NEPTUNE DIGITAL ASSETS CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

For the three-month period ended November 30, 2023

Containing information up to and including January 29, 2024

Form 51-102F1
Management's Discussion & Analysis for
NEPTUNE DIGITAL ASSETS CORP.
(the "Company")
Containing information up to and including January 29, 2024

NOTICE

This Management Discussion and Analysis ("**MD&A**") is intended to help the reader understand the consolidated financial statements of Neptune Digital Assets Corp. ("**Neptune**"), formerly known as Neptune Dash Technologies Corp., and includes its wholly owned subsidiary Neptune Stake Technologies Corp. and Neptune Digital USA Corp. The information provided herein should be read in conjunction with the Company's condensed consolidated interim financial statements for the period ended November 30, 2023 and the consolidated audited financial statements for the year ended August 31, 2023 (the "**Financial Statements**").

The following comments may contain estimates of anticipated future trends, activities or results made by management of the Company ("**Management**"). These are not a guarantee of future performance since actual results could change based on other factors and variables beyond the control of Management.

Management is responsible for the preparation and integrity of the Financial Statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the Financial Statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders.

All currency amounts are expressed in Canadian dollars unless otherwise noted.

Additional information related to the Company is available for viewing on SEDAR+ and on the Company's website at http://www.neptunedigitalassets.com/.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and forward-looking information (collectively, "**forward-looking statements**") within the meaning of applicable Canadian securities legislation. These statements relate to future events or the future activities or performance of the Company. All statements, other than statements of historical fact are forward-looking statements. Forward-looking statements are typically identified by words such as: "believe", "expect", "anticipate", "intend", "estimate", "postulate" and similar expressions, or which by their nature refer to future events. These forward-looking statements include, but are not limited to, statements concerning:

- the Company's strategies and objectives, both generally and in respect of its digital currency assets;
- the Company's future cash requirements;
- general business and economic conditions;
- the Company's ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations;
- the timing and pricing of proposed financings, if applicable;
- the anticipated completion of financings;
- the anticipated receipt of regulatory approval or acceptance of financings;
- the anticipated use of the proceeds from the financings;

Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Inherent in forward-looking statements are risks and uncertainties beyond the Company's ability to predict or control, including, but not limited to, risks related to the Company's inability to predict future cryptocurrency asset pricing, the ability to determine the results of voting decisions made by cryptocurrency networks to determine how these blockchains perform network upgrades over time, and other variables that are disclosed under "Risk Factors".

The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance and that actual results are likely to differ, and may differ materially, from those expressed or implied by forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove incorrect, including, but not limited to, assumptions about:

- the level and volatility of the prices for cryptocurrencies, specifically the Bitcoin, Cosmos ATOM, Polkadot, Graph, Ethereum, Dash, Solana and Fantom blockchains;
- the reliability, solvency, and security of third-party exchanges and other cryptocurrency service providers;
- the economics of mining cryptocurrencies and decentralized finance projects;
- general business and economic conditions;
- the timing and amount of staking, DeFi, mining, and node rewards earned over time;
- conditions in the financial and cryptocurrency markets generally, and with respect to the prospects for the supply and demand of Bitcoin, ATOM, Polkadot, Graph, Ethereum, Dash, Solana and Fantom cryptocurrencies specifically;
- the security and reliability of smart contracts for different blockchains and decentralized financial protocols;
- the hashing power and general integrity of blockchains, specifically the Bitcoin, Cosmos ATOM, Polkadot, Graph, Ethereum, Dash, Solana and Fantom blockchains with respect to vulnerability from a malicious third party, or 51% attack;
- regulatory developments within Canada and internationally that affect cryptocurrencies as an asset class both directly and indirectly;
- tax developments directed at cryptocurrency assets that may be enacted into legislation over time;
- governance decisions made by the blockchain network operators that affect the rewards payout allocation;

These forward-looking statements are made as of the date hereof and the Company does not intend and does not assume any obligation, to update these forward-looking statements, except as required by applicable law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. In particular, the current state of the cryptocurrency markets and global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations. See "Risk Factors – Insufficient Financial Resources/Share Price Volatility".

BUSINESS SUMMARY

Neptune Digital Assets Corp. (the "Company" or "Neptune") (formerly Neptune Dash Technologies Corp.) was incorporated on October 31, 2017 under the laws of the province of British Columbia. On December 17, 2020, the Company changed its name to Neptune Digital Assets Corp. The Company's shares are listed on the TSX Venture Exchange (TSX-V) under the symbol NDA, on the Frankfurt Stock Exchange under the symbol 1NW, and on the OTCQB Venture Market under NPPTF. The head office, registered and records office of the Company is located in Vancouver, BC, Canada.

The Company's primary objective is to accumulate growth assets and to grow large-scale revenue-generating blockchain projects including, but not limited to, Bitcoin mining, node operations, cryptocurrency staking, yield farming, and liquidity mining with decentralized finance (DeFi) tokens and their associated ecosystems.

The Company plans to accumulate, hold, and generate returns, if possible, on fiat currency, cryptocurrency, and other assets which it deems as potentially valuable over the long term. The Company also plans to actively evaluate technology companies that are currently operating within the blockchain ecosystem, with the intention of acquiring, investing in or building blockchain infrastructure technologies.

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

Highlights for the three months ended November 30, 2023 and up to January 29, 2024

- On January 15, 2024, the Company settled a claim filed against a company located in Alberta (the "Defendant") arising out of the breach of Master Service Agreement entered into between the Company and the Defendant on February 27, 2021. The Defendant acknowledges indebtedness owing to the Company of US$1,144,497 due and payable on June 15, 2024.

- On December 12, 2023, the Company sold some of its mining equipment for gross proceeds of US$162,800.

- On December 3, 2023, issued 1,551,785 common shares on the exercises of 837,500 warrants at $0.13 and 714,285 warrants at $0.175 for gross proceeds of $233,875.

SUMMARY OF QUARTERLY RESULTS

The tables below set out the quarterly results from the last two years.

Financial Results	Quarter Ended November, 2023	Quarter Ended August 31, 2023	Quarter Ended May 31, 2023	Quarter Ended February 28, 2023
Revenue	$523,028	$515,503	$677,863	$535,267
Other and finance income[(1)]	$340,600	$140,341	$301,746	$302,001
Operating expenses[(2)]	($977,854)	($1,306,648)	($1,058,800)	($944,831)
Net income (loss)	$1,018,302	($4,790,835)	$87,646	$629,732
Net comprehensive income (loss) for the period	$6,430,772	($5,895,622)	$885,055	$2,667,729
Net income (loss) per share - basic	$0.01	($0.04)	$0.00	$0.01
Net income (loss) per share - diluted	$0.01	($0.04)	$0.00	$0.01
Total Assets	$39,044,481	$32,935,523	$38,520,034	$37,691,439
Total Long-term Liabilities	-	-	-	-
Weighted average shares outstanding for the period - basic	125,534,811	125,242,691	124,950,572	124,909,811
Weighted average shares outstanding for the period - diluted	129,346,981	125,242,691	126,251,814	125,383,218
Cash dividends declared	-	-	-	-

Financial Results	Quarter Ended November 30, 2022	Quarter Ended August 31, 2022	Quarter Ended May 31, 2022	Quarter Ended February 28, 2022
Revenue	$591,320	$537,232	$549,111	$2,396,823
Other and finance income[(1)]	$493,887	$18,532	$1,137,653	$1,059,132
Operating expenses[(2)]	($2,173,015)	($1,101,800)	($1,218,833)	($1,183,829)
Net income (loss)	($1,051,990)	($25,133,176)	($1,187,196)	$2,746,046
Net comprehensive income (loss) for the period	($1,051,990)	($15,032,014)	($11,000,817)	($1,639,978)
Net income (loss) per share - basic	($0.01)	($0.20)	($0.01)	$0.02
Net income (loss) per share - diluted	($0.01)	($0.20)	($0.01)	$0.02
Total Assets	$34,954,127	$36,042,344	$47,043,393	$62,100,508
Total Long-term Liabilities	-	-	-	-
Weighted average shares outstanding for the period - basic	124,909,811	124,909,811	124,909,811	124,909,811
Weighted average shares outstanding for the period - diluted	124,909,811	124,909,811	124,909,811	129,699,085
Cash dividends declared	-	-	-	-

[(1)] Consists of staking income, interest earned on digital currency, digital currency receivable, and digital currency loans, and interest income from loans receivable, short term investments, and bank interest.
[(2)] Consists of consulting fees, cost of mining revenue, depreciation, directors fees, foreign exchange recovery (loss), impairment loss on financial assets, marketing, office and miscellaneous, professional fees, unrecoverable sales tax, and shared-based compensation.

DISCUSSION OF RESULTS

Results for the three months ended November 30, 2023 compared to the three months ended November 30, 2022

The following analysis discusses the Company's operating results.

- During the three-month period ended November 30, 2023, the Company mined 12 (2022 - 26) Bitcoin and recognized $523,028 (2022 - $580,343) to revenue. Mining expenses incurred during the three-month period ended November 30, 2023 totalled $551,159 (2022 - $506,540) and comprised of hashrate management fees of $5,691 (2022 - $32,850), operating and maintenance costs of $493,604 (2022 - $369,962), and depreciation of mining equipment of $51,864 (2022 - $103,728). During the three-month period ended November 30, 2023, the Company earned $nil (2022 - $10,977) rewards from providing liquidity in liquidity pools.

- During the three-month period ended November 30, 2023, the Company earned $147,006 (2022 - $145,567) in staking and DeFi rewards recognized within other income. During the three-month period ended November 30, 2023, the Company commenced staking JUNO. Staking income is comprised of $96,405 (2022 - $143,120) earned in ATOM, $983 (2022 - $2,012) earned in Dash, $872 (2022 - $435) earned in Ethereum, $10,278 (2022 - $nil) earned in Polkadot, $2,512 (2022 - $nil) earned in Solana, and $35,956 (2022 - $nil) earned in JUNO.

- As at August 31, 2023, included in investments in equity instruments at fair value through profit and loss are investments in a private investment fund that focuses on digital assets, two private US companies whose sole purpose is to invest in a US spacecraft manufacturer, spacecraft launcher, and satellite communications provider, and a private Canadian Web3 innovation and gaming company where an independent director of the Company is the Chairman and majority owner. During the three month-period ended November 30, 2023, the Company recognized unrealized gain of $581,839 (2022 - unrealized loss of $232,718) on its investments in equity instruments at FVTPL.

- During the three-month period ended November 30, 2023, recognized within other income, the Company earned $nil (2022 - $63,266) in interest on digital currency balances and $nil (2022 - $8,013) in interest on the Company's digital currencies related to lending activities. The Company was charged Bitcoin valued at $nil (2022 - $89,879) for early redemption of digital currency receivable.

- During the three-month period ended November 30, 2023, the Company recognized as finance income, loss of $193,594 (2022 - $366,920) earned on the Company's loans receivable and short-term investments.

- During the three-month period ended November 30, 2023, the Company recognized an unrealized gain of $6,003,716 (2022 - unrealized loss of $375,714) within income or loss and other comprehensive income or loss related to changes to the fair valuation of its digital currencies - intangible assets. As at November 30, 2023, the fair value of the Company's digital currencies - intangible assets was $19,648,250 (August 31, 2023 - $12,946,322).

- The Company's other operating expenditures excluding mining expenses, for the three-month period ended November 30, 2023, totalled $426,695 (2022 - $1,666,475) of which $24,530 (2022 - $25,908) was related to depreciation, and $nil (2022 - $183,168) was related to impairment loss on financial assets, and $nil (2022 - $443,069) was related to share-based compensation, with $430,892 (2022 - $402,720) representing cash expenses and foreign exchange recovery of $28,727 (2022 - loss of $611,610).

LIQUIDITY AND CAPITAL RESOURCES

As at November 30, 2023 the Company has delegated 174,000 ATOM which earn ATOM reward income and held two masternodes which earn Dash income. The Company is also earning USD and CAD interest income on its short-term deposits with Canadian federally regulated financial institutions. The Company commenced earning revenues in November 2017, therefore has limited history and no assurances that historical performance will be indicative of future performance. The Company has positive working capital but may be reliant on external financing to take advantage of growth opportunities. The Company's ability to continue as a going concern is dependent on the Company's ability to earn digital tokens, and if necessary, liquidate digital tokens, or on its ability to raise external financing.

As at November 30, 2023 the Company had a working capital balance of $14,343,811. Significant items included cash of $375,031, short-term investments of $9,243,607, investments in equity instruments at fair value through profit or loss of $3,655,996 and loans receivable of $760,592. The Company currently has sufficient cash and cash equivalents and short-term investments to meet its current operating and administrative costs for the next 12 months.

The net change and use of proceeds for the Company during the three months ended November 30, 2023, is as follows:

- Cash used in operating activities was $1,475,925 (2022 - $694,131). The majority of this was used to fund Bitcoin mining expenses, office costs, consulting costs, professional fees, listing/filing fees, and maintaining IT infrastructure.

- Cash used in investing activities was $1,065,580 (2022 - cash from investing activities $2,058,312). The majority of this: $6,423,878 (2022 - $9,769,225) was used to purchase short-term investments, $nil (2022 - $15,300) was used to purchase property and equipment, $2,782,801 (2022 - $8,281,964) was used to issue loans receivable, $nil (2022 - $135,400) was used to purchase investments in equity instruments, and $159,545 (2022 - $nil) was used to purchase digital currencies - intangible assets. $5,841,510 (2022 - $nil) was received from redemption of short-term investments, $2,379,413 (2022 - $16,045,933) was received from settlement of loans receivable, $79,721 (2022 - $3,392) was generated from the sale of digital currencies - intangible assets, and $nil (2022 - $94,252) was generated from the sale of USD Coin and USD Coin receivable.

- There were no cash flow financing activities for the three months ended November 30, 2023 (2022 - $nil).

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

OUTSTANDING SHARE DATA

As at November 30, 2023, the Company's share capital was $56,843,880 representing 125,534,811 common shares without par value. The comprehensive income for the three months ended November 30, 2023, was $6,430,772 and total shareholders equity as at November 30, 2023 was $38,711,820.

As at January 29, 2024, the Company's equity structure is disclosed below:

	# of Shares	Exercise Price	Expiry Date (Vest Date)
Issued and Outstanding Common Shares	127,086,596		
Warrants	1,500,000 461,538 312,500 17,037,251	$0.294 $0.40 $1.00 $1.75	February 16, 2024 March 2, 2024 March 31, 2024 April 16, 2024
Stock Options	5,875,000 4,200,000 1,975,000	$0.20 $1.03 $0.23	January 21, 2031 April 28, 2031 September 21, 2032
Fully Diluted as at January 29, 2024	158,447,885		

RISK FACTORS

The Company is in the business of the acquisition, construction, and operation of blockchain infrastructure assets and projects. Due to the high growth of, and maturing marketplace around, blockchain technologies and cryptocurrency markets in general, and the nature of the Company's proposed business plan, the following risk factors, among others, will apply:

Cryptocurrency Assets Are Highly Volatile and Speculative in Nature: Masternodes, nodes, ASIC miners and validators are paid by the blockchain network in exchange for the capital and operating costs associated with their construction and operation. Given the highly volatile nature of cryptocurrencies with respect to pricing, hashing power, and block reward, the Company cannot guarantee that the net asset value of a blockchain asset, or the block reward associated with any particular token will remain at current levels or rise in the future.

Fluctuation of Cryptocurrency Prices: Cryptocurrency market technology is an early development stage technology and cryptocurrency assets are a class of assets that are not widely held, difficult to purchase and store securely, and not fully regulated. As a result of these variables, the pricing of cryptocurrency assets is highly volatile which will affect the value of staked digital assets, economics of mining operations and block reward payouts over time.

Blockchain Technology: Blockchain network technology is a development stage ecosystem with many stakeholders including miners, stakers, investors, nodes and/or masternodes and/or delegators, and other ecosystem participants. Due to the decentralised and development stage nature of blockchains, the Company cannot forecast what changes will occur to the structure of these blockchains over time, and how protocol upgrades will affect the valuation of the Company's hardware infrastructure assets and underlying cryptocurrencies.

Collusion and Third-Party Attacks: By its very nature, blockchain technologies are decentralized and subject to possible manipulation. This includes the risk of a 51% attack on a blockchain's mining network hashing power, where a malicious third party is able to reverse transactions on the blockchain through centralised control of an entire blockchain's mining power. Although considered remote, a 51% attack, and other malicious attempts to control, attack, or manipulate a particular blockchain is outside of the Management's control**.**

Counterparty Risk: Counterparty risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations or maintain a business in good standing. The Company is exposed to counterparty risk primarily through its significant deposits it places with cryptocurrency custodial service providers. The risk of a cryptocurrency custodial service provider failing to meet its contractual obligations, maintain adequate levels of security, or maintain a business in good standing may result in lost cryptocurrency.

Security Risks: Given the immutable nature of blockchain technologies, a risk exists that a malicious third party could attempt to hack or steal the Company's cryptocurrencies or tokens or other digital assets and the Company or its custodial partners may be unable to recover them. See safeguarding of crypto assets for further discussion of security protocols.

Financing Risks: The Company has limited financial resources, has limited source of operating cash flow and has no assurance that additional funding will be available for it to invest and purchase blockchain infrastructure assets. Failure to raise additional financing could result in a delay or indefinite postponement of further technological investment in the blockchain ecosystem.

Insufficient Financial Resources: The Company may not have sufficient financial resources or crypto revenues to pay operating expenses.

Dilution to the Company's Existing Shareholders: The Company may require additional equity financing to be raised in the future. The Company may issue securities at less than favorable terms to raise sufficient capital to fund its business plan. Any transaction involving the issuance of Common Shares or securities convertible into Common Shares would result in dilution, possibly substantial, to present and prospective holders of Common Shares.

Increased Costs: Management anticipates the costs of tokens and mining equipment could increase over time if demand for cryptocurrency and tokens increases. This will result in increased capital costs to purchase sufficient blockchain assets or mining equipment.

Government Regulation: Blockchain technology assets are a new and emerging asset class of which the regulatory and taxation policies related to the purchase, sale, trading, and ownership of digital tokens may change over time, and as result may have a direct impact on the Company's assets and operating cashflows.

No Assurance of Profitability: The Company has limited history of positive operating earnings and, due to the nature of its business there can be no assurance that the Company will be profitable. The Company has not paid dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is from the sale of its Common Shares or, possibly, from the sale of its cryptocurrency assets. The Company is highly dependent on Bitcoin, ATOM, Fantom and other tokens maintaining their price at current levels and not materially declining over time.

Uninsured or Uninsurable Risks: The Company's blockchain assets are uninsured and are susceptible to total loss in the event of a theft, security breach, employee error or IT malfunction. The Company takes every available precaution to reduce the risk of blockchain asset losses due to theft, security breach, employee error or IT malfunction. See safeguarding of crypto assets for further discussion of security protocols.

SAFEGUARDING OF CRYPTO AND TOKEN ASSETS

As at November 30, 2023 the Company had crypto assets, totalling $19,648,250 held in cold storage.

All crypto assets stored in cold storage are not insured. Hot wallets and loan products with companies as per below do have guarantees to pay and usually carry sufficient resources in cold storage to pay out any losses. That said given the nascent nature of this business, there are no insurance products yet available which are affordable and available to the Company. The Company continues to assess the ability to eventually insure any crypto assets held in the treasury.

Cold Storage

Cold storage wallets are crypto wallets held offline on a physical device. The Company holds a variety of assets in cold storage which include Cosmos Atom, Dash, Bitcoin, Ethereum, Polkadot, Solana, and others. Cold storage is the most secure method of storage and the Company holds both the cold storage wallets and the partial keys in separate locations. All cold storage wallets are held in vaults with the company's legal counsel with an identical backup cold storage wallet held with legal counsel in a separate city to minimize geographical risk. The keys are separated in half with each half being stored with a second and third law firm to eliminate risk of theft of full key for any individual law firm. These assets can only be accessed by two directors or officers of the Company attending the law firm and signing in.

Hot Wallets

Hot wallets are wallets that are connected through the internet and accessed through either a website or an app. The Company stores some of their crypto assets in hot wallets in order to transact in the decentralized finance space, purchase mining equipment using stable coins and earn additional crypto interest, rewards, or payments. The only hot wallet used by the Company at November 30, 2023 is Celsius which is under Chapter 11 bankruptcy protection and funds are unable to be retrieved at this time. Hot wallets have additional exposure over cold wallets as they are always connected to the internet, therefore risks include hacking, phishing, collusion, third party risk of loss and other malicious thwarting to security. The Company takes security seriously and as such uses all available security protocols such as 2FA, PINs and passwords only available to the Company CEO and COO, whitelisting of addresses and HODL modes on accounts so that tokens requested to be moved require seven days and multiple authorizations. Further details below.

Celsius: Celsius was a wealth management platform application, the Celsius Network facilitates earning interest and borrowing funds on cryptos. Celsius was recognized to have a robust AML program with a knowledgeable team of veteran AML professionals that are Certified Anti-Money Laundering Specialists (ACAMS). Celsius is accessed only by the Company CEO and COO and requires both 2FA and a security PIN in order to login to the corporate account. The primary risks associated with Celsius would have been collusion, hacking of hot wallet and third-party risk of Celsius itself. On June 12, 2022, Celsius halted withdrawals on its platform and on July 13, 2022, it filed for reorganization under Chapter 11 of the United States Bankruptcy Code. The outcome of the Chapter 11 proceedings is unknown. The Company recognized impairment losses of $1,265,901 for digital currencies receivable and $86,969 for USD Coin receivable, which are held in hot wallets with the third party during the year ended August 31, 2022. The digital currencies receivable and USD Coin receivable continued to be held in hot wallets with the third party during the three months ended November 30, 2023.

USE OF CRYPTO TRADING PLATFORMS

Neptune periodically acquires Bitcoin, stablecoins and other crypto assets using fiat currency. In order to do so, the Company uses a trading platform such as Netcoins, Genesis (Chapter 11, no longer used), Amber, Binance, or Kukoin. Netcoins, for example, is an online cryptocurrency brokerage that makes the purchase and sale of cryptocurrency easily accessible to the mass consumer and investor with a focus on compliance and safety. Netcoins utilizes BitRank Verified® software at the heart of its platform and facilitates crypto trading via a self-serve crypto brokerage portal at Netcoins.app. Netcoins is a licensed and compliant Money Service Business regulated by FINTRAC. Netcoins is wholly-owned subsidiary of BIGG Digital Assets, traded on the CSE. The Company does not store material sums of crypto assets on Netcoins and generally uses this exchange to purchase and then move assets to either hot wallets or cold storage as noted above. In order to move funds from the bank to Netcoins, both the CEO and COO are required to release payments. Additionally, Netcoins incorporates passwords for login and 2FA in order to access the website. Specific risks of loss when using Netcoins would be sending to the incorrect wallet address after purchase is made, this risk is mitigated by a multiple review process by two officers and whitelisting specific regularly used addresses of both cold storage and hot wallets.

Genesis: Genesis Global Trading, Inc. operated as a multi faceted crypto brokerage in the state of New York and is licensed under NY DFS, FINRA, SEC, FIPC, FINCEN, and Brokercheck. In order to manage or retrieve Neptune's assets at Genesis, both the CEO's and COO's authorization was required, verbal phone confirmation and multiple emails confirming the whitelisted address. Specific risks associated with assets held at Genesis would be collusion and third-party risk specifically to failure of Genesis to return assets to a whitelisted address. On November 16, 2022, Genesis halted withdrawals on its lending platform and on January 19, 2023, it filed for relief under Chapter 11 of the United States Bankruptcy Code. The outcome of the Chapter 11 proceedings is unknown. It is unknown if or when withdrawals will resume. During the year ended August 31, 2023, the Company filed a claim for loans receivable and interest accrued valued at $7,356,997 and on August 28, 2023, the Company assigned its claim to a third party for proceeds of $3,097,178 and recognized a loss on assignment of claim of $4,259,819.

OFF-BALANCE SHEET ARRANGEMENTS

As at November 30, 2023 and as at the date of this report the Company does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The Company has entered into certain transactions with related parties during the three months ended November 30, 2023. All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

A description of the transactions with Key Management Personnel are:

Name	Name	Relationship	Purpose of Transaction	Amount
Spartan Pacific Financial Ltd.	Cale Moodie	CEO & Director	Consulting Fees(1)	$105,925
Major Big Consulting Corp.	Kalle Radage	COO & Director	Consulting Fees(2)	$76,500
Carmen To Consulting Corp.	Carmen To	CFO & Director	Consulting Fees(3)	$34,776

1) The Company has a consulting agreement (the "**Spartan Agreement**") with Spartan Pacific Financial Ltd. ("**Spartan**"), a company owned by Cale Moodie, the Chief Executive Officer, pursuant to which Spartan agreed to provide management consulting services to the Company. The Company will pay Spartan a monthly fee of $35,308 per month plus an annual bonus up to 100% of the Spartan Fees measured against performance milestones. The Company has the right to terminate the Spartan Agreement by providing 24 months' notice or paying the equivalent of 24 months in fees.

2) The Company has a consulting agreement (the "**Major Big Agreement**") with Major Big Consulting Corp.("**Major Big**"), a company owned by Kalle Radage, the Chief Operating Officer, pursuant to which Major Big agreed to provide consulting services to the Company. The Company will pay Major Big $25,500 per month plus an annual bonus up to 100% of the Major Big Fees measured against performance milestones. The Company has the right to terminate the Major Big Agreement by providing 24 months' notice or paying the equivalent of 24 months in fees.

3) The Company has a consulting agreement (the "**To Consulting Agreement**") with Carmen To Consulting Corp. ("**To Consulting**"), a company owned by Carmen To, the Chief Financial Officer, pursuant to which To Consulting agreed to provide consulting services to the Company. The Company will pay To Consulting $11,592 per month plus an annual bonus up to 100% of the To Consulting Fees measured against performance milestones. The Company has the right to terminate the To Consulting Agreement by providing 24 months' notice or paying the equivalent of 24 months in fees.

In addition to the transactions above:

- The Company paid or accrued director fees during the three months ended November 30, 2023, $28,250 (2022 - $26,400) to independent directors.

- Total share-based compensation to related parties during the three months ended November 30, 2023, was $nil (2022 - $426,244).

- As at November 30, 2023, there is $28,250 (August 31, 2023 - $319,286) due to directors and officers of the Company. The balances to related parties are unsecured, non-interest bearing and without fixed repayment terms.

- During the three months ended November 30, 2023, the Company invested $nil (2022 - US$100,000) in a private Canadian company where an independent director of the Company is the Chairman and majority owner.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Significant accounting judgments and estimates

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards ("**IFRS**") requires management to make judgments, estimates and assumptions that are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which affect the application of accounting policies and the reported amounts of assets, liabilities, and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Significant judgments:

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the evaluation of the Company's ability to continue as a going concern and the following:

Income taxes:

Management exercises judgment to determine the extent to which deferred tax assets are recoverable and can therefore be recognized in the consolidated statements of financial position and income and comprehensive income.

Functional currency:

The functional currency of the Company has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company's digital currencies, production and operating costs, financing, and related transactions. Specifically, the Company considers the currencies in which digital currencies are most denominated and expenses are settled by each entity as well as the currency in which each entity receives or raises financing. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency.

Since Neptune USA is a foreign operation, the Company applied judgement to determine whether Neptune USA carries on business as if it were an extension of the parent company. Management determined that Neptune USA is an extension of the parent company and is assumed to operate in the same primary economic environment as the parent company and should have the same functional currency as the parent company.

Digital currency transactions and balances:

Digital currencies as intangible assets or inventories

Given the change in business model of the Company, digital currencies were assessed by management as to whether they should be accounted for as intangible assets or inventory.

Effective December 7, 2021, certain digital assets are transacted on DeFi platforms' liquidity pools and are purchased with the intent to resell in the near future, generating a profit from margins or from fluctuations in prices. The Company applies the inventory treatment of a broker-trader under IAS 2 Inventories ("IAS 2"). There were no digital currencies previously held as intangible assets that were classified as inventories as at December 7, 2021, August 31, 2023 and November 30, 2023.

In determining the fair value of digital currencies, management needs to apply judgments to identify the relevant available markets, and to consider accessibility to and activity within those markets in order to identify the principal digital asset markets for the Company.

Digital currencies related to lending activities representing digital currencies loaned out to third parties are accounted for as intangible assets and are presented separately on the consolidated statement of financial position. Management determined that digital currencies loaned out to third parties do not meet the derecognition criteria of IAS 38.

In June 2019, the IFRS IC published its agenda decision on 'Holdings of Cryptocurrencies,' and management exercises significant judgment in determining the appropriate accounting treatment for matters with no current definitive and uniform answers. In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies, which could have an effect on the Company's consolidated financial position and results from operations.

USD Coin

Management exercises judgment to determine whether a digital currency meets the definition of a financial asset under IFRS 9 *Financial Instruments* ("IFRS 9"). Management has determined that USD Coin represents a contractual right to receive cash from the USD Coin issuer and, therefore, meets the definition of a financial asset.

Accounting for mining revenue and rewards earned from providing liquidity in liquidity pools and staking rewards

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for accounting for (a) mining of digital assets, (b) rewards from providing liquidity in liquidity pools, (c) trading fees earned on DeFi platforms and (d) staking rewards. Management has exercised significant judgment in determining appropriate accounting treatments for these revenue and other income items. Management has determined the accounting treatments as follows:

- The Company measures bitcoins from mining at the spot price when the consideration is received daily, which is not materially different from the fair value at the time the Company has earned the awards from the pools. Bitcoins received are subsequently measured as an intangible asset.
- Revenue from rewards from providing liquidity in liquidity pools is measured at the spot price of the reward tokens at the inception of the contract. Digital assets received are subsequently measured as inventories using the broker-dealer exemption in IAS 2. As at August 31, 2023, all of the reward tokens received have been disposed of.
- Staking rewards are measured at fair value by reference to the quoted market price of the rewards at the beginning of the contract. Digital assets received are subsequently measured as an intangible asset.

In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies which could result in a change in the Company's financial position and earnings.

Digital currencies receivable from centralized exchanges

Currently, no explicit IFRS exists on determining the accounting ownership of custodied digital assets. Therefore, the Company looked to the available non-authoritative guidance. To make the accounting ownership determination, the Company considered the guidance in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8") when developing an accounting policy for such assets.

The Company used the following principles, by analogy, in accounting ownership determination:

- Control principle under IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") and
- Analysis of the characteristics of an asset as described in the IASB's revised *2018 Conceptual Framework.*

The Company assessed the terms and conditions governing the arrangement with centralized exchanges and concluded that the derecognition requirements in IAS 38 are met. Accordingly, the Company does not retain control over the assets and when such assets are transferred from cold storage to the Company's accounts held with centralized exchanges, the intangible assets are derecognized and reclassified to digital currencies receivable from centralized exchanges. The assets derecognized were revalued to their fair value on the dates of derecognition. Digital currencies purchased in the accounts held with centralized exchanges are classified as digital currencies receivable from centralized exchanges.

Control over staked digital assets

Management applied judgment whether the Company, either acting as a validator or a delegator in a staking activity, should continue to recognize staked digital assets as its own assets on the consolidated statement of financial position. The Company assessed that it should continue to recognize staked digital assets as its own assets after applying the control principle in IFRS 15.

Investments in equity instruments at fair value through profit or loss

Included in investments in equity instruments at fair value through profit or loss are a 41.45% investment in a US private company, a non-controlling interest in another US private company and a non-controlling interest in a Canada private company. Management accounted for such investments at fair value to profit or loss under IFRS 9, because the Company does not exercise significant influence over the investee. The Company does not have any contractual right to appoint any representative to the investee's board of directors. In addition, the Company does not have any participation in policy-making processes and does not have any material transactions with the investee.

The fair value of investments in investment funds which are not quoted in an active market is determined by using net asset value as determined by the investment fund's administrator. Management deems the net asset value to be the fair value after considering key factors such as the liquidity of the investment fund or its underlying investments, any restrictions on redemptions and basis of accounting. The fair value of investments in the US and Canada private companies which are not quoted in an active market is determined based on financing rounds of the US and Canada private companies or underlying investments.

Accounting for receivables from decentralized platforms relating to liquidity pool tokens

IFRS does not include specific guidance on the accounting for digital assets and there is no clear industry practice and, accordingly, the accounting for digital assets transacted on a DeFi platform's liquidity pools could fall into a variety of different standards. Accordingly, the Company classifies these digital assets as inventories starting from December 7, 2021. Prior to December 7, 2021, the Company classified the digital assets used in liquidity mining as intangible assets.

Based on the Company's business model associated with liquidity mining (a process which involves depositing cryptocurrencies into a DeFi platform's liquidity pool), characteristics of decentralized platforms such as liquidity pools, the nature of liquidity pool tokens including its redeemability feature at the discretion of the holder, the documentation within decentralized platforms that outlines the trading and redemption process, token price determination including final value at redemption, incentives for participation and other factors, the Company has applied judgment and used certain IFRS by analogy. This led to a conclusion that liquidity pool tokens represent a right to receive digital assets and the Company then assessed if this right to receive digital assets is, or includes, a derivative. Based on the Company's assessment, this right represents a hybrid instrument consisting of a host (a prepayment which is not within the scope of IFRS 9) and an embedded derivative (difference between the pro-rata share and fair value of the underlying digital assets).

Identifying whether a contract includes a lease

The Company entered into hosting contracts with third party hosting facilities to provide space and electricity to the equipment used for cryptocurrency mining.

The Company assessed whether the Company has contracted for the rights to substantially all of the capacity of the two third-party hosting facilities and whether the contracts with the third-party hosting facilities contain a lease for the occupied space in these facilities. Based on the Company's assessment of the contract terms, the Company does not have the right to obtain substantially all the economic benefits from the use of the two facilities. As a result, management concluded that the Company has not contracted for substantially all the capacity of the facilities, and therefore the contracts do not contain a lease.

Significant estimates:

Valuation of digital currencies, digital currencies receivable from centralized exchanges and embedded derivative on receivables from decentralized platforms relating to liquidity pool tokens

Digital currencies and digital currencies receivable from centralized exchanges are revalued to their fair value determined based on volume weighted average price from www.cryptocompare.com at 7:00 am UTC. The fair value of the embedded derivative on receivables from decentralized platforms relating to liquidity pool tokens be the proportionate number of underlying digital assets associated with the hypothetical redemption of a given liquidity pool token The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position. In addition, management estimates that selling costs will be nominal.

Depreciation of property and equipment

Depreciation of property and equipment is dependent upon estimates of useful lives, which are determined through the exercise of judgment.

Impairment of non-financial assets

Impairment of these non-financial assets exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. These calculations are based on available data, other observable inputs and projections of cash flows, all of which are subject to estimates and assumptions.

Calculation loss allowance

When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions, and expectations of future conditions.

Share based compensation

The Company utilizes the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate the fair value of stock options granted to directors, employees, and consultants. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the share-based compensation calculation value, however the most significant estimate is the volatility. Expected future volatility can be difficult to estimate as the Company has had limited history and is in a unique industry, and historical volatility is not necessarily indicative of future volatility.

Revenue recognition:

Mining revenue

The Company has entered into cryptocurrency mining pools by executing contracts with mining pool operators to provide computing power to the mining pool. The contracts are terminable at any time by either party without prior written notice and payment of a termination penalty is not required. The only amounts due are related to previously satisfied performance obligations which may be pending at termination (i.e. outstanding compensation earned by the Company via contribution of computing power to the pool per the contractual payment model). The Company's enforceable right to compensation begins upon providing computing power to the mining pool operator and this enforceable right is created as power is provided over time. Providing computing power to the mining pool operators is an output of the Company's ordinary activities and providing such computing power represents the only performance obligation in the Company's contracts with mining pool operators. There is no significant financing component present in these transactions. Furthermore, the agreement does result in consideration payable to the customer in the form of a pool operator fee (in bitcoin).

The Company earns revenue under payout models determined by the mining pool operators. The payout model relevant to the Company during the periods ended November 30, 2023 and 2022 is the Full Pay Per Share ("FPPS") model.

Under the FPPS model, in exchange for providing computing power to the pool, which represents the Company's performance obligation, the Company is entitled to compensation at an amount that approximates the total bitcoin that could have been mined using the Company's computing power, based upon the then current blockchain difficulty. Under this model, the Company is entitled to compensation regardless of whether the pool operator successfully records a block to the bitcoin blockchain.

The terms of the contracts specify that the performance and the expected block reward and expected transaction fees are measured either hourly or daily and are calculated from midnight-to-midnight UTC time or calculated on a look-back basis across a specified number of previous blocks. Although the performance and payment are measured hourly, certain contract allows the Company to receive its allocable share of compensation daily. Payments are associated with computing power provided during one UTC day and not combined with those for previous days.

Due to the continuous nature of the provision of computing power to the pool, the Company has determined that its performance obligation is satisfied over time. The provision of computing power represents a single performance obligation that represents a promise to transfer to the customer a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer.

Under the FPPS model, the transaction consideration the Company receives is also non-cash consideration, which the Company measures at the spot price when the consideration is received daily, which is not materially different from the fair value at the time the Company has earned the award from the pools.

Under the FPPS approach, the Company's reward is based upon the pool operator's standard FPPS payout methodology. This payout methodology determines the Company's payout, in bitcoin, based on the hashrate the Company contributed to the mining pool relative to the current network difficulty at the end of each 24-hour time-period (i.e. at 23:59 UTC) or at the end of each hour calculated on a look-back basis across a specified number of previous blocks. Revenue is calculated and recognized on a daily or an hourly basis in accordance with the payout methodology of the pool operators as specified in the Company's contracts.

Revenue from rewards earned from providing liquidity in liquidity pools

The Company engages in liquidity mining activities where it acts a liquidity provider and deposits certain tokens into certain DeFi platforms; liquidity pools. Transactions within liquidity pools are governed by a self-executing code referred to as a smart contract.

In liquidity mining, the Company earns rewards from providing liquidity in liquidity pools and share in trading fees earned by liquidity pools. Share in trading fees is a component of rewards earned from providing liquidity in liquidity pools. Certain percentage of trading fees on DeFi platforms are automatically fed back into the liquidity pools to make the pools more valuable over time. The liquidity pool providers will therefore earn their pro rata share of trading fees every time a trade is executed by the liquidity pools.

Depositing and holding liquidity pool tokens in a rewards pool for a certain contract term represents one performance obligation. In determining the contract term, the Company considered the length of time during which the Company can monitor and can decide whether to exit from the reward pool and whether the Company has reasonable ability to do so, as well as the required unbound period. Every contract term, the Company will make a decision on whether to exit from the reward pool. This is done perpetually throughout the smart contract term, and it renews each and every contract term (“evergreen contract term”) without any additional costs or penalties. Since the smart contract will renew without additional cost under the same terms, there is not material right associated with the evergreen renewal clause. Therefore, the Company assessed that there are no material rights for future services granted under the contract.

The Company assessed that each contract renewal is considered as a contract modification. The Company further assessed that the contract modification is a separate contract because the modification results in a promise to deliver additional goods that are distinct (i.e. quantity of depositing and holding liquidity pool tokens in a reward pool); and an increase in the price of the contract by an amount of consideration that reflects the Company’s stand-alone selling price for those goods (i.e. the amount of rewards would be based on the portion of the rewards generated by the reward pools in which the Company’s liquidity pool tokens are deposited in comparison to the all reward pools on the platform).

As the liquidity pool simultaneously receives and consumes the benefits provided by the Company's liquidity pool tokens, the Company has determined that its performance obligation is satisfied over time. Depositing and holding liquidity pool tokens in a reward pool represents a single performance obligation that represents a promise to transfer to the customer a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. When determining the transaction price relating to revenue from liquidity mining, the Company considered the effects of all of the following:

- Variable consideration,
- Constraining estimates of variable consideration,
- The existence of a significant financing component in the contract, and
- Non-cash consideration.

The consideration is all variable because rewards earned will be proportional to the total number of liquidity pool tokens staked. Because it is not probable that a significant reversal of cumulative revenue will not occur, the consideration is constrained until the Company is able to resolve the variable consideration, which occurs at the end of each contract term. Revenue from rewards earned from providing liquidity in liquidity pools is recognized over time (measured at the beginning of each contract term). The transaction consideration the Company receives is non-cash consideration, which the Company measures at fair value by reference to the quoted market price of the rewards from providing liquidity and pair of tokens representing proportionate share in trading fees at the beginning of each hour (i.e. inception of the contract).

<u>Other income from staking</u>

Staking is the act of posting digital assets as collateral to a proof-of-stake (“PoS”) blockchain network either as (1) a validator or (2) a delegator.

A validator is a blockchain participant (e.g., an individual or entity) that verifies transactions on a PoS blockchain as part of the blockchain’s consensus mechanism. Validators generally must be node operators to sign blocks of transactions as valid.

A delegator is an individual or entity that stakes its digital assets with a trusted validator instead of operating a node and validating blockchain transactions itself.

As a validator in staking activity, the Company earns income from staking in which the Company participates in networks with PoS consensus algorithms, through creating or validating blocks on the network. In exchange for participating in the consensus mechanism of these networks, the Company earns rewards in the form of the native token of the network. Each block creation or validation is a performance obligation. Rewards are recognized at the point when the block creation or validation is complete and the rewards are available for transfer. Other income is measured based on the number of tokens earned and the fair value of the token when it was earned.

Staking income from running a validator node is not significant during the three months ended November 30, 2023 and 2022.

As a delegator in staking activity, the Company secures the network by delegating its stake to validator nodes. The Company earns a portion of the rewards generated by validators by securing the network and producing blocks per respective period/epoch/era (varies based on the platform or the chain).

When the Company elects to de-stake digital assets acting either as delegator or validator, an unbonding period may apply. During this period, the Company typically no longer earns staking rewards on the de-staked digital assets and is subject to slashing, but it cannot sell (or otherwise transfer) those digital assets. The unbonding period varies based on the platform or the chain.

The performance obligation is the delegation of the Company's tokens to a validator node for certain contract term (which varies from one chain to another) plus the unbonding period. In determining the contract term, the Company considered the length of time during which the Company can monitor and can decide whether to exit from the reward pool and whether the Company has reasonable ability to do so. Every contract term the Company will decide on whether to unbond its position from the staking pool without additional cost or penalty. Since the smart contract will renew without additional cost under the same terms, there is not a material right associated with the evergreen renewal clause. Therefore, the Company assessed that there are no material rights for future services granted under the contract.

The Company assessed that each contract renewal is considered as a contract modification. The Company further assessed that the contract modification is a separate contract because the modification results in a promise to deliver additional services that are distinct (i.e. delegating tokens to a delegation pool); and an increase in the price of the contract by an amount of consideration that reflects the Company's stand-alone selling price for those services (i.e. pro-rata share of rewards based on the proportion of the Company's delegated assets relative to the total of other delegated assets and the validator's own assets less any commissions charged by the validator).

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. When determining the transaction price relating to rewards from liquidity staking, the Company considered the effects of all of the following:

- Variable consideration,
- Constraining estimates of variable consideration,
- The existence of a significant financing component in the contract, and
- Non-cash consideration.

The consideration is all variable because staking rewards earned will be proportional to the total number of delegated assets staked and network's inflation rate. Because it is not probable that a significant reversal of cumulative revenue will not occur, the consideration is constrained until the Company is able to resolve the variable consideration, which occurs at the end of each contract term. Revenue is recognized over time, which is measured at the beginning of each contract term. The transaction consideration the Company receives is non-cash consideration, which the Company measures at fair value by reference to the quoted market price of the rewards at the beginning of each day (i.e. inception of the contract).

Other income from staking is presented as part of other income as management deems this as part of its ancillary operations.

<u>Interest income from digital currencies related to lending activities and from digital currency balances held in exchanges and lending platforms</u>

From time to time, the Company loans out digital currencies to earn interest on these digital currencies prior to them being used to purchase mining machines or funding other asset acquisitions. The loans are in both open and closed terms at varying interest rates. Interest rates are based on a percentage of the digital currencies loaned and are denominated in the related digital currencies.

The Company also earns interest income from digital currency balances held in an exchange and lending platform based on contractual interest rates.

Interest income from digital currencies loaned is presented as part of other income as management deems this as part of its ancillary operations.

Current and non-current classification

Assets and liabilities are presented in the consolidated statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realized or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Digital currencies

The Company changed its business model starting December 7, 2021 to include engaging in DeFi related activities. The Company determined that starting December 7, 2021 revenue from investing in liquidity pools is an output of the Company's ordinary activities.

Prior to December 7, 2021

Digital currencies that are expected to be realized within 12 months of the reporting period are recorded as current assets on the consolidated statement of financial position. All other digital currencies are classified as non-current.

Management of the Company views each digital currency as an intangible asset as it is an identifiable non-monetary asset without physical substance and accordingly the Company uses the revaluation model, as permitted under IAS 38 to measure its digital currencies. Initially, the digital currencies are measured at cost. For purposes of revaluation, fair value is determined by reference to the volume weighted average price from www.cryptocompare.com at 7:00 am UTC.

If the carrying amount of a digital currency is increased as a result of a revaluation, the increase is recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If the carrying amount of a digital currency is decreased as a result of a revaluation, the decrease is recognized in profit or loss. However, the decrease is recognized in other comprehensive income to the extent of any credit balance in the other comprehensive income in respect to that digital currency.

The Company does not transfer the cumulative revaluation surplus included in equity directly to retained earnings when the surplus is realized. The whole surplus may be realized on the disposal of the asset.

The Company has assessed that the digital currencies have an indefinite useful life because there is no foreseeable limit to the period over which the assets are expected to generated cash inflows for the Company.

Purchases of digital currencies by the Company are included within investing activities on the consolidated statement of cash flows, while digital currencies awarded to the Company through its mining activities are included within operating activities on the consolidated statement of cash flows. The sales of digital currencies are included within investing activities on the consolidated statement of cash flows and any realized gains or losses from such sales are included as an item under other items on the consolidated statement of income and comprehensive income.

Digital currencies that are used in lending activities do not meet the derecognition criteria under IAS 38 and are presented as digital currencies related to lending activities on the consolidated statement of financial position. When a digital currency is transferred to digital currencies related to lending activities, both the revalued amount and the corresponding cost of the digital currency are transferred to that category.

The Company's realized gain or loss on digital currencies is calculated as the proceeds received from the sale of digital currencies less their cost, which is determined on a First-in, First-out basis.

On or after December 7, 2021

Following the change in the Company's business model, the Company has classified digital currencies as either intangible assets under IAS 38 or inventories under IAS 2, depending on facts and circumstances.

Certain digital assets are transacted in decentralized platforms and are purchased with the intent to resell in the near future, generating a profit from margins or from the fluctuations in prices. The Company applies the inventory treatment of a broker-trader under IAS 2 to these digital assets. Under IAS 2, the digital assets are measured at fair value less cost to sell, with change in fair value recognized in the consolidated statement of profit or loss. Costs are determined on a First-in, First-out basis and realized gains or losses when digital assets are sold.

There were no digital assets previously held as intangible assets that were recognized as inventories as at December 7, 2021.

At November 30 and August 31, 2023, the Company did not have any digital currencies classified as inventories because the Company did not purchase any digital currencies that would be used in liquidity service arrangement.

Digital currencies receivable from centralized exchanges

The digital currencies receivables from centralized exchanges represent a hybrid instrument with a debt host contract and embedded derivatives linked to the fair value of digital currencies. The Company accounts for this right as a financial asset (host contract) with an embedded derivative (the fair value of the digital currencies) given the value of the asset is driven by the price change of the digital currencies. The embedded derivative is not required to be bifurcated under IFRS 9 because the host contract is a financial asset. The instrument is measured at FVTPL in its entirety, because the contractual cash flows characteristics are not solely for payment of principal and interest. The change in fair value is recorded under "Change in fair value of digital assets receivable from centralized platforms" in the consolidated statement of income or loss and comprehensive income or loss.

Receivables from decentralized platforms relating to liquidity pool tokens

Receivables from decentralized platforms relating to liquidity pool tokens represent the fair value of digital assets held in blockchain-based liquidity pools and decentralized exchanges for peer-to-peer trading of such digital assets. These receivables are considered a right to receive digital assets that arises as a result of the liquidity service arrangement entered into by the Company as a liquidity provider with certain liquidity pools. The Company accounts for this right as a non-financial asset (host contract) with an embedded derivative (the difference between pro-rata share and fair value of underlying digital assets) given the value of the asset is driven by the price change of the digital assets underlying the liquidity pool tokens that could be redeemed for at the end of reporting period. The host contract is measured at cost and the embedded derivative is measured at fair value with change in fair value recorded under "Change in fair value of receivables from decentralized platforms relating to digital currencies deposited in liquidity pools" in the consolidated statement of income or loss and comprehensive income or loss.

Upon redemption of the liquidity pool tokens, realized gain or loss is determined based on the initial cost of liquidity pool tokens and the fair value of the embedded derivative. This is included within "Changes in fair value of receivables from decentralized platforms relating to liquidity pool tokens" in the consolidated statement of income or loss and comprehensive income or loss.

The Company's accounting policy is to present the host and embedded derivative as one line item on the consolidated statements of financial position. The Company classifies the asset as current or non-current depending on the cash flows of the whole hybrid arrangement because the embedded derivative cannot be settled separately from the host contract.

Share-based payments

Share-based payments include option and stock grants granted to directors, employees and consultants. The Company accounts for share-based compensation using a fair value-based method with respect to all share-based payments measured and recognized, to directors, employees and consultants. For directors and employees, the fair value of the options and stock grants is measured at the date of grant. For consultants, the fair value of the options and stock are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. For directors, employees and consultants, the fair value of the options and stock grants is accrued and charged to operations, with the offsetting credit to share based payment reserve for options, and commitment to issue shares for stock grants over the vesting period. If and when the stock options are exercised, the applicable amounts are transferred from share-based payment reserve to share capital. When the stock grants are issued, the applicable fair value is transferred from commitment to issue shares to share capital. Option based compensation awards are calculated using the Black-Scholes option pricing model while stock grants are valued at the fair value on the date of grant.

The Company has granted certain directors and consultants restricted share units ("RSUs") to be settled in shares of the Company. The fair value of the estimated number of RSUs that will eventually vest, determined at the date of grant, is recognized as share-based compensation expense over the vesting period, with a corresponding amount recorded as equity. The fair value of the RSUs is estimated using the market value of the underlying shares as well as assumptions related to the market and non-market conditions at the grant date.

Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current taxation is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries the Company and its subsidiary operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax assets and liabilities are recognized for deferred income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it probable that a deferred income tax asset will be recovered, the deferred income tax asset is not recognized. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average share outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified as either financial assets at FVTPL, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

FVTPL - financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Changes in fair value are recognized in profit and loss.

Amortized cost – financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as FVTPL: 1) The objective of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the assets contractual cash flow represents solely payments of principal and interest.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.
Financial assets are classified as follows:

Classification	**IFRS 9**
Cash and cash equivalents	Amortized cost
Short-term investments	Amortized cost
Loans receivable	Amortized cost
Loan receivable with put option	FVTPL
Investment in equity instruments	FVTPL

Financial liabilities

Initial recognition and measurement

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL, as is the case with derivative instruments and, or the Company has opted to measure the financial liability at FVTPL. All financial liabilities are recognized initially at fair value, and where applicable net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires with any associated gain or loss recognized in other income or expense in the statement for profit or loss. Financial liabilities consist only of accounts payable and accrued liabilities which are measured at amortized cost.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortized cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Company generally designates the whole hybrid contract at FVTPL.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realized or settled within 12 months.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Impairment

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cost flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in net income (loss).

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognized.

The Company's accounting policy for impairment on digital currencies is discussed within the digital currencies significant accounting policy.

Financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses ("ECL") associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

The Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Property and equipment

Property and equipment are recorded at historical cost less accumulated depreciation and accumulated impairment losses. The Company provides for depreciation using a straight-line basis of 40 years for building, the declining balance at 20% per year for furniture, and the declining balance at 50% per year for all mining equipment.

Unit share issuances

For unit share issuances consisting of common shares and warrants, the Company uses the fair value of common shares as the more reliably measurable instrument. The proceeds from the issuance of units are first allocated to the share capital and the residual amount, being the difference between the proceeds from issuance and the fair value of the common shares, is allocated to warrants.

Comprehensive income

Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit. Other comprehensive income consists of changes to unrealized gains and losses on digital currencies that are measured at revalued amounts during the period. Comprehensive income measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as revaluation surplus.

New standards, interpretations and amendments adopted

There were no new standards, interpretations, or amendments adopted for the period ended November 30, 2023.

Accounting standards and amendments issued but not yet adopted

There are no new standards or amendments issued but not yet adopted that are expected to have a material impact on the Company's condensed consolidated interim financial statements.

FINANCIAL INSTRUMENTS AND MANAGEMENT OF CAPITAL

Management of capital

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

Classification of financial instruments

	November 30, 2023	August 31, 2023
Financial assets at amortized cost		
Cash and cash equivalents	$ 375,031	$ 2,916,536
Short-term investments	9,243,607	8,608,480
Financial assets at fair value through profit or loss		
Loan receivable with put option	760,592	351,806
Investments in equity instruments at fair value through profit or loss	3,655,996	3,074,157
Total	$ 14,035,226	$ 14,950,979

	November 30, 2023	August 31, 2023
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	$ 332,661	$ 654,475
Total	$ 332,661	$ 654,475

The carrying amounts of cash and cash equivalents, short-term investments, loans receivable, and accounts payable and accrued liabilities approximate their fair values because of the short-term nature of these instruments.

Fair value measurement

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

> Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
> Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
> Level 3 – Inputs that are not based on observable market data for the asset or liability.

The following table sets forth the Company's assets (liability) measured at fair value by level within the fair value hierarchy as at November 30 and August 31, 2023.

November 30, 2023	Level 1	Level 2	Level 3
Digital currencies – intangible assets	$ -	$ 19,648,250	$ -
Loan receivable with put option	-	760,592	
Investments in equity instruments at FVTPL	-	-	3,655,996
Total	$ -	$ 20,408,842	$ 3,655,996

August 31, 2023	Level 1	Level 2	Level 3
Digital currencies – intangible assets	$ -	$ 12,946,322	$ -
Loan receivable with put option	-	351,806	
Investments in equity instruments at FVTPL	-	4,958	3,069,199
Total	$ -	$ 13,303,086	$ 3,069,199

- The fair value of digital currencies and digital currencies receivable from centralized exchanges is determined by reference to the volume average weighted price provided by www.cryptocompare.com, an independent third-party pricing aggregator that makes publicly available, for each relevant digital asset, volume weighted average price calculated from various exchanges, as well as price and volume data by exchange.
- The fair value of loan receivable with put option approximates the carrying value because of its short-term maturity.
- Investments in equity instruments at FVTPL consist of investments in a private fund, US private companies, and Canadian private company. The fair value of the investment in the private fund are remeasured based on monthly valuation reports provided to the Company by the investment fund administrator. The fair values of the US private companies are based on the arm's length funding rounds of the investee or underlying investment. The fair value of the Canadian private company is based on the arm's length funding rounds of the investee.

There were no transfers between any levels during the year.

Financial risk management

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. Financial instruments which are potentially subject to credit risk for the Company consist of primarily cash and cash equivalents, short-term investments, and loans receivable. The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure at November 30, 2023, related to these assets of $10,379,230. All cash is held at Canadian chartered banks and U.S. Federal Deposit Insurance Corporation insured commercial banks in the United States, which minimizes credit risk. The Company's loans receivable are issued to arm's length parties with which it has previously issued loans. Credit risk is mitigated by loaning funds to companies based on the size, credit quality and reputation of these arm's length parties that are based and regulated in the United States.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages Company-wide cash projections centrally and regularly updates projections for changes in business and fluctuations caused in digital currency prices and exchange rates.

Interest risk

Interest risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's exposure to interest rate risk is limited and only relates to its ability to earn interest income on cash balances at variable rates. Changes in short term interest rates will not have a significant effect on the fair value of the Company's cash account.

Price risk

Price risk is the risk that the value of a security or investment will decrease. The Company is exposed to price risk on its investments in equity instruments at FVTPL. A 10% fluctuation in the price of the investees would result in a change of $366,000 in the fair value of investments in equity instruments at FVTPL and the change would be recognized in income or loss.

Price risk of digital currencies receivable and embedded derivative on receivables from decentralized platforms relating to liquidity pool tokens

Digital asset prices are volatile and affected by various factors including global supply and demand, interest rates, exchange rates, inflation or deflation and the political and economic conditions. Supply and demand for such assets rapidly change from time to time affecting by regulations and general economic trends. A decline in the market prices of digital assets could impact the Company's future operations. The management of the Company constantly monitors the exposure in response to the market conditions.

Foreign currency risk

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations may affect the costs that the Company incurs in the future in its operations as well as the currency in which the Company has historically raised capital. The Company is currently exposed to currency risk as certain cash and cash equivalents, short-term investments, loans receivable, and investments in equity instruments at FVTPL are denominated in US Dollars. A 10% fluctuation in the US Dollar would result in a change to profit or loss of $1,088,000.

Digital currency risks

Price risk related to digital currencies – intangible assets

Digital asset prices are volatile and affected by various factors including global supply and demand, interest rates, exchanges rates, inflation or deflation and the political and economic conditions. Supply and demand for such assets rapidly change from time to time affecting by regulations and general economic trends. A decline in the market prices of digital assets could impact the Company's future operations. The management of the Company constantly monitors the exposure in response to the market conditions.

Digital assets that the Company deals within its operating and investing activities are various digital currencies which can be traded in a number of public exchanges or through over-the-counter market. The Company's exposure to price risk arises from digital currencies - intangible assets which are measured at revalued amounts.

At November 30, 2023, if the prices of digital currencies - intangible assets held by the Company had decreased by 15% (being a reasonably expected change determined based on average monthly price movements) in the principal markets with other variables held constant, the impact on revaluation surplus arising from changes in fair value of digital currencies - intangible assets would have been $2.9 million (2022 - $1.1 million) lower. This decrease shall be recognized in income or loss. However, the decrease shall be recognized in revaluation surplus to the extent of any credit balance in the revaluation surplus in respect of that asset. Conversely, if the prices of digital currencies - intangible assets had been 15% higher and all other variables were held constant, other comprehensive income would increase by $2.9 million (2022 - $1.1 million). This increase shall be recognized in other comprehensive income and accumulated in equity.

Loss of access risk

The loss of access to the private keys associated with the Company's digital asset holdings may be irreversible and could adversely affect the future operation. Digital assets are controllable only by an individual that possesses both the unique public key and private key or keys relating to the "digital wallet" in which the digital asset is held. To the extent a private key is lost, destroyed or otherwise compromised and no backup is accessible the Company may be unable to access the digital assets. It is the policy of the Company to conduct due diligence surrounding private key management performed by custodians as part of the onboarding process in order to mitigate this risk.

Irrevocability of transactions

Digital asset transactions are irrevocable and if stolen or incorrectly transferred digital assets may be irretrievable. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer or theft generally will not be reversible, and the Company may not be capable of seeking compensation. The Company seeks to mitigate risk by establishing policies and procedures to require a careful review of each transaction before execution.

Hard fork and air drop risks

When a proposed modification to the digital currency network is not accepted by the vast majority of miners and users but is nonetheless accepted by a substantial population of participants in the network, a “fork” in the blockchain occurs, resulting in two separate digital currency networks. A “hard fork” is a software upgrade that introduces a new rule to the network that is not compatible with the older software, while a “soft fork” is any change that is backward compatible. Holders of digital currency on the original digital currency network, at the time the block is mined and the fork occurs, can then also typically receive an identical amount of new tokens on the new network. Hard forks could affect the value and harm the sustainability of the affected digital currencies.

Air drops occur when the promoters of a new digital asset send amounts of the new digital asset to holders of another digital asset that they will be able to claim a certain amount of the new digital asset for free. The Company may not be able to realize the economic benefit of a hard fork or air drop, either immediately or ever, for various reasons. For instance, the Company may not have any systems in place to monitor or participate in hard forks or airdrops. Therefore, the Company may not receive any new digital assets created as a result of a hard fork or airdrop, thus losing any potential value from such digital assets.

For the three months ended November 30, 2023 and 2022, there was no loss relating to a hard fork or airdrop.

Regulatory oversight risk

Regulatory changes or actions may restrict the use of digital assets or the operation of digital asset networks or exchanges in a manner that adversely affects investments held by the Company. The Company consistently engages with external legal counsels or regulatory advisors to understand any updates on the regulatory landscape which might have impacts on its businesses.

Cybersecurity risk

While the Company’s security technology is designed to prevent, detect, and mitigate inappropriate access to its systems, it is possible that hackers, employees or service providers acting contrary to its policies, or others could circumvent these safeguards to improperly access its systems or documents, or the systems or documents of its business partners, agents, or service providers, and improperly access, obtain, misuse its digital currencies held in hot wallets.

Staking risk

Digital currency prices are volatile and can drop quickly. If any of the Company’s staked assets suffer a large price drop, that could outweigh any staking income earned on them. Staking can require the Company to lock up its digital currencies for a minimum amount of time. Staking also exposes the Company to slashing. Slashing is a penalty enforced at the protocol level associated with a malicious attack against the network by a validator.

Smart contract risk

DeFi, in several ways, substitutes custodial risk prevalent with centralized finance platforms with smart contract risk, allowing hackers and attackers to seize funds and tokens escrowed in smart contracts. Smart contracts are constantly exploited across the blockchain ecosystem, with hackers taking advantage of flaws in the code. DeFi smart contracts are managed using admin keys. These allow the key holder to make significant changes to the code, such as protocol upgrades. One way cyberattacks occur is when hackers gain control of private or admin keys, allowing them to deplete all or some of the liquidity within pools of certain projects, among others.

As at November 30, 2023, the smart contract risk is limited to the receivables from decentralized platforms relating to liquidity pool tokens of $nil (August 31, 2023 - $nil).

Reliance on Decentralized Exchanges (DEXs)

As a liquidity provider on a variety of decentralized protocols and applications, the Company is dependent on these public DEXs in its liquidity mining. There is no guarantee that DEXs will continue to scale or upgrade over time such that their functionality improves or continues to be used by users. Additionally, the risks inherent to public blockchains, such as smart contract risks or cybersecurity risks, continue to apply to DEXs. There is also no certainty as to the future regulatory environment regarding DEXs or DeFi and any adverse changes could substantially impact the Company's ability to conduct its business.

Reliance on Centralized Exchanges (CEXs)

The Company relies on certain centralized exchanges to hold its fiat and digital currency deposits in order to earn fiat and interest in digital assets. The Company also exchanges fiat and other forms of capital into digital assets that can then be used across various protocols and applications. The Company is reliant on these CEXs for the exchange of fiat/digital assets. Any change to the CEXs business models, practices, ability to custody assets, ability to send or receive payments, solvency, swap or exchange assets, or be subject to security breaches or hacks could have a meaningful impact on the Company's operations and potential loss of some or all of its assets.

During the year ended August 31, 2022, the Company recognized an impairment loss of $1,265,901 on certain digital currencies held with an exchange that filed for bankruptcy on July 13, 2022.

During the year ended August 31, 2023, the Company filed a claim for 40 Bitcoin plus accrued interest, a USD 1,999,980 loan receivable, and a USD 2,000,000 loan receivable held with another exchange that filed for bankruptcy on January 19, 2023. The Company assigned its claim to a third party for proceeds of USD 2,278,007 or equivalent to $3,097,178 and recognized a loss on assignment of claim of $4,259,819.

As at November 30, 2023, both bankruptcy proceedings were ongoing and the outcomes of each were still unknown.

Digital Currencies – Intangible Assets Holdings:

Digital currencies – intangible assets are recorded at their fair value on the acquisition date or when they are received as revenues and are revalued at their current market value at each reporting date. Fair value is determined based on volume weighted average price from www.cryptocompare.com at 7:00 am UTC. The Company believes any price difference amongst the principal market and an aggregated price to be immaterial. A summary of digital currencies – intangible assets balances is as follows:

	Holdings, November 30, 2023	Fair Value, November 30, 2023	Holdings, August 31, 2023	Fair Value, August 31, 2023
Bitcoin	317	$ 16,252,073	305	$ 10,719,902
ATOM(1)	176,764	2,220,747	175,056	1,639,842
Solana(1)	4,018	323,525	2,359	62,989
Polkadot(1)	43,104	320,355	36,736	212,199
The Graph	1,230,000	238,727	1,000,000	119,749
Ethereum(1)	37	103,121	37	81,645
Dash(1)	2,016	82,627	2,083	73,388
Ocean	55,166	35,433	55,166	24,066
JUNO	50,549	31,307	-	-
LIF3	1,312,510	26,442	-	-
Litecoin	140	13,179	140	12,080
Neo	42	635	42	402
OMG Network	77	66	77	51
Fantom	32	13	35	9
Balance		$ 19,648,250		$ 12,946,322

(1) Digital currencies used for staking, of which 99.5% (2022 – 99.9%) are staked and subject to potential slashing.

RECENT DEVELOPMENTS AND OUTLOOK

The Company expects to obtain financing in the future primarily through further equity and/or debt financing, and to receive payments from Bitcoin mining, staking cryptocurrency, running blockchain nodes, and DeFi operations. The Company may also receive income from investing cryptocurrency into short term loans and option trades.

PROPOSED TRANSACTION:

Except as disclosed elsewhere in this document there were no proposed transactions as at November 30, 2023 or at the date of this report.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

HEAD OFFICE

Neptune Digital Assets Corp.
2700 – 1133 Melville Street
Vancouver, British Columbia
V6E 4E5

DIRECTORS & OFFICERS

Cale J. Moodie, BSF, CPA, CA
Chief Executive Officer, Chairman and Director

Kalle Radage
Chief Operating Officer and Director

Carmen To, CPA, CA
Chief Financial Officer and Director

Dario Meli
Audit Committee Chairman and Independent Director

Mitchell Demeter
Independent Director

CAPITALIZATION
(as at January 29, 2024)

Shares Authorized: Unlimited Number of Common Shares

Shares Issued: 127,086,596

REGISTRAR & TRANSFER AGENT

TSX Trust
301 – 100 Adelaide Street West
Toronto, Ontario M5H 4H1

AUDITOR

Kenway Mack Slusarchuk Stewart LLP
300 – 150 13 Avenue SW
Calgary Alberta T2R 0V2

LEGAL COUNSEL

DLA Piper (Canada) LLP
2700 – 1133 Melville Street
Vancouver, British Columbia V6E 4E5