryptocurrencies the Company holds or expects to acquire for its own account and harm investors.

### **Cryptographic and algorithmic protocols**

The use of cryptocurrencies to, among other things, buy and sell goods and services and complete transactions, is part of a new and rapidly evolving industry that employs digital assets based upon a computer-generated mathematical and/or cryptographic protocol. The growth of this industry in general, and the use of cryptocurrencies in particular, is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may occur and is unpredictable. The factors include, but are not limited to:

- continued worldwide growth in the adoption and use of cryptocurrencies;
- governmental and quasi-governmental regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of the network or similar cryptocurrency systems;
- changes in consumer demographics and public tastes and preferences;
- the maintenance and development of the open-source software protocol of the network;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- general economic conditions and the regulatory environment relating to digital assets; and
- negative consumer sentiment and perception of Bitcoin specifically and cryptocurrencies generally.

Such events would have a material adverse effect on the Company's ability to continue as a going concern

or to pursue this segment at all, which would have a material adverse effect on the business, prospects or operations of Cloud Nine and potentially the value of any cryptocurrencies the Company's holds or expect to acquire for its own account and harm investors in the Company's securities.

### **Banks and financial institutions may not provide banking services**

A number of companies that provide Bitcoin and/or other cryptocurrency-related services have been unable to find banks or financial institutions that are willing to provide them with bank accounts and other services. Similarly, a number of companies and individuals or businesses associated with cryptocurrencies may have had and may continue to have their existing bank accounts closed or services discontinued with financial institutions. In this regard, the Company also may be unable to obtain or maintain these services.

The difficulty that many businesses that provide Bitcoin and/or other cryptocurrency-related services have and may continue to have in finding banks and financial institutions willing to provide them services may be decreasing the usefulness of cryptocurrencies as a payment system and harming public perception of cryptocurrencies and could decrease its usefulness and harm its public perception in the future. Similarly, the usefulness of cryptocurrencies as a payment system and the public perception of cryptocurrencies could be damaged if banks or financial institutions were to close the accounts of businesses providing Bitcoin and/or other cryptocurrency-related services. This could occur as a result of compliance risk, cost, government regulation or public pressure. The risk applies to securities firms, clearance and settlement firms, national stock and commodities exchanges, the over the counter market and the Depository Trust Company, which, if any of such entities adopts or implements similar policies, rules or regulations, could result in the inability of Cloud Nine investors to open or maintain stock or commodities accounts, including the ability to deposit, maintain or trade the Company's securities. Such factors would have a material adverse effect on the Company's ability to continue as a going concern or to pursue this segment at all, which would have a material adverse effect on the business, prospects or operations of Cloud Nine and harm investors.

### **Geopolitical events**

Crises, including the recent invasion of Ukraine by Russia and increased political tension between China and Taiwan, may motivate large-scale purchases of cryptocurrencies which could increase the price of cryptocurrencies rapidly. This may increase the likelihood of a subsequent price decrease as crisis-driven purchasing behavior wanes, adversely affecting the value of any cryptocurrencies the Company holds or expects to acquire for its own account. Such risks are similar to the risks of purchasing commodities in general uncertain times, such as the risk of purchasing, holding or selling gold.

As an alternative to gold or fiat currencies that are backed by central governments, cryptocurrencies, which are relatively new, are subject to supply and demand forces. How such supply and demand will be impacted by geopolitical events is uncertain but could be harmful to the Company and investors in the Company's securities. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of cryptocurrencies either globally or locally. Such events would have a material adverse effect on the Cloud Nine's ability to continue as a going concern or to pursue this segment at all, which would have a material adverse effect on the business, prospects or operations of the Company and potentially the value of any cryptocurrencies the Company holds or expects to acquire for its own account.

## **Acceptance of cryptocurrency**

Currently, there is a relatively small use of Bitcoins and/or other cryptocurrencies in the retail and commercial marketplace for goods or services. In comparison there is relatively large use by speculators contributing to price volatility.

The relative lack of acceptance of cryptocurrencies in the retail and commercial marketplace limits the ability of end- users to use them to pay for goods and services. Such lack of acceptance or decline in acceptances would have a material adverse effect on Cloud Nine's ability to continue as a going concern or to pursue this segment at all, which would have a material adverse effect on the Company's business, prospects or operations and potentially the value of any cryptocurrencies the Company holds or expects to acquire for its own account.

## **Political or economic risks**

As an alternative to fiat currencies that are backed by central governments, digital assets such as Bitcoins and Ethereum, which are relatively new, are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of Bitcoins and Ethereum and other cryptocurrencies either globally or locally. Large-scale sales of Bitcoins and Ethereum or other cryptocurrencies would result in a reduction in their value and could adversely affect Cloud Nine. Such circumstances would have a material adverse effect on the Cloud Nine's ability to continue as a going concern or to pursue this segment at all, which would have a material adverse effect on the Company's business, prospects or operations and potentially the value of any cryptocurrencies the Company holds or expects to acquire for its own account and harm investors.

## **Illegality**

Although currently Bitcoins, Ethereum, and other cryptocurrencies, the blockchain and digital assets generally are not regulated or are lightly regulated in most countries, including the United States and Canada, one or more countries such as China and Russia may take regulatory actions in the future that could severely restrict the right to acquire, own, hold, sell or use these digital assets or to exchange for fiat currency. Such restrictions may adversely affect the Company and on Cloud Nine's ability to continue as a going concern or to pursue this segment at all, which would have a material adverse effect on the Company's business, prospects or operations and potentially the value of any cryptocurrencies the Company holds or expects to acquire for its own account and harm investors.

## **Lack of liquidity**

Digital assets that are represented and trade on a ledger-based platform may not necessarily benefit from viable trading markets. Stock exchanges have listing requirements and vet issuers, requiring them to be subjected to rigorous listing standards and rules and monitoring investors transacting on such platform for fraud and other improprieties. These conditions may not necessarily be replicated on a distributed ledger platform, depending on the platform's controls and other policies. The more lax a distributed ledger

platform is about vetting issuers of digital assets or users that transact on the platform, the higher the potential risk for fraud or the manipulation of digital assets. These factors may decrease liquidity or volume, or increase volatility of digital securities or other assets trading on a ledger-based system, which may adversely affect the Company. Such circumstances would have a material adverse effect on Cloud Nine's ability to continue as a going concern or to pursue this segment at all, which would have a material adverse effect on the Company's business, prospects or operations and potentially the value of any cryptocurrencies the Company holds or expects to acquire for its own account and harm investors.

### **Cloud Nine has an evolving business model**

As FinTech and blockchain technologies become more widely available, Cloud Nine expects the services and products associated with them to evolve. As a result, to stay current with the industry, the Company's business model may need to evolve as well. From time to time, Cloud Nine may modify aspects of its business model relating to its product mix and service offerings. The Company cannot offer any assurance that these or any other modifications will be successful or will not result in harm to the business. Cloud Nine may not be able to manage growth effectively, which could damage the Company's reputation, limit its growth and negatively affect its operating results. Such circumstances would have a material adverse effect on Cloud Nine's ability to continue as a going concern or to pursue this segment at all, which would have a material adverse effect on Cloud Nine's business, prospects or operations and potentially the value of any cryptocurrencies the Company holds or expects to acquire for its own account and harm investors.

### **Competition**

Many of the Company's current and potential competitors may have greater brand recognition, longer operating histories, larger customer bases and significantly greater financial, marketing and other resources than Cloud Nine does. Accordingly, these competitors may be able to spend greater amounts on product development, marketing and distribution. This advantage could enable the Company's competitors to acquire larger market share and develop and offer more competitive products and services. Such competition could adversely impact Cloud Nine's ability to attain the financing necessary for it to develop its business plan. In the face of competition, Cloud Nine may not be successful in sufficient market share to make its business profitable.

### **Cryptocurrency loss, theft or restriction on access**

There is a risk that some or all of the cryptocurrency assets the Company holds from time to time could be lost or stolen. Access to the cryptocurrency assets Cloud Nine holds from time to time could also be restricted by cybercrime (such as a denial of service attack) against a service at which the Company maintains a hosted online wallet. Any of these events may adversely affect Cloud Nine's operations and, consequently, the Company's investments and profitability. The loss or destruction of a private key required to access the Company's digital wallets may be irreversible and Cloud Nine may be denied access for all time to its cryptocurrency holdings. The Company's loss of access to its private keys or its experience of a data loss relating to the Company's digital wallets could adversely affect Cloud Nine's investments and assets.

Cryptocurrencies are controllable only by the possessor of both the unique public and private keys relating to the local or online digital wallet in which they are held, which wallet's public key or address is reflected

in the network's public blockchain. The Company will publish the public key relating to digital wallets in use when Cloud Nine verifies the receipt of transfers and disseminate such information into the network, but the Company will need to safeguard the private keys relating to such digital wallets. To the extent such private keys are lost, destroyed or otherwise compromised, the Company will be unable to access the cryptocurrency assets it holds from time to time and such private keys will not be capable of being restored by any network. Any loss of private keys relating to digital wallets used to store the cryptocurrency assets the Company holds from time to time would have a material adverse effect on Cloud Nine's ability to continue as a going concern or to pursue this segment at all, which would have a material adverse effect on the Company's business, prospects or operations and potentially the value of any cryptocurrencies the Company holds or expects to acquire for its own account.

### **Incorrect or fraudulent coin transactions may be irreversible**

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred coins may be irretrievable. As a result, any incorrectly executed or fraudulent coin transactions could adversely affect the Company's investments and assets.

Coin transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction. In theory, cryptocurrency transactions may be reversible with the control or consent of a majority of processing power on the network. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer of a coin or a theft of coin generally will not be reversible and Cloud Nine may not be capable of seeking compensation for any such transfer or theft. It is possible that, through computer or human error, or through theft or criminal action, the Company's coins could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts. Such events would have a material adverse effect on Cloud Nine's ability to continue as a going concern or to pursue this segment at all, which would have a material adverse effect on the Company's business, prospects or operations and potentially the value of any cryptocurrencies the Company holds or expects to acquire for its own account.

### **Accounting and audit risks**

Since there has been limited precedence set for the financial accounting of digital assets, it is unclear how the Company will be required to account for digital asset transactions or assets. Furthermore, a change in regulatory or financial accounting standards could result in the necessity to restate the Company's financial statements. Such a restatement could negatively impact Cloud Nine's business, prospects, financial condition and results of operation. Such circumstances would have a material adverse effect on Cloud Nine's ability to continue as a going concern or to pursue this segment at all, which would have a material adverse effect on the Company's business, prospects or operations and potentially the value of any cryptocurrencies the Company holds or expects to acquire for its own account and harm investors.

### **Decreased rewards for mining a particular crypto asset**

Cloud Nine intends on providing Hash Rate primarily for the mining of cryptocurrency Monero. The Company will be paid in USD Coin in exchange for providing Hash Rate to mine Monero. Cloud Nine is not aware of any risk of decreased rewards for mining Monero in particular. Crypto assets behave like many other marketable assets in that they have the potential to fluctuate in value. The amount of revenue Cloud



Nine is able to receive from NiceHash in exchange for Hash Rate rental will depend on the number of NiceHash users who plan on using the Hash Rate to mine Monero. Unfavourable and unforeseen market conditions may cause decreased rewards for mining any particular crypto asset, including Monero.

### **Availability and/or cost of electricity**

Cloud Nine does not anticipate any material risk associated with electricity use or availability. Cloud Nine's VPN will avoid the need for dedicated data centers, which are traditionally responsible for excessive electricity use in the crypto space. The electrical usage footprint will be little more than what each individual VPN client is already using within their home.

## **DIVIDENDS**

Cloud Nine has not declared nor paid any cash dividends on any of its issued Common Shares since its inception. The Company does not anticipate paying any dividends on its Common Shares in the foreseeable future. Other than requirements imposed under applicable corporate law, there are no other restrictions on Cloud Nine's ability to pay dividends under the Company's constating documents. Subject to the BCBCA, payment of any dividends, if any, will be at the discretion of the Board after taking into account many factors, including operating results, financial condition, and current and anticipated cash needs. All of the Common Shares will be entitled to an equal share in any dividends declared and paid on a per share basis.

## **DESCRIPTION OF CAPITAL STRUCTURE**

### **Common Shares**

The Company's authorized share capital consists of an unlimited number of Common Shares without par value and without special rights or restrictions. As of the date of this AIF, 68,272,653 Common Shares are issued and outstanding, 3,375,000 stock options are outstanding, each exercisable for one Common Share and 21,998,065 warrants are outstanding, each exercisable for one Common Share. See "*Market for Securities*" for more information.

Each Common Share carries the right to attend and vote at all general meetings of shareholders. Holders of Common Shares are entitled to receive on a pro rata basis such dividends, if any, as and when declared by the Board at its discretion from funds legally available for the payment of dividends and upon the liquidation, dissolution or winding up of the Company are entitled to receive on a pro rata basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

## MARKET FOR SECURITIES

### Trading Price and Volume

The Common Shares of Cloud Nine are listed and posted for trading on the CSE under the symbol “CNI”. The following table describes the price range and trading volume of the Common Shares, for the periods indicated:

Month	High (\$)	Low (\$)	Volume Traded
October 2021	0.485	0.26	3,705,213
November 2021	0.74	0.40	4,800,124
December 2021	0.52	0.275	2,548,329
January 2022	0.53	0.305	2,940,914
February 2022	0.52	0.375	3,882,150
March 2022	0.37	0.26	2,542,771
April 2022	0.29	0.21	2,656,364
May 2022	0.185	0.115	1,757,054
June 2022	0.135	0.095	1,085,734
July 2022	0.105	0.08	1,078,772
August 2022	0.11	0.085	1,172,982
September 2022	0.09	0.055	1,087,664
October 2022	0.065	0.055	755,590
November 2022	0.07	0.04	1,573,795
December 2022	0.07	0.06	698,151

### Prior Sales

The following table sets forth Cloud Nine’s securities convertible into Common Shares that are not listed or quoted on a marketplace, that were issued during the financial year ended September 30, 2022 and up to the date of this AIF:

Date of Issuance	Number of Securities Issued or Granted	Type of Security	Issue/Exercise Price Per Security (\$)
January 18, 2022	4,000,000 <sup>(1)</sup>	Warrants	\$0.07
February 14, 2022	3,350,000 <sup>(2)(3)</sup>	Options	\$0.095
July 20, 2022	200,000 <sup>(1)(3)</sup>	Options	\$0.095
August 30, 2022	150,000 <sup>(1)(3)</sup>	Options	\$0.095
September 21, 2022	100,000 <sup>(1)(3)</sup>	Options	\$0.095
November 30, 2022	250,000 <sup>(1)(3)</sup>	Options	\$0.06

**Notes:**

- (1) All of these securities remain outstanding as of the date of this AIF.
- (2) Of these options, 2,600,000 remains outstanding as of the date of this AIF.
- (3) Stock options granted to directors, officers, employees and consultants pursuant to Cloud Nine's Stock Options Plan.

During the year ended September 30, 2022, the Company issued an aggregate of 5,527,000 common shares, consisting of (i) 4,000,000 common shares issued on the conversion of \$240,000 principal amount of convertible debentures; (ii) 1,277,000 common shares pursuant to warrant exercises; and (iii) 250,000 common shares pursuant to vested RSUs.

**ESCROWED SECURITIES AND SECURITIES SUBJECT TO  
CONTRACTUAL RESTRICTION ON TRANSFER**

As of the date of this AIF, none of the securities of the Company are held in escrow or subject to contractual restrictions on transfer.

**DIRECTORS AND EXECUTIVE OFFICERS**

**Name, Occupation and Security holdings**

The table below sets forth certain summary information in respect of the directors and executive officers of the Company as of the date of this AIF. The directors of the Company are elected at each annual general meeting of shareholders and hold office until the next annual general meeting, or until their successors are duly elected or appointed in accordance with the Company's articles or until such director's earlier death, resignation or removal.

Name, Municipality of Residence <sup>(1)</sup> , Position(s) with Issuer	Principal Occupation or Employment During the Past Five Years	Period served in position with Issuer and expiry of term	Number <sup>(2)</sup> and Percentage of Common Shares of the Issuer Held as at the date of the AIF <sup>(3)</sup>
Lucas Russell Victoria, British Columbia President & Chief Executive Officer	President and CEO of the Company from February 14, 2022 to present; owner/operator of LSR Consulting and Walrus Enterprises Corp., each a private company and wholly-owned by Mr. Russell, which provide advisory services to public and private companies related to business development, growth and mergers and acquisitions.	February 14, 2022 – present	125,000 – 0.18%

Name, Municipality of Residence <sup>(1)</sup> , Position(s) with Issuer	Principal Occupation or Employment During the Past Five Years	Period served in position with Issuer and expiry of term	Number and Percentage of Common Shares of the Issuer Held as at the date of the AIF <sup>(2)</sup>
<p>Nilda Rivera Richmond, British Columbia CFO &amp; Corporate Secretary</p>	<p>CFO &amp; Corporate Secretary of the Company from February 2021 to present; Consultant, Accounting &amp; Finance from November 2019 to February 2021; Chief Financial Officer &amp; Corporate Secretary of Fiore Cannabis Ltd. from March 2019 to November 2019; Vice President, Finance of Aurora Cannabis Inc. from July 2017 to February 2019; Corporate Secretary of Aurora Cannabis Inc. from August 2015 to February 2019.</p>	<p>February 9, 2021 – present</p>	<p>150,000 – 0.22%</p>
<p>Allan Larmour White Rock, British Columbia Director</p>	<p>Strategic business planning and investment consultant since 2009; CEO of Gama Explorations Inc. since April 2022; CEO of Norsemont Mining Inc. from June 2017 to September 2020; CFO of Norsemont Mining Inc. from June 2017 to April 2018. Director and President of Cannogen International Inc. from June 7, 2021 and CEO of Cannogen International Inc. from August 19, 2021, a BCBCA health products company that has filed a preliminary prospectus with the BCSC.</p>	<p>July 7, 2017 – present</p>	<p>568,974 – 0.84%</p>

Name, Municipality of Residence <sup>(1)</sup> , Position(s) with Issuer	Principal Occupation or Employment During the Past Five Years	Period served in position with Issuer and expiry of term	Number and Percentage of Common Shares of the Issuer Held as at the date of the AIF <sup>(2)</sup>
John Bean <sup>(3)</sup> West Vancouver, British Columbia Director	CFO of Western Canadian Properties Group from February 2014 to February 2022, a real estate and property development company; CFO of Cullinan Metals Corp. from June 9, 2022 to present. CFO of Allied Plumbing Heating and Air Conditioning Ltd. from October 26, 2022 to present, a private British Columbia corporation.	August 29, 2022 – present	60,000 – 0.09%
Kant Trivedi <sup>(3)</sup> Nobleton, Ontario Director	President and Chief Operating Officer of Blockfusion Technologies Inc. since 2017, a private digital asset company that operates crypto mining data centers powered by renewable energy.	February 9, 2021 – present	302,500 – 0.44%
Anthony Zelen <sup>(3)</sup> Coldstream, British Columbia Director	President of Zelen Consulting Inc., a private company wholly-owned by Mr. Zelen which provides capital markets advisory services to public and private companies; and a senior officer and director of various public and private companies.	July 20, 2022 - present	55,000 – 0.08%

**Notes:**

- (1) The information as to Common Shares beneficially owned or over which a director or officer exercises control or direction has been obtained from SEDI.
- (2) Based on 68,272,653 Common Shares issued and outstanding as at the date hereof.
- (3) Members of the Audit Committee. Each member is financially literate as is defined under National Instrument 52-110 - Audit Committees.

As at the date of this AIF, the directors and officers of the Issuer as a group beneficially own, directly or indirectly, an aggregate of 1,136,474 Common Shares, representing 1.66% of the issued and outstanding Common Shares on a non-diluted basis.

**Biographies**

The following are brief biographical descriptions of the management and directors of the Issuer.

**Lucas Russell (Age: 39) –President & Chief Executive Officer** - Mr. Russell has over a decade of experience in the financial markets and has been involved with entrepreneurial businesses for over 15 years, including the development and financing of start-ups. He has served on boards and executive teams of several publicly traded companies, guiding them from private to public corporations including the turnaround and eventual

sale of a cannabis company which was guided from near bankruptcy to an 8-figure exit in under 2 years. Mr. Russell is the owner and operator of LSR Consulting and Walrus Enterprises Corp., private companies and wholly-owned by Mr. Russell, which provide advisory services to public and private companies related to business development, growth and mergers and acquisitions. Mr. Russell has been an early and active investor in several successful crypto start-ups and currently serves as CEO of Valdor Technology International Inc. (CSE: VTI). Mr. Russell is passionate about building company value and finding accretive acquisitions for corporations. Mr. Lucas has a Bachelor of Commerce Entrepreneurship degree from Royal Roads University and a diploma in marketing and communications from the British Columbia Institute of Technology. Mr. Russell is an employee with the Company who intends to spend approximately 100% of his business hours on the affairs of the Company. Mr. Russell has not entered into a non-disclosure agreement or non-competition agreement with the Company.

***Nilda Rivera (Age: 58) – Chief Financial Officer & Corporate Secretary*** - Ms. Rivera has over 25 years of experience in corporate and operational finance and has managed publicly listed companies in the areas of accounting, finance, regulatory compliance and corporate governance. She was involved in IPOs, RTOs and mergers and acquisitions in several industries including cannabis, hemp, resource and technology, and assisted various start-up companies in achieving public listings on the CSE, TSXV and OTCBB, and their uplisting to the TSX and NYSE. Ms. Rivera served as Vice President of Finance and Corporate Secretary at Aurora Cannabis Inc. (ACB) where she was instrumental in building its finance team, and was involved in completing its early equity and debt financings and its uplisting to the TSX and NYSE. She has also served as CFO, Corporate Secretary and a director for other publicly listed cannabis, technology and exploration companies, including Fiore Cannabis Ltd., Lornex Capital Inc. (now Norsemont Mining Inc.), Prescient Mining Corp. (now Aurora Cannabis Inc.), Metropolitan Energy Corp. (now INDVR Brands Inc.), Sparrow Ventures Corp. (now WPD Pharmaceuticals Inc.), Ultra Lithium Corp. (now Ultra Lithium Inc.), Schwabo Capital Corporation, Avarone Metals Inc., Inca One Resources Corp. (now Inca One Gold Corp.), Afrasia Mineral Fields Inc. (now Intellabridge Technology Corporation), Mantle Resources Inc. (now NorZinc Ltd.), Sudamet Ventures Corp. (now Web3 Ventures Inc.), Minaean International Corp. (now Minaean SP Construction Corp.) and Mantle Resources Inc. (now ZincX Resources Corp.). Ms. Rivera has a Bachelor of Commerce in Economics degree from the University of Santo Tomas in the Philippines. Ms. Rivera is an employee with the Company who intends to spend approximately 100% of her business hours on the affairs of the Company. Ms. Rivera has not entered into a non-disclosure agreement or non-competition agreement with the Company.

***Allan Larmour (Age: 68) – Director*** - Mr. Larmour is an accomplished entrepreneur with over 25 years of experience in Fortune 500 companies, start-up technology companies, international sales and business development, and executive management. He has been a strategic business planning and investment consultant since 2009. Mr. Larmour is a director and the CEO and President of Cannogen International Inc., a British Columbia company that has filed a preliminary prospectus with the BCSC as principal regulator. The principal business of Cannogen International Inc. is to develop, produce, market and sell science-based health products. He is a professional engineer and holds a Bachelor of Applied Science degree in electrical engineering and a Bachelor of Science degree in genetics, both from the University of British Columbia. Mr. Larmour provides his director services as a contractor of the Company and intends to spend approximately 10% of his business hours on the affairs of the Company. Mr. Lamour has not entered into a non-disclosure agreement or non-competition agreement with the Company.

***John Bean (Age: 70) – Director*** – Mr. Bean, a Chartered Professional Accountant, is an experienced cannabis and real estate sector chief financial officer who provides corporate finance leadership and strategic

business development guidance, and strengthens corporate governance. Mr. Bean is currently a director of Norsemont Mininc Inc. (CSE: NOM), Tearlach Resources Limited (TSXV: TEA), Avarone Metals Inc. (CSE: AVM) and CFO of Cullinan Metals Corp. (CSE: CMT). He was CFO of Aurora Cannabis Inc. (NASDAQ: ACB; TSX: ACB) and served on the board of Prescient Mining Corp., which became Aurora Cannabis Inc., General Fusion Inc., SyncWave Energy Inc., TAP Ventures Inc., RSI International, BC Technologies Industry Association, Accenture's CSTaR (Center for Strategic Technology Research) and Bobolink Daycare Society for Deaf Children. He is also the CFO of Allied Plumbing Heating and Air Conditioning Ltd., from October 26, 2022 to present, a private British Columbia company. Mr. Bean holds a Bachelor of Commerce degree from the University of British Columbia. Mr. Bean provides his director services as a contractor of the Company and intends to spend approximately 10% of his business hours on the affairs of the Company. Mr. Bean has not entered into a non-disclosure agreement or non-competition agreement with the Company.

***Kant Trivedi (Age: 47) – Director*** – Mr. Trivedi has over 20 years of experience within the technology, telecommunications, financial services and blockchain sectors. He is a director and co-founder of Blockfusion Technologies Inc., a technology company building blockchain and AI infrastructure. Mr. Trivedi has been the President and Chief Operating Officer of Blockfusion Technologies Inc. since 2017, a private digital asset company that operates crypto mining data centers powered by renewable energy. Mr. Trivedi was chief operating officer and managing director (Partner) at Greenwich Associates, a consulting firm that works with several of the largest banks and Fintech firms globally, which he successfully led to an exit. He also held senior leadership positions with Rogers Communications Inc. and prior to Rogers, he was general manager at Look Communications Inc. Mr. Trivedi holds an MBA from Queen's University. He currently sits on the board of several public companies. Mr. Trivedi has a Master's degree in Business Administration from Queens University. Mr. Trivedi provides his director services as a contractor of the Company and intends to spend approximately 10% of his business hours on the affairs of the Company. Mr. Trivedi has not entered into a non-disclosure agreement or non-competition agreement with the Company.

***Anthony Zelen (Age: 50) – Director*** – Mr. Zelen, a serial entrepreneur, has over 27 years of experience in finance, investor relations, sales, and corporate development. Mr. Zelen is the President of Zelen Consulting Inc., a private company wholly-owned by Mr. Zelen which provides capital markets advisory services to public and private companies; and is a senior officer and director of various public and private companies. He was a co-founder of BIGG Digital Assets Inc. (CSE: BIGG) which reached a market cap of over \$900 million. He is a director and president of Senergy Communications Capital Inc. since 2006, which is focused on the public markets and is involved in investor relations, public relations, social media and strategic marketing for the technology, cannabis, pharmaceutical, mining and oil & gas sectors. Mr. Zelen has served as an officer and director of at least 16 publicly listed companies over the last 27 years. His business activities within the venture capital arena enabled him to establish a network of angel investors, family offices, accredited investors, and investment banking contacts throughout North America, Europe and Asia. He has also been involved in no less than a dozen startups including such companies as Diitalk Communications and Blockchain Intelligence Group. Mr. Zelen has a Bachelor of Art's degree in Political Science and Economics from Simon Fraser University. Mr. Zelen provides his director services as a contractor of the Company and intends to spend approximately 10% of his business hours on the affairs of the Company. Mr. Zelen has not entered into a non-disclosure agreement or non-competition agreement with the Company.

## Cease Trade Orders, Bankruptcies, Penalties or Sanctions

### *Cease Trade Orders*

Except as disclosed herein, to the knowledge of the Company, no director or executive officer of the Company, is, as of the date of this AIF, or was within 10 years before the date of this AIF, a director, CEO or CFO of any company that:

(a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, CEO or CFO, or

(b) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO.

Allan Larmour was a director of EmerGeo Solutions Worldwide Inc. ("**EmerGeo**") when it became the subject of a cease trade order issued by the British Columbia Securities Commission dated August 7, 2013, for its failure to file a comparative financial statement for the financial year ended March 31, 2013, and a management's discussion and analysis for the period ended March 31, 2013. On November 6, 2013, EmerGeo became the subject of a cease trade order issued by the Alberta Securities Commission for its failure to file annual audited financial statements, annual management's discussion and analysis, and certification of annual filings for the year ended March 31, 2013, and interim unaudited financial statements, interim management's discussion and analysis, and certification of interim filings for the interim period ended June 30, 2013. As at the date hereof, both cease trade orders remain in effect.

John Bean was an officer of Underground Energy Corporation ("**UGE**") when it became subject of a cease trade order issued by the BCSC dated May 2, 2013 for UGE's failure to file a comparative financial statement for the financial year ended December 31, 2012 and a management's discussion and analysis for the period ended December 31, 2012.

John Bean was an officer of UGE when it became subject of a cease trade order issued by the BCSC on July 4, 2013 for UGE's failure to file financial statements and management's discussion and analysis for both the year ended December 31, 2012 and the three months ended March 31, 2013.

John Bean was an officer of UGE when it became subject of a cease trade order issued by the Alberta Securities Commission on October 3, 2013 for UGE's failure to file financial statements and management's discussion and analysis for the year ended December 31, 2012, the three months ended March 31, 2013 and six months ended June 30, 2013.

John Bean was an officer of UGE. UGE was dissolved in 2018. On March 4, 2013, Underground Energy, Inc. ("**UEI**"), the wholly-owned subsidiary of UGE, voluntarily filed for Chapter 11 creditor protection in the U.S. Federal Court. The filing was made in response to liens filed by creditors against UEI's principal properties. On January 5, 2015, the U.S. Federal Court approved a plan of reorganization, whereby the assets of UEI



were managed by a trust, the trustees of which were representatives of the creditors. Over the ensuing years to December, 2017, the trust sold all assets, with proceeds going to the creditors. UEI was dissolved in 2015. The Underground Energy Trust bankruptcy case entity was officially closed in December, 2017. The parent company, UGE, was dissolved in 2018.

Anthony Zelen was a director of Hollister Biosciences Inc. (“**HBI**”) when the BCSC issued a cease trade order on June 16, 2020 against it for failure to file its annual financial statements and related management’s discussion and analysis and certifications for the year ended December 31, 2019. This cease trade order was revoked on July 15, 2020.

Anthony Zelen was a director of HBI when the BCSC issued a cease trade order on May 4, 2021 against it for failure to file its annual financial statements and related management’s discussion and analysis and certifications for the year ended December 31, 2020. This cease trade order was revoked on June 1, 2020.

Anthony Zelen was a director of New Wave Holdings Corp. (“**New Wave**”) when the BCSC issued a cease trade order on July 31, 2021 against it for failure to file its annual financial statements and related management’s discussion and analysis and certifications for the year ended March 31, 2021. This cease trade order was revoked on October 29, 2021.

Anthony Zelen was a director of New Wave when the Ontario Securities Commission issued a cease trade order on August 3, 2021 against it for failure to file its annual financial statements and related management’s discussion and analysis and certifications for the year ended March 31, 2021. This cease trade order was revoked on November 1, 2021.

Anthony Zelen was a director of New Wave when the Ontario Securities Commission issued a cease trade order on October 5, 2021 against it for failure to file its annual audited financial statements for the year ended March 31, 2021 and its interim financial statements and related management’s discussion and analysis and certifications for the period ended June 30, 2021. This cease trade order was revoked on October 29, 2021.

Anthony Zelen, while acting as the chief executive officer and a director of Lida Resources Corp. (“**Lida**”), Lida was subject to a failure-to-file financial statements management cease trade order issued by the principal regulator of British Columbia on December 31, 2021. The management cease trade order was revoked on March 4, 2022.

### ***Bankruptcies***

Except as disclosed herein, to the knowledge of the Company, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Allan Larmour was a director of EmerGeo Solutions Inc., a subsidiary of EmerGeo incorporated on July 2, 2002, and in the business of providing emergency and crisis management software and services, when it filed an Assignment in Bankruptcy on February 16, 2012. The assets of EmerGeo Solutions Inc. were subsequently sold and recovered amounts paid to creditors.

### ***Penalties or Sanctions***

To the knowledge of the Company, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a security's regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Pursuant to a Settlement Agreement dated November 27, 2017, Lucas Russell, the President, CEO and a director of the Company, admitted that in or about June 2016, he cut and pasted client signatures from account forms previously signed by two clients onto two new account forms, contrary to Mutual Fund Dealers Association of Canada (“MFDA”) Rule 2.1.11. Mr. Russell was registered in the mutual fund industry commencing in March 2009. Between January 2015 and June 2016, Mr. Russell was registered in British Columbia as a mutual fund salesperson (now known as a dealing representative) with a member of the MFDA. A Hearing Panel of the MFDA issued its Reasons for Decision dated March 7, 2018 in connection with a settlement hearing held in Vancouver, British Columbia on January 22, 2018. In its Reasons for Decision, the Hearing Panel confirmed the sanctions imposed on Mr. Russell. In particular, Mr. Russell: was prohibited from conducting securities related business in any capacity while in the employ of or associated with a MFDA Member for a period of six months; ordered to pay a fine in the amount of \$2,500; and recognized receipt of costs in the amount of \$2,500.

### **Conflicts of Interest**

The Company's directors and officers may serve as directors or officers, or may be associated with other reporting companies, or have significant shareholdings in other public companies, or are engaged in or may engage in other activities in the industries in which the Company operates and, as a result of these and other activities, the directors and officers of the Company may become subject to conflicts of interest.

To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the BCBCA. In accordance with the laws of the Province of British Columbia,

the directors and officers of the Company are required to act honestly, in good faith, and the best interest of the Company.

### **PROMOTERS**

No person or company has been, within the two most recently completed financial years or during the current financial year, a promoter of the Company.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

#### **Legal Proceedings**

To the knowledge of the Company, there were no material legal proceedings that the Company is or was a party to, or that any of its property is or was subject of, during the year ended September 30, 2022, and from October 1, 2022, to the date of this AIF.

#### **Regulatory Actions**

There have not been any:

- (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the year ended September 30, 2022, and from October 1, 2022, to the date of this AIF;
- (b) any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely to be considered important to a reasonable investor in making an investment decision; and
- (c) settlement agreements that the Company entered into before a court relating to securities legislation or with a securities regulatory authority during the year ended September 30, 2022, and from October 1, 2022, to the date of this AIF.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this AIF, no director or executive officer of the Company, or shareholder holding more than 10% of the Common Shares, or any known associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

## TRANSFER AGENT AND REGISTRAR

The Company's Registrar and Transfer Agent is Odyssey Trust Company, located at 350 – 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

## MATERIAL CONTRACTS

Cloud Nine has not entered into any material contracts, outside of the ordinary course of business, prior to the date hereof, other than the following:

- the Asset Purchase Agreement with Victory Square dated March 15, 2021 which was filed on SEDAR on August 31, 2021. Pursuant to the Asset Purchase Agreement, the Company acquired certain development stage intellectual property assets from Victory Square in consideration for the issuance of 4,411,765 Common Shares at a deemed price of \$1.36 per Common Share for a purchase price of \$6 million.
- SPA between Cloud Nine and Next Decentrum dated June 28, 2021. See "General Development of the Business – Three Year History - Events subsequent to the financial year ended September 30, 2020".
- Strategic Alliance Agreement dated June 28, 2021, between Cloud Nine and Next Decentrum.
- Investors Rights Agreement dated June 28, 2021, between Cloud Nine, Next Decentrum, and all of the shareholders of the Company.
- Content License Agreement dated October 28, 2021, between Cloud Nine and Next Decentrum.
- White Label Platform License Agreement dated October 28, 2021, between Cloud Nine and Next Decentrum.
- Virtual office services agreement dated November 8, 2021, between Cloud Nine and TerraZero Technologies.
- the Argent Services Agreement with Argent Crypto dated January 20, 2022 for cryptocurrency mining services which was filed on SEDAR on January 21, 2022. (See Section 4.1 "Narrative Description of the Business"). Pursuant to the Argent Services Agreement, Argent Crypto agreed to access and utilize the Company's unused computer processing power of the Company's userbase

to mind digital assets, collect digital assets from such activity and convert such assets into fiat currency on behalf of the Company. During the term of the agreement, the Company has the right to require Argent to initiate, halt and re-commence such services at the Company's sole discretion. For their services, Argent Crypto is entitled to a service fee equal to an agreed upon percentage from the converted fiat amount, with the balance being paid out to the Company. The agreement may be terminated at any time by any party with at least 90 days' notice. To date, the Company has not instructed Argent to commence operations.

## **INTEREST OF EXPERTS**

### **Names of Experts**

The following are the persons or companies who were named as having prepared or certified a report, valuation, statement, or opinion in this AIF, either directly or in a document incorporated by reference and whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company:

WDM Chartered Professional Accountants ("**WDM**"), the Company's independent auditors, have prepared an independent audit report dated January 17, 2023, in respect of the Company's audited consolidated financial statements for the years ended September 30, 2022 and 2021.

### **Interests of Experts**

WDM, auditors of the Company, have confirmed that they are independent of the Company within the meaning of the 'Rules of Professional Conduct' of the Chartered Professional Accountants of British Columbia. There is no interest, directly or indirectly, in any securities or property of the Company, or of an Associate or Affiliate of the Company, received or to be received by an expert.

## **AUDIT COMMITTEE**

The Audit Committee is a standing committee of the Board of Directors, the primary function of which is to assist the Board of Directors in fulfilling its financial oversight responsibilities, which will include monitoring the quality and integrity of the Company's financial statements and the independence and performance of the Company's external auditor, acting as a liaison between the Board of Directors and the Company's external auditor, reviewing the financial information that will be publicly disclosed and reviewing all audit processes and the systems of internal controls management and the Board have established.

### **Audit Committee Charter**

The text of the Company's Audit Committee Charter is attached hereto as Schedule A to this AIF.

### **Composition of Audit Committee**

NI 52-110 provides that a member of an audit committee is "independent" if the member has no direct or indirect material relationship with the Company, which could, in the view of the Board, reasonably interfere

with the exercise of the member's independent judgment.

NI 52-110 provides that an individual is “financially literate” if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

As of the date of this AIF, the members of the Audit Committee are John Bean (Chair), Anthony Zelen and Kant Trivedi.

All three members are considered independent members of the Audit Committee.

All members of the audit committee are considered to be financially literate. All of the Audit Committee members have the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

### **Relevant Education and Experience**

All of the Audit Committee members are senior level business people with experience in financial matters. Each has an understanding of accounting principles used by the Company to prepare financial statements and varied experience as to general application of such accounting principles, as well as the internal controls and procedures necessary for financial reporting, garnered from working in their individual fields of endeavour.

Each member also has an understanding of the education technology business in which the Company is engaged in and has an appreciation of the financial issues and accounting principles that are relevant in assessing the Company's financial disclosures and internal control systems.

In addition, each of the members of the Audit Committee have knowledge of the role of an audit committee in the realm of reporting companies from their years of experience as directors or officers of public companies other than the Company.

For additional details regarding the relevant education and experience of each member of the Audit Committee, see the relevant biographical experiences for each of the directors under the heading “*Directors and Officers*”.

### **Audit Committee Oversight**

The Audit Committee has not made any recommendations to the Board to nominate or compensate any auditor other than WDM for the financial year ended September 30, 2022.

### **Reliance on Certain Exemptions**

At no time has the Company relied on an exemption from NI 52-110, in whole or in part, granted under

### Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services, other than as set out in the audit committee charter.

### External Auditor Service Fees (By Category)

The Audit Committee has reviewed the nature and amount of the audit services provided by Smythe LLP to the Company to ensure auditor independence. The aggregate fees billed by the Company's external auditor during the financial years ended September 30, 2022 and September 30, 2021, are as follows:

Financial Period Ending	Audit Fees (\$) <sup>(1)</sup>	Audit Related Fees (\$) <sup>(2)</sup>	Tax Fees (\$) <sup>(3)</sup>	All Other Fees (\$) <sup>(4)</sup>
2021	54,500	13,500	2,500	-
2022 <sup>(5)</sup>	40,000	9,500	2,500	-

**Notes:**

- (1) "Audit Fees" relate to professional services rendered for audits of annual financial statements and reviews of interim financial statements of the Company.
- (2) "Audit-Related Fees" relate to assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements that are not included under the heading "Audit Fees".
- (3) "Tax Fees" relate to fees for tax compliance, tax planning, tax structuring and tax advice.
- (4) "All Other Fees" refer to fees for products and services other than as set out under the headings "Audit Fees", "Audit Related Fees" and "Tax Fees".
- (5) 2022 fees relate to billed interim review fees and accrued audit and tax fees.

### ADDITIONAL INFORMATION

Additional information relating to the Company, including financial information in the Company's audited consolidated financial statements and management's discussion and analysis for the year ended September 30, 2022, is available on SEDAR at [www.sedar.com](http://www.sedar.com) under the Company's profile.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's information circular for its most recent annual meeting of securityholders.

**SCHEDULE A**  
**AUDIT COMMITTEE CHARTER**

**CLOUD NINE WEB3 TECHNOLOGIES INC.**

This Charter establishes the composition, the authority, roles and responsibilities and the general objectives of the Company's audit committee, or its Board of Directors in lieu thereof (the "**Audit Committee**"). The roles and responsibilities described in this Charter must at all times be exercised in compliance with the legislation and regulations governing the Company and any subsidiaries.

**1. Composition**

- (a) *Number of Members.* The Audit Committee must be comprised of a minimum of three directors of the Company.
- (b) *Chair.* If there is more than one member of the Audit Committee, members will appoint a chair of the Audit Committee (the "**Chair**") to serve for a term of one (1) year on an annual basis. The Chair may serve as the chair of the Audit Committee for any number of consecutive terms.
- (c) *Financial Literacy.* All members of the audit committee will be financially literate as defined by applicable legislation. If upon appointment a member of the Audit Committee is not financially literate as required, the person will be provided with a period of three months to acquire the required level of financial literacy.

**2. Meetings**

- (a) *Quorum.* The quorum required to constitute a meeting of the Audit Committee is set at a majority of members.
- (b) *Agenda.* The Chair will set the agenda for each meeting, after consulting with management and the external auditor. Agenda materials such as draft financial statements must be circulated to all Audit Committee members for members to have a reasonable amount of time to review the materials prior to the meeting.
- (b) *Notice to Auditors.* The Company's auditors (the "**Auditors**") will be provided with notice as necessary of any Audit Committee meeting, will be invited to attend each such meeting and will receive an opportunity to be heard at those meetings on matters related to the Auditor's duties.
- (d) *Minutes.* Minutes of the Audit Committee meetings will be accurately recorded, with such minutes recording the decisions reached by the committee.

**Roles and Responsibilities**

The roles and responsibilities of the Audit Committee include the following:

External Auditor

The Audit Committee will:



- (a) *Selection of the external auditor.* Select, evaluate and recommend to the Board, for shareholder approval, the Auditor to examine the Company's accounts, controls and financial statements.
- (b) *Scope of Work.* Evaluate, prior to the annual audit by the Auditors, the scope and general extent of the Auditor's review, including the Auditor's engagement letter.
- (c) *Compensation.* Recommend to the Board the compensation to be paid to the external auditors.
- (d) *Replacement of Auditor.* If necessary, recommend the replacement of the Auditor to the Board of Directors.
- (e) *Approve Non-Audit Related Services.* Pre-approve all non-audit services to be provided by the Auditor to the Company or its subsidiaries.
- (f) *Responsibility for Oversight.* Must directly oversee the work of the Auditor. The Auditor must report directly to the Audit Committee.
- (g) *Resolution of Disputes.* Assist with resolving any disputes between the Company's management and the Auditors regarding financial reporting.

#### Consolidated Financial Statements and Financial Information

The Audit Committee will:

- (a) *Review Audited Financial Statements.* Review the audited consolidated financial statements of the Company, discuss those statements with management and with the Auditor, and recommend their approval to the Board.
- (b) *Review of Interim Financial Statements.* Review and discuss with management the quarterly consolidated financial statements, and if appropriate, recommend their approval by the Board.
- (c) *MD&A, Annual and Interim Earnings Press Releases, Audit Committee Reports.* Review the Company's management discussion and analysis, interim and annual press releases, and audit committee reports before the Company publicly discloses this information.
- (d) *Auditor Reports and Recommendations.* Review and consider any significant reports and recommendations issued by the Auditor, together with management's response, and the extent to which recommendations made by the Auditor have been implemented.

#### Risk Management, Internal Controls and Information Systems

The Audit Committee will:

- (a) *Internal Control.* Review with the Auditors and with management, the general policies and procedures used by the Company with respect to internal accounting and financial controls. Remain informed, through communications with the Auditor, of any weaknesses in internal control that could cause errors or deficiencies in financial reporting or deviations from the accounting policies of the Company or from applicable laws or regulations.
- (b) *Financial Management.* Periodically review the team in place to carry out financial reporting functions, circumstances surrounding the departure of any officers in charge of financial reporting, and the appointment of individuals in these functions.

- (c) *Accounting Policies and Practices.* Review management plans regarding any changes in accounting practices or policies and the financial impact thereon.
- (d) *Litigation.* Review with the Auditor and legal counsel and litigation, claims, or contingency, including tax assessments, that could have a material effect upon the financial position of the Company and the manner in which these matters are being disclosed in the consolidated financial statements.
- (e) *Other.* Discuss with management and the Auditors correspondence with regulators, employee complaints, or published reports that raise material issues regarding the Company's financial statements or disclosure.

### Complaints

- (a) *Accounting, Auditing and Internal Controls.* The audit Committee must establish a procedure for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal controls and auditing matters.
- (b) *Employee Complaints.* The Audit Committee must establish a procedure for the confidential transmittal on condition of anonymity by the Company's employees of concerns regarding questionable accounting or auditing matters.

### **3. Authority**

- (a) *Auditor.* The Auditor, and any internal auditors hired by the company, will report directly to the Audit Committee.
- (b) *Independent Advisors.* The Audit Committee may, at the Company's expense and without the approval of management, retain, the services of independent legal counsels and any other advisors it deems necessary to carry out its duties and set and pay the monetary compensation of these individuals.

### **4. Reporting**

The Audit Committee will report to the board on:

- (a) the Auditor's independence;
- (b) the performance of the Auditor and any recommendations of the Audit Committee in relation thereto;
- (c) the reappointment and termination of the Auditor;
- (d) the adequacy of the Company's internal controls and disclosure controls;
- (e) the Audit Committee's review of the annual and interim consolidated financial statements;
- (f) the Audit Committee's review of the annual and interim management discussion and analysis;
- (g) the Company's compliance with legal and regulatory matters to the extent they affect the financial statements of the Company; and
- (h) all other matters dealt with by the Audit Committee.