

# **THE INX DIGITAL COMPANY, INC.**

(formerly Valdy Investments Ltd.)

## **LISTING STATEMENT**

**DATED AS OF JANUARY 17, 2022**

Neither the Neo Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Transaction described in this Listing Statement.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This Listing Statement includes “forward-looking information” and “forward-looking statements” within the meaning of applicable securities laws. All information, other than statements of historical facts, included in this Listing Statement that address activities, events or developments that the Resulting Issuer<sup>1</sup> expects or anticipates will or may occur in the future, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Resulting Issuer’s businesses, operations, plans and other such matters is forward-looking information. Forward-looking information is often identified by the words “may”, “would”, “could”, “should”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect”, “intends”, “plans”, “projection”, “could”, “vision”, “goals”, “objective”, “outlook” or similar expressions and includes, among others, information regarding: statements relating to the business and future activities of, and developments related, to the Resulting Issuer after the date of this Listing Statement; statements based on the audited financial statements of Valdy or INX; expectations for other economic, business, environmental, regulatory and/or competitive factors related to the Resulting Issuer; the Resulting Issuer’s business outlook; plans and objectives of management for future operations; forecast business results; anticipated financial performance; and other events or conditions that may occur in the future.

In particular, this Listing Statement contains forward-looking statements with respect to:

- the Securities Exchange and the obtaining of all required approvals in connection with the Securities Exchange Agreement including the approval of the NEO Exchange for the listing of the Resulting Issuer Shares on the NEO Exchange;
- success of the operations of the Resulting Issuer;
- impact of competition and the competitive response to the Resulting Issuer’s business strategy;
- timing and amount of capital and other expenditures;
- conditions in financial markets and the economy generally;
- ability of the Resulting Issuer to obtain additional financing on satisfactory terms or at all;
- the slowing or stopping of the development or acceptance of blockchain assets;
- the legal framework of regulations applicable to blockchain technologies, cryptocurrencies, digital securities and token offerings;
- INX’s ability to identify a custodial relationship arrangement that FINRA or the SEC will approve as meeting the requirements of Rule 15c3-3 of the U.S. Exchange Act;
- changes in how INX and the Resulting Issuer are taxed;
- the lack of any existing marketplace for blockchain assets;
- INX’s lack of an operating history as digital asset trading platforms;
- the impact of competition and new technologies;
- INX’s ability to obtain government regulations and approvals;
- industry developments affecting INX’s business, financial condition and results of operations;
- INX’s ability to cooperate with third party collaborators, including contractors for the design, development and implementation of their trading platform infrastructure;
- operating performance and cash flow, or lack thereof as digital asset trading platforms;
- global market, political, and economic conditions; and
- those factors referred to in Section 16 - “*Risk Factors*” as well as in this Listing Statement generally.

The actual results, performance or achievements of the Resulting Issuer could differ materially from those anticipated in the forward-looking statements contained in this Listing Statement because of the risk factors set forth above and in Section 16 – “*Risk Factors*”, including, but not limited to:

---

<sup>1</sup> Capitalized terms in this section are defined in Section 1 – “*Glossary*”.

- Risk Factors relating to the Transaction:
  - there can be no assurance that all conditions precedent to the Transaction will be satisfied;
  - the Securities Exchange Agreement may be terminated in certain circumstances;
  - Valdy and INX expect to incur significant costs in connection with the Transaction;
  - Valdy has not verified the reliability of the information regarding INX included in, or which may have been omitted from, this Listing Statement;
  - INX has not verified the reliability of the information regarding Valdy included in, or which may have been omitted from, this Listing Statement; and
  - the risk of dilution.
  
- Risk factors relating to blockchain assets:
  - blockchain is a nascent and rapidly changing technology and there remains relatively small use of blockchain networks and blockchain assets in the retail and commercial marketplace. The slowing or stopping of the development or acceptance of blockchain networks may adversely affect an investment in the Resulting Issuer;
  - there is no assurance that blockchain technology and the assets built on that technology will continue its adoption rate or that other technologies will not arise and overtake blockchain technology and assets;
  - the open-source structure of blockchain software means that blockchain networks may be susceptible to malicious cyber-attacks or may contain exploitable flaws, which may result in security breaches and the loss or theft of blockchain assets;
  - each blockchain network, including the Ethereum network, is dependent upon its users and contributors, and actions taken, or not taken, by the users or contributors of a blockchain network could damage its reputation and the reputation of blockchain networks generally;
  - the prices of blockchain assets are extremely volatile. Fluctuations cryptocurrencies' or other blockchain assets' prices could materially and adversely affect the Resulting Issuer; and
  - the regulatory regimes governing blockchain technologies, blockchain assets and the purchase and sale of blockchain assets are uncertain, and new regulations or policies may materially adversely affect the development of blockchain networks and the use of blockchain assets.
  
- Risk factors related to INX's operations:
  - INX developed and launched a digital asset trading platform on April 29, 2021, which is operated by INX Digital, INX's wholly owned subsidiary, and acquired OFN Securities (n/k/a INX Securities, LLC), a registered broker-dealer in the United States, and a member of FINRA, that operates and is recognized as an Alternative Trading System by the SEC. INX may face operational, technological and regulatory challenges that could materially impact INX's business;
  - INX expects to face intense competition from other companies and, if INX is not able to successfully compete, its business, financial condition and operating results will be materially harmed;
  - failure to keep up with rapid changes in industry-leading technology, products and services could negatively impact INX's results of operations;
  - INX may not receive regulatory approval in the various jurisdictions in which INX plans to operate its businesses;

- the securities markets and the brokerage industry in which INX operates are subject to extensive, evolving regulation that imposes significant costs and competitive burdens that could materially impact INX's business;
- the extent to which blockchain assets are used to fund criminal or terrorist enterprises or launder the proceeds of illegal activities could materially impact INX's business;
- as of September 30, 2021, INX had cash US\$24.7 million (excluding the Cash Fund), this cash may not be sufficient for operating activities, cash on hand and the ability to obtain borrowing capacity to finance required capital expenditures, fund strategic initiatives and meet the Resulting Issuer's and INX's other cash needs. These obligations require a significant amount of cash, and the Resulting Issuer and INX may need additional funds, which may not be readily available;
- there can be no assurance that INX will have sufficient assets or be able to maintain liability insurance with adequate coverage to cover its liabilities;
- INX may experience system failures or capacity constraints that could materially harm its ability to conduct its operations and execute its business strategy;
- INX may face cyber-attacks and other cyber security risks;
- security attacks against INX could result in a loss of INX's blockchain assets, theft of personal information of INX customers or damage to INX's reputation and brand, each of which could adversely affect an investment in INX and the Resulting Issuer. INX could be required to incur significant expense to protect its systems and/or investigate any alleged attack;
- the loss of key personnel could have a material adverse effect on INX and the Resulting Issuer;
- INX has not identified all the persons that it will need to hire to provide services and functions critical to the development of the business and no assurance can be given that INX will be able to hire the necessary persons on acceptable terms, if at all;
- as a financial services provider, INX is subject to significant litigation risk and potential securities law liability;
- INX's compliance and risk management programs might not be effective and may result in outcomes that could adversely affect INX's reputation, financial condition, and operating results;
- operational risks, such as misconduct and errors of INX's employees or entities with which INX does business, are difficult to detect and deter and could cause INX reputational and financial harm;
- INX's operations of businesses outside of the United States and its acceptance of currencies other than the U.S. Dollar will subject INX to currency fluctuation risk;
- INX may not be able to successfully execute its business strategy if it is deemed to be an investment company under the Investment Company Act of 1940;
- INX needs to implement strict finance and accounting systems, procedures, and controls to operate its business;
- negative publicity could damage INX's business;
- INX, as well as many of its potential customers, engage with third party suppliers and service providers for certain important services. An interruption or cessation of an important supply or service by any third party could have a material adverse effect on INX's business, including revenues derived from its customers' trading activity;
- INX's revenues and profits will be substantially dependent on the trading volume in its markets. INX's revenues and profits would be adversely affected if INX is unable to develop and continually increase its trading volume on either of its trading platforms;
- INX has an evolving business model that may not ultimately provide a successful roadmap;
- INX may have difficulty executing its growth strategy and maintaining its growth effectively;

- INX's senior management may be reimbursed for costs and expenses that exceed what is necessary to achieve its proposed development goals;
  - INX intends to explore acquisitions, other investments, and strategic alliances. INX may not be successful in identifying opportunities or in integrating the acquired businesses. Any such transaction may not produce the results INX anticipates, which could adversely affect INX's business and the price of INX Tokens;
  - INX may in the future be dependent in part on the data center facilities of third parties;
  - INX's business may be adversely affected by the impact of coronavirus, other epidemics or pandemics, acts of God, wars, insurrections, riots, infrastructure failures, and other *force majeure* events;
  - general global market and economic conditions may have an adverse impact on INX's operating performance, results of operations or cash flow; and
  - in the event that INX enters into insolvency, liquidation, dissolution, reorganization, or bankruptcy, the Resulting Issuer's claims may be subordinate to the rights of INX Token Holders. INX may incur debt that ranks equally with, or senior to, the rights of the Resulting Issuer.
- Risk factors relating to intellectual property rights and disputes:
    - INX engages with third-party contractors for the design, development, and implementation of INX Trading Solutions;
    - INX may be unable to protect its proprietary technology and to obtain trademark protection for its marks; and
    - INX may not be able to enforce protection of its intellectual property rights under the laws of other countries.
- Risk factors relating to incorporation in Gibraltar:
    - Risks related to potential changes to INX's Foreign Private Issuer status in the United States; and
    - it may be difficult to enforce a Canadian judgment against INX, its officers and directors, and the experts named in this Listing Statement, or to assert Canadian securities laws claims or serve process on INX's officers and directors and these experts.
- Risk factors related to doing business in Israel:
    - potential political, economic, and military instability in the State of Israel, where some of INX's senior management and its research and development facilities are located, may adversely impact INX's results of operations;
    - INX's operations may be disrupted by the obligations of personnel to perform military service; and
    - INX may be deemed an Israeli tax resident for tax purposes and may incur additional tax liabilities in Israel.
- Risk factors related to the Resulting Issuer's Securities:
    - share price fluctuations;
    - limited market for securities;
    - the market price of the Resulting Issuer's common shares may decline due to the large number of outstanding common shares eligible for future sale;
    - the Resulting Issuer may issue additional equity securities;
    - no dividends;
    - global financial conditions;

- future sales of Resulting Issuer Shares by existing shareholders;
- use of proceeds from the INX Concurrent Financing;
- publication of inaccurate or unfavourable research and reports; and
- tax considerations applicable to an investment in the Resulting Issuer Shares.

Readers are cautioned that forward-looking information is not based on historical facts but instead is based on reasonable assumptions and estimates of management of the Resulting Issuer at the time it was made and involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information.

The forward-looking information in statements or disclosures in this Listing Statement is based (in whole or in part) upon factors that may cause actual results, performance or achievements of the Resulting Issuer to differ materially from those contemplated (whether expressly or by implication) in the forward- looking information. Those factors and risks are based on information currently available to the Resulting Issuer, including information obtained from third party sources. Actual results or outcomes may differ materially from those predicted by such statements or disclosures. While the Resulting Issuer does not know what impact any of those differences may have, its business, results of operations, financial condition and credit stability may be materially adversely affected.

Risks involving the Resulting Issuer that may affect results of operations and earnings are discussed under the heading "*Risk Factors*" in this Listing Statement. Although the Resulting Issuer has attempted to identify important factors that could cause actual results to differ materially, the Resulting Issuer cautions that the list of risk factors above and under the heading "*Risk Factors*" in this Listing Statement, is not exhaustive and there may be other factors that cause results not to be as anticipated, estimated, or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. Forward-looking information is made as of the date given and the Resulting Issuer does not undertake any obligation to revise or update any forward-looking information, whether as a result of new information, future events, or otherwise, other than as required by Applicable Law (as defined herein).

Because of the risks, uncertainties and assumptions contained herein, securityholders should not place undue reliance on forward-looking statements or disclosures. The foregoing statements expressly qualify any forward-looking information contained herein.

The reader is further cautioned that the preparation of financial statements in accordance with IFRS (as defined herein) requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates may change, having either a negative or a positive effect on net earnings as further information becomes available, and as the economic environment changes. Please refer to the notes to the financial statements appended to this Listing Statement for additional details regarding such judgments, estimates and assumptions.

### **Market and Industry Data**

Unless otherwise indicated, this Listing Statement includes market and industry data that has been obtained from third-party sources, including industry publications and management estimates, which rely on such data. The Resulting Issuer believes that the industry data is accurate and that the estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance or guarantee as to the accuracy or completeness of included information. Although the data is believed to be reliable, the Resulting Issuer has not independently verified any of the data from third-party sources referred to in this Listing Statement or ascertained the underlying economic assumptions relied upon by such sources. The Resulting Issuer does not intend, and undertakes no obligation, to update or revise any such information or data, whether as a result of new information, future events or otherwise, except as, and to the extent required by, applicable Canadian

securities laws. In addition, projections, assumptions and estimates of INX and Valdy and the Resulting Issuer's future performance and the future performance of the industry in which INX operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in Section 16 – "*Risk Factors*".

### **Currency Presentation**

The Resulting Issuer reports in US dollars. Unless otherwise indicated, all references to "\$" in this Listing Statement refer to Canadian dollars and references to "US\$" or "US dollars" are to the lawful currency of the United States.

### **Information Contained in this Listing Statement**

The information contained in this Listing Statement is given as of January 17, 2022, and the phrase "as of the date hereof" and equivalent phrases refer to such date, except where otherwise noted.

This Listing Statement does not constitute the solicitation of an offer to purchase, or the making of an offer to sell, any securities or the solicitation of a proxy by any person in any jurisdiction in which such solicitation or offer is not authorized or in which the person making such solicitation or offer is not qualified to do so or to any person to whom it is unlawful to make such solicitation or offer.

Information contained in this Listing Statement should not be construed as legal, tax, or financial advice to any person.

The information contained or referred to herein relating to INX and INX Subsidiaries has been furnished by INX. In preparing this Listing Statement, Valdy has relied upon INX to ensure that the Listing Statement contains full, true, and plain disclosure of all material facts relating to INX. Although Valdy has no knowledge that would indicate that any statements contained herein concerning INX are untrue or incomplete, neither Valdy nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information or for any failure by INX to ensure disclosure of events or facts that may have occurred which may affect the significance or accuracy of any such information.

The information contained or referred to herein relating to Valdy has been furnished by Valdy. In preparing this Listing Statement, INX has relied upon Valdy to ensure that the Listing Statement contains full, true, and plain disclosure of all material facts relating to Valdy. Although INX has no knowledge that would indicate that any statements contained herein concerning Valdy are untrue or incomplete, neither INX nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information or for any failure by Valdy to ensure disclosure of events or facts that may have occurred which may affect the significance or accuracy of any such information.

Descriptions in this Listing Statement of the terms of the Securities Exchange Agreement (as defined herein) and other material documents are summaries of the terms of those documents and are qualified in their entirety by such terms. Reference should be made to the full text of the documents for complete details.

## TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION .....	2
1. GLOSSARY .....	12
2. CORPORATE STRUCTURE .....	22
2.1 Corporate Name and Head and Registered Office .....	22
2.2 Jurisdiction of Incorporation .....	22
2.3 Intercorporate Relationships .....	22
3. GENERAL DEVELOPMENT OF THE BUSINESS .....	24
3.1 General Development of the Business .....	24
3.1.1 Valdy 24	
3.1.2 INX 25	
3.1.3 The Securities Exchange Agreement .....	25
3.1.4 INX Concurrent Financing .....	27
3.1.5 INX Token Offering .....	28
3.1.6 Advisory Agreements and Finder’s Fees .....	29
3.2 Recent Acquisitions and Dispositions .....	29
3.3 Industry Overview, Trends, Commitments, Events or Uncertainties .....	31
3.3.1 Background & Current Market .....	31
3.3.2 Opportunities in the Current Market .....	34
3.3.3 Trends, Risks and Uncertainties .....	36
4. NARRATIVE DESCRIPTION OF THE BUSINESS .....	36
4.1 General .....	36
4.1.1 Business Objectives and Milestones .....	36
4.1.2 Technology and Product Development .....	38
4.1.3 INX Digital Trading Platform .....	39
4.1.4 INX Securities Trading Platform .....	41
4.1.5 The INX Token .....	41
4.2 Future Development .....	44
4.3 INX Growth Strategies .....	44
4.4 Foreign Operations .....	45
4.5 Specialized Skills and Knowledge .....	46
4.6 Cyclical or Seasonality of Business .....	46
4.7 Employees .....	46
4.8 Intellectual Property .....	47
4.9 Competitive Conditions .....	47
4.10 Risk Factors .....	48



4.11	Principal Milestones .....	48
4.12	Available Funds and Principal Purposes .....	52
4.13	Lending and Investment Policies and Restrictions .....	54
5.	SELECTED CONSOLIDATED FINANCIAL INFORMATION .....	54
5.1	Consolidated Financial Information - Annual Information .....	54
5.2	Consolidated Financial Information – Interim Period .....	55
5.3	Dividends .....	56
6.	MANAGEMENT’S DISCUSSION AND ANALYSIS .....	56
7.	MARKET FOR SECURITIES .....	56
8.	CONSOLIDATED CAPITALIZATION .....	57
9.	OPTIONS TO PURCHASE SECURITIES .....	58
10.	DESCRIPTION OF THE SECURITIES .....	59
10.1	General .....	59
10.2	Prior Sales .....	60
10.3	Stock Exchange Price .....	62
11.	ESCROWED SECURITIES .....	63
11.1	Resulting Issuer Escrowed Securities .....	63
12.	PRINCIPAL SHAREHOLDERS .....	65
12.1	Principal Shareholders .....	65
12.2	Principal Shareholdings in Resulting Issuer .....	66
12.3	Voting Trusts .....	66
12.4	Associates and Affiliates .....	66
12.5	Directors and Officers .....	66
12.6	Corporate Cease Trade Orders or Bankruptcies; Penalties or Sanctions; Personal Bankruptcies .....	79
12.7	Conflicts of Interest .....	81
12.8	Management and Board .....	81
13.	CAPITALIZATION .....	85
13.1	Convertible/Exchangeable Securities .....	85
14.	EXECUTIVE COMPENSATION .....	86
14.1	Valdy .....	86
14.1.1	Director and Named Executive Officer Compensation, Excluding Compensation Securities .....	86
14.1.2	Exercise of Compensation Securities by Directors and NEOs .....	87
14.1.3	Stock Option Plans and Other Incentive Plans .....	87
14.1.4	Employment, Consulting and Management Agreements .....	89
14.1.5	Oversight and Description of Director and NEO Compensation .....	89
14.1.6	Pension Plan Benefits .....	89
14.2	INX .....	90

14.2.1	Compensation Discussion and Analysis.....	90
14.2.2	Oversight and Description of Named Executive Officer Compensation.....	92
14.2.3	Equity Compensation Plan Information .....	94
14.2.4	Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards.....	96
14.2.5	Incentive Plan Awards – Value Vested or Earned During the Year .....	96
14.2.6	Employment Agreements, Consulting, Termination, and Change of Control Benefits .....	96
14.3	The Resulting Issuer .....	100
14.3.1	Compensation of Executives .....	101
14.3.2	Oversight and Description of Named Executive Officer Compensation.....	101
14.3.3	Equity Compensation Plan Information .....	101
14.3.4	Employment Agreements, Termination, and Change of Control Benefits.....	103
14.3.5	Director Compensation .....	103
15.	INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS.....	103
16.	RISK FACTORS.....	103
16.1	Risk Factors Relating to Blockchain Assets.....	104
16.2	Risk Factors Related to INX’s Operations .....	107
16.3	Risk Factors Relating to Intellectual Property Rights and Disputes.....	118
16.4	Risk Factors Related to Incorporation in Gibraltar .....	119
16.5	Risk Factors Related to Doing Business in Israel .....	120
16.6	Risk Factors Relating to the Resulting Issuer’s Securities.....	121
17.	PROMOTERS .....	123
17.1	Promoter Consideration.....	123
18.	LEGAL PROCEEDINGS.....	124
18.1	Legal Proceedings.....	124
18.2	Regulatory Actions .....	124
19.	INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....	124
20.	AUDITORS, TRANSFER AGENTS AND REGISTRARS .....	124
20.1	Auditor .....	124
20.2	Transfer agent .....	124
21.	MATERIAL CONTRACTS.....	124
21.1	Material Contracts.....	124
22.	INTERESTS OF EXPERTS .....	125
23.	OTHER MATERIAL FACTS .....	125
24.	FINANCIAL STATEMENTS.....	126
24.1	Financial Statements of INX and Valdy.....	126
	SCHEDULE “A” ANNUAL FINANCIAL STATEMENTS OF INX LIMITED.....	128
	SCHEDULE “B” ANNUAL MD&A OF INX LIMITED.....	129

SCHEDULE "C" INTERIM FINANCIAL STATEMENTS OF INX LIMITED .....	130
SCHEDULE "D" INTERIM MD&A OF INX LIMITED.....	131
SCHEDULE "E" ANNUAL FINANCIAL STATEMENTS OF VALDY INVESTMENTS LTD. ....	132
SCHEDULE "F" ANNUAL MD&A OF VALDY INVESTMENTS LTD.....	133
SCHEDULE "G" INTERIM FINANCIAL STATEMENTS OF VALDY INVESTMENTS LTD.....	134
SCHEDULE "H" INTERIM MD&A OF VALDY INVESTMENTS LTD.....	135
SCHEDULE "I" THE INX CONTRACT AUDIT .....	136
SCHEDULE "J" PRO FORMA FINANCIAL STATEMENTS OF THE RESULTING ISSUER .....	137
SCHEDULE "K" RESULTING ISSUER OMNIBUS EQUITY INCENTIVE COMPENSATION PLAN .....	138
SCHEDULE "L" INX TRADEMARKS REPORT AS OF OCTOBER 2021.....	139
SCHEDULE "M" AUDIT COMMITTEE CHARTER .....	140

## 1. GLOSSARY

Unless the context otherwise requires or where otherwise provided, the following words and terms shall have the meanings set forth below when used in this Listing Statement, including the schedules hereto. These defined words and terms are not always used herein and may not conform to the defined terms used in the schedules and exhibits to this Listing Statement. Words importing the singular, where the context requires, include the plural and vice versa, and words importing any gender include all genders.

**“Adjusted Operating Cash Flow”** has the meaning set forth in Section 4.1.5 – *“The INX Token”*;

**“Advisor”** has the meaning set forth in Section 3.1.6 – *“Advisory Agreements and Finder’s Fees”*;

**“Advisory Agreements”** has the meaning set forth in Section 3.1.6 – *“Advisory Agreements and Finder’s Fees”*;

**“Advisor Options”** has the meaning set forth in Section 3.1.6 – *“Advisory Agreements and Finder’s Fees”*;

**“Affiliate”** means a company that is affiliated with another company. A company is an “Affiliate” of another company if: (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same Person. A company is “controlled” by a Person if: (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company. A Person beneficially owns securities that are beneficially owned by: (a) a company controlled by that Person, or (b) an Affiliate of that Person or an Affiliate of any company controlled by that Person;

**“Agency Agreement”** has the meaning set forth in Section 3.1.4 – *“INX Concurrent Financing”*;

**“Anyoption”** has the meaning set forth in Section 12.8– *“Management and Board”*;

**“API”** has the meaning set forth in Section 4.1.1 – *“General-Business Objectives and Milestones”*;

**“Applicable Law”**, in the context that refers to one or more persons, means any domestic or foreign, federal, state, provincial or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority, and any terms and conditions of any grant of approval, permission, authority or license of any Governmental Authority, that is binding upon or applicable to such person or persons or its or their business, undertaking, property or securities and emanate from a person having jurisdiction over the person or persons or its or their business.

**“Associate”** when used to indicate a relationship with any Person, means: (a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer; (b) any partner of the Person; (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity; or (d) in the case of an individual, a relative of that individual, including: (i) that individual’s spouse or child; or (ii) any relative of the individual or of his spouse who has the same residence as that individual;

**“ATS”** means alternative trading system;

**“Awards”** has the meaning ascribed thereto in Section 14 under the Equity Incentive Plan;

**“Bentley Services Agreement”** has the meaning set forth in Section 14.2.6 – *“Employment Agreements, Consulting, Termination, and Change of Control Benefits”*;

**“BCBCA”** means the *Business Corporations Act* (British Columbia), as amended;

**“BitGo Trust”** or **“BitGo”** means BitGo Trust Company, Inc.;

**“Business Day”** means any day other than a Saturday, Sunday or a statutory holiday in British Columbia;

**“Borthwick Employment Agreement”** has the meaning set forth in Section 14.2.6 – *“Employment Agreements, Consulting, Termination, and Change of Control Benefits”*;

**“Borthwick’s First Portion”** has the meaning set forth in Section 14.2.6 – *“Employment Agreements, Consulting, Termination, and Change of Control Benefits”*;

**“Borthwick’s Loan Amount”** has the meaning set forth in Section 14.2.6– *“Employment Agreements, Consulting, Termination, and Change of Control Benefits”*;

**“Borthwick Previous Employment Agreement”** has the meaning set forth in Section 14.2.6 – *“Employment Agreements, Consulting, Termination, and Change of Control Benefits”*;

**“Borthwick Promissory Note”** has the meaning set forth in Section 14.2.6 – *“Employment Agreements, Consulting, Termination, and Change of Control Benefits”*;

**“Borthwick’s Second Portion”** has the meaning set forth in Section 14.2.6 – *“Employment Agreements, Consulting, Termination, and Change of Control Benefits”*;

**“Borthwick’s Tokens”** has the meaning set forth in Section 14.2.6 – *“Employment Agreements, Consulting, Termination, and Change of Control Benefits”*;

**“Cash Fund”** means a reserve fund managed by INX in order to provide additional comfort to INX’s customers and regulators with respect to the financial stability of INX. INX has reserved US\$39,637,000 out of the funds raised in the INX Token Offering, to be available to cover customer and INX losses, if any, that result from cybersecurity breaches or theft, errors in execution of the trading platform or its technology, and counterparty defaults, including instances where counterparties lack sufficient collateral to cover losses;

**“CASL”** means *An Act to Promote the Efficiency and Adaptability of the Canadian Economy by Regulating Certain Activities that Discourage Reliance on Electronic Means of Carrying out Commercial Activities, and to Amend the Canadian Radio-television and Telecommunications Commission Act, the Competition Act, the Personal Information Protection and Electronic Documents Act and the Telecommunications Act (Canada)*;

**“CEO”** means chief executive officer;

**“CFO”** means chief financial officer;

**“CFTC”** means the U.S. Commodity Futures Trading Commission;

**“Charter”** has the meaning set forth in Section 12.5 – *“Directors and Officers”*;

**“Closing”** means the closing of the Transaction;

**“Closing Date”** means the date of the Closing;

**“Code of Ethics”** has the meaning set forth in Section 12.5 – *“Directors and Officers”*;

**“Company”**, unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity, other than an individual;

**“Compensation Committee”** has the meaning ascribed thereto in Section 12.5 under *Compensation Committee*.

**“Consolidation”** means the pre-Transaction consolidation of the issued and outstanding Valdy Shares on the basis of one (1) post-Consolidation Valdy Share for each 2.7266667 pre-Consolidation Valdy Shares, which consolidation shall occur prior to completion of the Transaction, such that the number of Valdy Common Shares outstanding immediately prior to the completion of the Transaction shall be 3,844,740 on a fully-diluted basis (including any Finder’s Shares to be issued pursuant to the Finder’s Fee Agreement);

**“Control Person”** means any Person that holds, or is one of a combination of Persons that holds, a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer;

**“CPC”** means a Capital Pool Company, being a company: (a) that has been incorporated or organized in a jurisdiction in Canada; (b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and (c) in regard to which the Completion of the Qualifying Transaction has not yet occurred;

**“CPC Policy”** means TSXV Policy 2.4 *Capital Pool Companies* in the TSXV Corporate Finance Manual;

**“Custodial Services Agreement”** has the meaning set forth in Section 4.1.3 – *“General – INX Digital Trading Platform”*;

**“ERC 1404”** is a “simple restricted token standard” for securities and other assets with compliance restrictions on the blockchain.

**“Equity Incentive Plan”** means the equity incentive plan of the Resulting Issuer;

**“Exchange Ratio”** means 10.4871348 Valdy Shares for each INX Share;

**“FCAA”** has the meaning set forth in Sections 12.6 – *“Corporate Cease Trade Orders or Bankruptcies; Penalties or Sanctions; Personal Bankruptcies”*;

**“FIFO”** “first in, first out”, is an asset-management and valuation method in which assets produced or acquired first are sold, used, or disposed of first.

**“Finder’s Fee Agreement”** has the meaning set forth in Section 3.1.6 – *“General Development of the Business - Advisory Agreements and Finder’s Fees”*;

**“Finder’s Shares”** has the meaning set forth in Section 3.1.6 – *“General Development of the Business - Advisory Agreements and Finder’s Fees”*;

**“FINRA”** means the U.S. Financial Industry Regulatory Authority;

**“Framework”** has the meaning set forth in Section 3.3.1 – *“Industry Overview, Trends, Commitments, Events or Uncertainties”*;

**“IFRS”** means International Financial Reporting Standards as issued by the International Accounting Standards Board;

**“ILSB”** has the meaning set forth in Section 3.2 – *“Recent Acquisitions and Disposition”*;

**“ILSB Acquisition”** has the meaning set forth in Section 3.2 – *“Recent Acquisitions and Disposition”*;

**"ILSB UK"** has the meaning set forth in Section 3.2 – *"Recent Acquisitions and Disposition"*;

**"Initial Agreement"** means the securities exchange agreement dated March 31, 2021, among Valdy, INX, certain INX Securityholders, and the INX Agents, for the consummation of the Securities Exchange, as amended on July 23, 2021, prior to its amendment and restatement in the form of the Securities Exchange Agreement;

**"Insider"** if used in relation to an issuer, means:

- (a) a director or senior officer of the issuer,
- (b) a director or senior officer of a company that is an insider or subsidiary of the issuer,
- (c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer, or
- (d) the issuer itself if it holds any of its own securities;

**"Insider Trading Policy"** has the meaning set forth in Section 12.5– *"Directors and Officers"*;

**"INX"** means INX Limited, a corporation incorporated pursuant to the laws of Gibraltar;

**"INX Agents"** means PI Financial Corp. and Eight Capital Inc.;

**"INX Agents' Commission"** means the cash commission in an aggregate amount of \$2,263,425 representing \$1,716,225 the commission paid to the INX Agents in connection with the brokered portion INX Concurrent Financing, and \$547,170 representing the corporate finance fee paid to the INX Agents in connection with the non-brokered portion of the INX Concurrent Financing;

**"INX Acquisitions"** has the meaning set forth in Section 3.2 – *"Recent Acquisitions and Disposition"*;

**"INX Board"** means the board of directors of INX, as constituted from time to time;

**"INX Broker Warrants"** means 1,810,740 ordinary share purchase warrants issued by INX to the Agents on April 1, 2021, in connection with the INX Concurrent Financing;

**"INX Concurrent Financing"** has the meaning set forth in Section 3.1.4 – *"General Development of the Business – INX Concurrent Financing"*;

**"INX Contract Audit"** has the meaning set forth in Section 4.1.5 – *"The INX Token"*;

**"INX Digital"** means INX Digital, Inc., a Delaware corporation, that INX registered as a money transmitter to operate a trading platform for cryptocurrencies;

**"INX Digital Trading Platform"** has the meaning set forth in Section 4.1.3 – *"General – INX Digital Trading Platform"*;

**"INX Escrowed Funds"** has the meaning ascribed to that term under Section 3.1 – *"General Development of the Business – INX Concurrent Financing"*;

**"INX Escrowed Proceeds"** has the meaning ascribed to that term under Section 3.1.4 – *"General Development of the Business – INX Concurrent Financing"*;

**"INX Escrow Release Condition"** means the following, collectively:

- (a) the Securities Exchange Agreement having been executed by the parties and being in form and substance reasonably satisfactory to the INX Agents, and not having been terminated;
- (b) INX and Valdy not being in material breach or default of any of their covenants or obligations under the Agency Agreement, except those breaches or defaults that have been waived by the INX Agents;
- (c) the completion or irrevocable waiver or satisfaction of all conditions precedent to the Business Combination (as such term is defined in the Subscription Receipt Agreement), other than such conditions which cannot by their nature be completed prior to the release of the INX Escrowed Proceeds;
- (d) the receipt of all required shareholder, third party (as applicable) and regulatory approvals including, without limitation, the conditional approval of a Recognized Exchange (as such term is defined in the Securities Act (Ontario)), for the Transaction and the INX Concurrent Financing, if applicable, and the conditional approval of a Recognized Exchange of the listing of the Resulting Issuer Shares after giving effect to the Business Combination (as such term is defined in the Subscription Receipt Agreement); and
- (e) INX and the INX Agents having delivered a joint notice to the Subscription Receipt Agent confirming that the conditions set forth in (a), (b), (c) and (d) above have been met or waived (to the extent waivable in the context of the Transaction);

**“INX Escrow Release Date”** means the date on which the INX Escrow Release Conditions are satisfied;

**“INX Financial Statements”** means collectively (i) the audited consolidated annual financial statements of INX as at, and for the years ended December 31, 2020, 2019 and 2018, together with the auditor’s reports thereon and the notes thereto, which are attached as Schedule “A” to this Listing Statement, and (ii) the unaudited financial statements of INX for the six and three month period ended September 30, 2021, together with the notes thereto, which are attached as Schedule “C” to this Listing Statement;

**“INX Financing Shares”** means the INX Shares issued pursuant to the INX Concurrent Financing;

**“INX Financing Warrants”** means the warrants to purchase INX Shares issued pursuant to the INX Concurrent Financing;

**“INX Legacy Warrants”** means common share purchase warrants which entitle the holder thereof to acquire one INX Share for a period of two years following the date of issue;

**“INX LOI”** means the non-binding letter of intent dated February 22, 2021, as amended, between Valdy and INX;

**“INX Options”** means the 10,381,959<sup>2</sup> options of INX granted pursuant to the INX Share Option Plan, each of which is exercisable into one INX Share;

**“INX Securities”** means INX Securities, LLC, a Pennsylvania limited liability company;

**“INX Securities Trading Platform”** has the meaning set forth in Section 4.1.4 – *“General – INX Securities Trading Platform”*;

---

<sup>2</sup> The number of issued and outstanding INX Options as of the date hereof, multiplied by the Exchange Ratio and calculated on Valdy’s post-Consolidation basis.



**“INX Securityholders”** mean the registered holders of outstanding INX Shares, INX Options, INX Legacy Warrants, INX Subscription Receipts, INX Financing Shares and INX Financing Warrants, from time to time;

**“INX Services”** means INX Services, Inc., a wholly owned subsidiary of INX, which currently is a dormant entity;

**“INX Shareholders”** mean the registered holders of outstanding INX Shares from time to time;

**“INX Share Option Plan”** or the **“INX Plan”** refers to the INX Limited Share Ownership and Award Plan (2021);

**“INX Shares”** means the ordinary shares in the capital of INX;

**“INX Solutions”** refers to INX Solutions Limited, incorporated in Gibraltar as a private company limited by shares;

**“INX Subscription Receipts”** means the subscription receipts of INX issued pursuant to the INX Concurrent Financing, each of which will automatically convert into one INX Unit on the satisfaction of the INX Escrow Release Conditions;

**“INX Subsidiaries”** means the following: INX Services, Inc. (incorporated under the laws of Delaware), INX Digital, Inc. (incorporated under the laws of Delaware), INX Solutions Limited (incorporated under the laws of Gibraltar), Midgard Technologies Ltd. (incorporated under the laws of Israel) INX Securities, LLC (formed under the laws of Pennsylvania), I.L.S. Brokers Ltd. (incorporated under the laws of Israel), and ILSB UK Limited (incorporated under the laws of England and Wales);

**“INX Trading Solutions”** means the business conducted by INX in the United States, which includes the INX Digital Trading Platform, the INX Securities Trading Platform and other related business activities;

**“INX Tokens”** or **“Tokens”** refer to INX Tokens issued pursuant to the INX Token Offering, an ERC20 blockchain asset that is programmed using a smart contract that is compatible with the Ethereum blockchain, and the rights of the INX Token holder, which are contractual rights set forth in the INX Token Purchase Agreement, as more fully described in Section 4.1.5 – *“The INX Tokens”*;

**“INX Token Offering”** means the initial public offering of INX Tokens completed on April 22, 2021, by INX in the United States pursuant to applicable U.S. Securities Laws and in such other jurisdictions permitted by applicable law;

**“INX Token Holders”** means the holders of the INX Tokens pursuant to the INX Token Purchase Agreement;

**“INX Token Purchase Agreement”** means the agreement executed by each purchaser of INX Tokens as part of the initial public offering of INX Tokens, which sets forth the rights of each INX Token holder with regard to the INX Tokens held by such holder;

**“INX Unit”** means one INX Financing Share and one-half of one INX Financing Warrant;

**“ITO”** has the meaning set forth in Section 16 – *“Risk Factors”*;

**“JOBS Act”** means the Jumpstart Our Business Startups Act, enacted into law in the U.S. on April 5, 2012, Pub. L. § 112-106.

**“KYC/AML”** means the “Know Your Client” and “Anti-Money Laundering” protocols adopted by INX to comply with applicable regulatory requirements;

**“Law”** means, with respect to any Person, any and all applicable law (statutory, common, civil or otherwise), constitution, treaty, convention, ordinance, by-law, code, rule, regulation, order, injunction, judgment, award, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a governmental entity that is binding upon or applicable to such Person or its business, undertaking, property or

securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any governmental entity, as amended unless expressly specified otherwise;

**“Levin Services Agreement”** has the meaning set forth in Section 14.2.6 – *“Employment Agreements, Consulting, Termination, and Change of Control Benefits”*;

**“Listing Date”** means the date on which the Resulting Issuer Shares are listed and posted for trading on the NEO Exchange.

**“Listing Statement”** means this Listing Statement dated January 17, 2022, together with all schedules hereto;

**“Locked-Up Securities”** has the meaning set forth in Section 11.1 – *“Resulting Issuer Escrowed Securities”*;

**“Locked-Up Securityholders”** has the meaning set forth in Section 11.1 – *“Resulting Issuer Escrowed Securities”*;

**“Lock-Up Period”** has the meaning set forth in Section 11.1 – *“Resulting Issuer Escrowed Securities”*;

**“Lock-Up Terms”** has the meaning set forth in Section 11.1 – *“Resulting Issuer Escrowed Securities”*;

**“MD&A”** means Management’s Discussion and Analysis;

**“Midgard”** has the meaning set forth in Section 3.2 – *“Recent Acquisitions and Disposition”*;

**“Midgard Purchase Agreement”** has the meaning set forth in Section 3.2 – *“Recent Acquisitions and Disposition”*;

**“Named Executive Officers”** or **“NEO”** means, in relation to a company, each of the following individuals:

- (a) any individual who acted as CEO of the company, or acted in a similar capacity, for any part of the most recently completed financial year,
- (b) any individual who acted as CFO of the company, or acted in a similar capacity, for any part of the most recently completed financial year,
- (c) each of the three most highly compensated executive officers of the company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with Form 51-102F6 – Statement of Executive Compensation, for that financial year; and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the company, nor acting in a similar capacity, at the end of that financial year;

**“NEO Exchange”** means Neo Exchange, Inc.

**“Ninety-Six”** has the meaning set forth in Section 14.2.6 – *“Employment Agreements, Consulting, Termination, and Change of Control Benefits”*;

**“NFA”** has the meaning set forth in Section 3.2 – *“Recent Acquisitions and Disposition”*;

**“NP 46-201”** means National Policy 46-201 – *Escrow for Initial Public Offerings*;

**“OFN”** has the meaning set forth in Section 3.2 – *“Recent Acquisitions and Disposition”*;

**“OFN Asset Purchase Agreement”** has the meaning set forth in Section 3.2 – *“Recent Acquisitions and Disposition”*;

**“OFN Securities”** has the meaning set forth in Section 3.2 – *“Recent Acquisitions and Disposition”*;

**“Order”** has the meaning set forth in Sections 12.6 – *“Corporate Cease Trade Orders or Bankruptcies; Penalties or Sanctions; Personal Bankruptcies”*;

**“Parties”** means Valdy and INX, and **“Party”** means either INX or Valdy, as the context requires;

**“Permitted Reimbursement”** has the meaning set forth in Section 14.1.5 – *“Oversight and Description of Director and NEO Compensation”*;

**“Person”** is to be construed broadly and includes any individual, company, partnership, joint venture, association, trust, trustee, executor, administrator, unincorporated association, governmental entity or other entity, whether or not having legal status;

**“Privacy Laws”** means all Laws relating to privacy or data protection, including, the *Personal Information Protection and Electronic Documents Act* (Canada), CASL and applicable federal and state privacy laws in the United States;

**“Pro Forma Financial Statements”** means the unaudited pro forma consolidated balance sheet for the Resulting Issuer as of September 30, 2021, to give effect to the Transaction as if it had taken place as of September 30, 2021, which is attached as Schedule “J” to this Listing Statement;

**“Promoter”** bears the definition prescribed by applicable Securities Laws;

**“Qualifying Transaction”** means a transaction where a CPC acquires Significant Assets other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means, which, with respect to Valdy, is the Transaction;

**“Recognized Exchange”** has the meaning given to that term in the *Securities Act* (Ontario) as amended from time to time, other than the TSXV;

**“Restrictions”** has the meaning set forth in Section 11.1 – *“Resulting Issuer Escrowed Securities”*;

**“Resulting Issuer”** means the INX Digital Company Inc. (being Valdy, as constituted after giving effect to the Transaction and the change in its corporate name), and, in the case of references to matters undertaken by a predecessor in interest to the Resulting Issuer, includes such predecessor in interest, unless the context otherwise requires after giving effect to the Transaction.

**“Resulting Issuer Board”** means the board of directors of the Resulting Issuer as the same is constituted from time to time;

**“Resulting Issuer Options”** means options to purchase Resulting Issuer Shares issued pursuant to the Equity Incentive Plan and, as the context requires, includes 10,381,959<sup>3</sup> Valdy Consideration Options issued in exchange for INX Options upon completion of the Transaction;

**“Resulting Issuer Replacement Broker Warrants”** means the 1,810,740 broker warrants of the Resulting Issuer that will be issued in exchange for INX Broker Warrants upon completion of the Transaction;

---

<sup>3</sup> The number of issued and outstanding INX Options as of the date hereof, multiplied by the Exchange Ratio and calculated on post-Consolidation basis.

**“Resulting Issuer Shares”** means the Valdy Shares following the date of this Listing Statement, including the Valdy Consideration Shares and any Valdy Shares issued pursuant to the INX Concurrent Financing;

**“SAFE”** means simple agreement for future equity;

**“SEC”** means the United States Securities and Exchange Commission;

**“Securities Exchange”** means the securities exchange as contemplated in the Securities Exchange Agreement;

**“Securities Exchange Agreement”** means the amended and restated share exchange agreement dated November 3, 2021, among Valdy, INX, certain INX Securityholders, and the INX Agents, as may be amended from time to time, which amends and restates, in its entirety, the Initial Agreement;

**“Securities Laws”** means securities legislation, securities regulations and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that are applicable to an issuer;

**“SEDAR”** means the System for Electronic Document Analysis and Retrieval;

**“Settlement Agreement”** has the meaning set forth in Section 12.6-12.8 – *“Corporate Cease Trade Orders or Bankruptcies; Penalties or Sanctions; Personal Bankruptcies”*;

**“Significant Assets”** means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions, would result in the CPC meeting the initial listing requirements of the TSXV;

**“Silbert Employment Agreement”** has the meaning set forth in Section 14.2.6 – *“Employment Agreements, Consulting, Termination, and Change of Control Benefits”*;

**“Silbert’s Loan Amount”** has the meaning set forth in Section 14.2.6 – *“Employment Agreements, Consulting, Termination, and Change of Control Benefits”*;

**“Silbert Promissory Note”** has the meaning set forth in Section 14.2.6 – *“Employment Agreements, Consulting, Termination, and Change of Control Benefits”*;

**“Silbert Previous Employment Agreement”** has the meaning set forth in Section 14.2.6 – *“Employment Agreements, Consulting, Termination, and Change of Control Benefits”*;

**“Silbert’s Tokens”** has the meaning set forth in Section 14.2.6 – *“Employment Agreements, Consulting, Termination, and Change of Control Benefits”*;

**“Subscription Receipt”** means the subscription receipts issued pursuant to the INX Concurrent Financing that will be automatically converted into one INX Unit on the completion of the Transaction;

**“Subscription Receipt Agent”** means Odyssey Trust Company;

**“Subscription Receipt Agreement”** means the subscription receipt agreement dated April 1, 2021, among INX, the Subscription Receipt Agent, and the INX Agents, governing the terms and conditions of the INX Subscription Receipts, as amended on July 27, 2021;

**“Tax Act”** means the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time;

**“Termination Date”** has the meaning ascribed thereto under the Subscription Receipt Agreement;

**“TokenSoft”** means Tokensoft Transfer Agent LLC, a wholly owned subsidiary of INX, which is a transfer agent registered with the SEC;

**“Transaction”** means, collectively: (a) the Securities Exchange; (b) the INX Concurrent Financing; and (c) all other transactions contemplated by the Securities Exchange Agreement;

**“Transfer Agent”** or **“Odyssey”** means Odyssey Trust Company, the transfer agent of Valdy;

**“Triple-V Consultancy Agreement”** has the meaning set forth in Section 14.2.6 – *“Employment Agreements, Consulting, Termination, and Change of Control Benefits”*;

**“TSXV”** means the TSX Venture Exchange Inc.;

**“United States”** or **“U.S.”** means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

**“U.S. Exchange Act”** means the U.S. Securities Exchange Act of 1934, as amended;

**“U.S. Securities Act”** means the U.S. Securities Act of 1933, as amended;

**“Valdy”** means the Resulting Issuer prior to completion of the Transaction;

**“Valdy Board”** means the board of directors of Valdy, as constituted from time to time;

**“Valdy Consideration Options”** means the options to acquire post-Consolidation Valdy Shares to be issued to the holders of INX Options following the Transaction;

**“Valdy Consideration Shares”** means the post-Consolidation Valdy Shares to be issued to the INX Shareholders following the Transaction;

**“Valdy Consideration Warrants”** means the warrants to purchase post-Consolidation Valdy Shares to be issued to the holders of INX Legacy Warrants following the Transaction;

**“Valdy Financial Statements”** means collectively (i) the audited annual financial statements of Valdy for the years ended December 31, 2020 and December 31, 2019, together with the auditor’s reports thereon and the notes thereto, and (ii) the unaudited (auditor reviewed) financial statements of Valdy for the nine months ended September 30, 2021, together with the notes thereto;

**“Valdy IPO”** means the initial public offering of Valdy Shares that occurred on May 27, 2019;

**“Valdy Options”** means options to acquire Valdy Shares;

**“Valdy Plan”** has the meaning set forth in Section 14.1.3 – *“Stock Option Plans and Other Incentive Plans”*;

**“Valdy Shareholders”** mean the holders of Valdy Shares from time to time;

**“Valdy Shareholder Approval”** means the approval of the shareholders of Valdy to terminate Valdy’s existing stock option plan and adopt the Equity Incentive Plan, subject to the approval of a Recognized Exchange;

**“Valdy Shares”** means common shares in the capital of the Resulting Issuer prior to completion of the Transaction; and

**“Whistleblower Policy”** has the meaning set forth in Section 12.5 – *“Directors and Officers”*.

## **2. CORPORATE STRUCTURE**

### **2.1 Corporate Name and Head and Registered Office**

This Listing Statement has been prepared with respect to the Resulting Issuer in connection with its proposed listing on the NEO Exchange. The full name of the Resulting Issuer is “The INX Digital Company, Inc.” which the Resulting Issuer changed from “Valdy Investments Ltd.” upon completion of the Transaction on January 10, 2022. The registered office of the Resulting Issuer is 550 Burrard Street, Suite 2900, Vancouver, British Columbia, V6C 0A3. The Resulting Issuer maintains head offices at 5th Sapir St. Herzelia. Israel, 4685209, Israel, and 41 W 25th Street, Floor 2, New York, New York, 10010, USA.

### **2.2 Jurisdiction of Incorporation**

The Resulting Issuer was incorporated under the BCBCA on August 22, 2018, as evidenced by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia) under the name “Valdy Investments Ltd.”. On May 27, 2019, Valdy completed its initial public offering of common shares as a CPC, pursuant to which it issued 2,500,000 Valdy Shares at a price of \$0.10 per Valdy Share for gross proceeds of \$250,000. The Valdy Shares were listed on the TSXV on May 29, 2019, under the symbol “VLDY.P” until November 16, 2021, when they were voluntarily delisted from the TSXV.

On January 10, 2022, Valdy completed the Consolidation, following which, an aggregate of 3,844,740 Valdy Post-Consolidation Shares were issued and outstanding.

On January 10, 2022, the Transaction was completed, pursuant to which Valdy acquired all of the issued and outstanding securities of INX from the INX Securityholders by way of a securities exchange, in accordance with the terms and conditions of the Securities Exchange Agreement dated November 3, 2021, whereby its name was changed from “Valdy Investments Ltd.” to “The INX Digital Company, Inc.”. See Section 3.1.3 - “*General Development of the Business – The Securities Exchange Agreement*”.

The Resulting Issuer has obtained conditional approval from the NEO Exchange to list the Resulting Issuer Shares on the NEO Exchange under the symbol “INXD” upon completion of the Transaction and fulfilling all listing requirements of NEO Exchange.

### **2.3 Intercorporate Relationships**

On November 27, 2017, INX was incorporated as a private company limited by shares under the Gibraltar Companies Act. INX was incorporated under the name “INX Holdings Ltd.” On December 17, 2017, INX changed its name to its current name, INX Limited. INX is governed by its Memorandum of Association and Amended Third Amended and Restated Articles of Association and the principal legislation under which it operates is the Gibraltar Companies Act. Approximately 24% of INX's issued share capital (on an issued and outstanding basis) is held by Mr. Shy Datika, one of INX's founders, its controlling shareholder (in person and by Triple-V (1999) Ltd., an Israeli incorporated company wholly owned by Mr. Datika), President, Chief Executive Officer and a member of the INX Board. The balance of INX's issued share capital is held by various investors, officers, employees, lenders and service providers of INX. On February 16, 2021, INX was registered as a foreign company in Israel with the Israeli Registrar of Companies. The INX Shares have never been listed for public trading.

INX has 7 wholly owned subsidiaries:

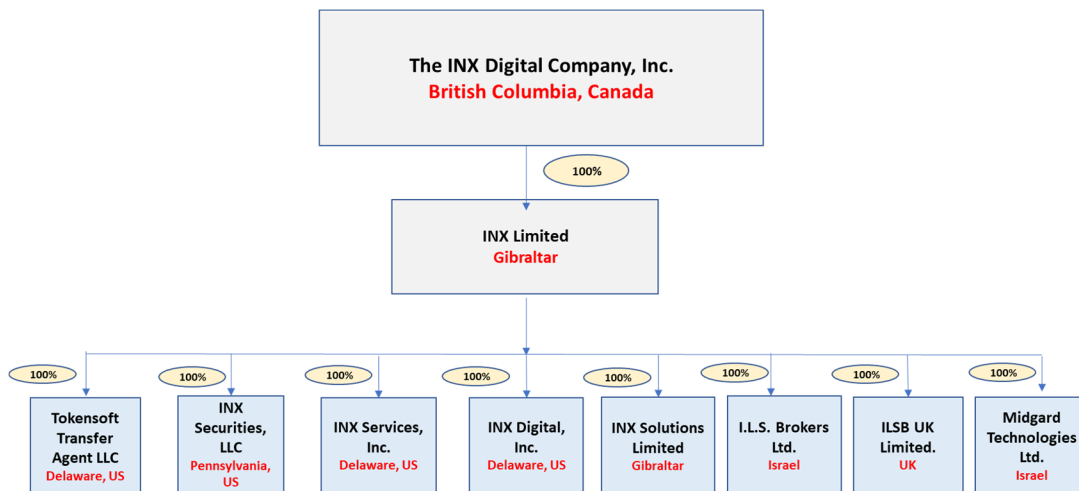
- INX Digital, Inc., a Delaware corporation, which has registered as a money transmitter to operate a trading platform for cryptocurrencies;
- INX Services, Inc., a Delaware corporation, which currently is a dormant entity;

- INX Solutions Limited, incorporated in Gibraltar as a private company limited by shares, through which INX intends to offer services and products to the European market. INX Solutions is currently a dormant company. INX may apply in the future to the EU for licenses for its financial services.
- Midgard Technologies Ltd., a company incorporated under the laws of the state of Israel. INX entered into the Midgard Purchase Agreement, pursuant to which, INX purchased from Mr. Adam Berlin the entire share capital of Midgard and is now the sole shareholder of Midgard. Prior to the Midgard Purchase Agreement, Midgard has served as the research and development arm of INX since November 1, 2020, as an external services provider of INX.
- INX Securities, LLC, (f/k/a Openfinance Securities, LLC.), a Pennsylvania limited liability company. Pursuant to the OFN Asset Purchase Agreement, INX acquired various assets of OFN on May 10, 2021, including the entire share capital of OFN Securities. After closing on the acquisition, INX changed OFN Securities' name to INX Securities.
- I.L.S. Brokers Ltd., a company incorporated under the laws of the State of Israel. Pursuant to the ILSB Acquisition, INX acquired all the issued and outstanding shares of ILSB.
- ILSB UK Limited, a company incorporated under the laws of England and Wales. ILSB UK plans to apply to the Financial Conduct Authority in the United Kingdom for an introducing broker license and to be registered as a financial services company. Pursuant to a share transfer agreement, INX acquired the entire share capital of ILSB UK on July 13, 2021.
- Tokensoft Transfer Agent LLC ("**TokenSoft**"), a Delaware limited liability company. TokenSoft is a transfer agent registered with the SEC, acquired by INX pursuant to a purchase agreement dated December 28, 2021 for nominal consideration.

Pursuant to the Transaction, on Closing, Valdy acquired all of the issued and outstanding securities of INX from the INX Securityholders by way of the Securities Exchange and following the Transaction, INX became a wholly owned subsidiary of the Resulting Issuer.

As further described below, the business of the Resulting Issuer will be the business of INX.

Set forth below is the organizational chart of the Resulting Issuer immediately following completion of the Transaction.



The contractual relationship between INX and the following INX Subsidiaries: INX Digital, INX Services, INX Securities and Midgard, and between ILSB and ILSB UK are administrated by a series of intercompany agreements that include services agreements, license agreements, loan agreements and an expense sharing agreements (collectively, the “Intercompany Agreements”).

### **3. GENERAL DEVELOPMENT OF THE BUSINESS**

#### **3.1 General Development of the Business**

##### **3.1.1 Valdy**

To date, Valdy has not carried on any commercial operations. The sole business of Valdy since its incorporation has been to identify and evaluate opportunities for the acquisition of an interest in assets or businesses. Valdy was previously a capital pool company and had its common shares listed on the TSXV. Following discussions with the TSXV regarding the Securities Exchange, Valdy determined that the Securities Exchange would not constitute a Qualifying Transaction for the purposes of the TSXV. As such, Valdy obtained approval from the majority of its minority shareholders and then completed the voluntary delisting of its common shares from the TSXV effective November 16, 2021. Until the Closing, Valdy has not operated a business or had any material assets other than cash. Valdy currently has no written or oral agreements in principle for the acquisition of an asset or business other than the Securities Exchange Agreement.

On August 22, 2018, Valdy completed a private placement offering, pursuant to which Valdy issued 200,000 common shares at \$0.05 per share for total Proceeds of \$10,000.

On September 28, 2018, Valdy completed a private placement offering, pursuant to which Valdy issued 1,800,000 common shares at \$0.05 per share for total Proceeds of \$90,000.

On January 24, 2019, Valdy completed a private placement offering, pursuant to which Valdy issued 2,500,000 common shares at \$0.10 per share for total proceeds of \$250,000.

On May 27, 2019, Valdy completed the Valdy IPO as a CPC of 2,500,000 Valdy Shares for gross proceeds of \$250,000 and the Valdy Shares began trading on the TSXV on May 29, 2019, under the symbol “VLDY.P”.

On January 28, 2021, Valdy completed a private placement offering, pursuant to which Valdy issued 4,583,333 common shares at \$0.06 per share for total proceeds of \$275,000.

On February 5, 2021, Valdy completed a private placement, pursuant to which Valdy issued 4,583,333 common shares at \$0.06 per share for total proceeds of \$275,000.

On February 22, 2021, following arm’s length negotiations, Valdy and INX entered into the INX LOI, pursuant to which Valdy and INX agreed to negotiate the Transaction on the terms and conditions set forth therein. The Valdy Shares were halted from trading on the TSXV on February 22, 2021, pending announcement of the Transaction. The closing price of the Valdy Shares on February 22, 2021, the last trading date immediately preceding the announcement of the Transaction, was \$0.075.

On March 31, 2021, Valdy, INX and others entered into the Initial Agreement, as amended on July 23, 2021. On November 3, 2021, Valdy entered into the Securities Exchange Agreement with INX and others with respect to the Transaction, as further detailed below.

On April 27, 2021, Valdy issued 250,000 common shares for warrants exercised for gross proceeds of \$25,000. Also on April 27, 2021, Valdy issued 1,150,000 common shares for stock options exercised for gross proceeds of \$103,750.



On November 12, 2021, Valdy's escrow agreement was amended and an aggregate of 500,000 shares held by arm's length parties were released from escrow.

On November 16, 2021, Valdy Shares were voluntarily delisted from the TSXV in connection with the completion of the Transaction. In connection with the delisting, an aggregate of 3,150,000 shares held by non-arm's length parties were cancelled.

### **3.1.2 INX**

INX was incorporated under the laws of Gibraltar on November 27, 2017. Pursuant to the Transaction, on Closing, Valdy acquired all of the issued and outstanding securities of INX from the INX Securityholders by way of the Securities Exchange and following the Transaction, INX became a wholly owned subsidiary of the Resulting Issuer.

As further detailed in this Listing Statement, INX is the world's first company to debut and successfully complete an SEC-registered IPO of a blockchain security token (the INX Token).

The public offering of the INX Token was registered under the United States Securities Act of 1933 and, in such registration, the INX Token is deemed to be an "equity security" under relevant SEC rules and regulations. INX's Full F-1 prospectus and periodic reports are publicly available on the SEC's EDGAR system, and on INX's website, in accordance with US federal securities laws.

During the INX Token Offering, from September 1, 2020, to April 2021, INX raised approximately US\$84.0 million in gross proceeds from token sales, received from over 7,200 institutional and retail investors.

Since its inception, INX has sought to become a regulated digital hub. The first stage involved cementing INX's place in the United States as INX began by obtaining money transmitter licenses (currently in 29 US states), a broker/dealer and an ATS (registered under the SEC and FINRA) for digital assets. INX started its international expansion with the purchase of an interdealer broker in Israel, seeking to bridge the gap between the mostly retail world and the largest financial institutions. This interdealer broker dealer has relationships with over 50 tier-1 and tier-2 global banks (including: Citibank, HSBC, Goldman Sachs, Morgan Stanley, JP Morgan and others) focusing on OTC trading of FX, interest rate and other derivative products. This broker is an NFA member registered under the CFTC and as an introducing broker and swap firm and holds other licenses in Israel.

INX aims to offer all digital services under a regulated umbrella. Whether with cryptocurrencies, digital securities or derivatives.

For more information concerning INX see Section 2.3 above "*Intercorporate Relationships*" and Section 4 below - "*Narrative Description of the Business*".

### **3.1.3 The Securities Exchange Agreement**

On March 31, 2021, Valdy, INX entered into the Initial Agreement, for the consummation of the Securities Exchange, as amended on July 23, 2021. On November 3, 2021, Valdy, INX and others entered into the Securities Exchange Agreement, which amends and restates, in its entirety, the Initial Agreement. The terms of the Securities Exchange Agreement were the result of arms' length negotiation among the parties thereto. Pursuant to the terms of the Securities Exchange Agreement, Valdy acquired all the issued and outstanding securities of INX from the INX Securityholders by way of the Securities Exchange, as follows:

- (a) Valdy acquired an aggregate of 15,955,875 INX Shares (excluding the INX Financing Shares) from the holders thereof, and issued to such holders consideration of an aggregate of 167,331,410 Valdy Consideration Shares, being the product of the number of INX Shares acquired by the Exchange Ratio;

- (b) Valdy acquired an aggregate of 31,680,000 INX Financing Shares from the holders thereof and issued to such holders consideration of an aggregate of 31,680,000 Valdy Consideration Shares;
- (c) the holders of INX Options surrendered for cancellation each INX Option held by them, and for each INX Option so surrendered, Valdy issued to such holder Valdy Consideration Options having terms equivalent to the surrendered INX Option with respect to exercise price, vesting conditions, and expiry date, but adjusted such that: (i) the number of post-Consolidation Valdy Shares issuable pursuant to the Valdy Consideration Option shall be the product of the number of INX Shares issuable pursuant to the INX Option and the Exchange Ratio; and (ii) the exercise price for each post-Consolidation Valdy Share issuable upon conversion of the Valdy Consideration Option shall be equal to the exercise price of the INX Option divided by the Exchange Ratio;
- (d) the holders of INX Legacy Warrants surrendered for cancellation each INX Legacy Warrant held by them, and for each INX Legacy Warrant so surrendered, Valdy issued to such holder Valdy Consideration Warrants having terms equivalent to the surrendered INX Legacy Warrant with respect to exercise price, the number of post-Consolidation Valdy Shares issuable pursuant thereto, and expiry date, but adjusted such that: (i) the number of post-Consolidation Valdy Shares issuable pursuant to the Valdy Consideration Warrant shall be the product of the number of INX Shares issuable pursuant to the INX Legacy Warrant and the Exchange Ratio; and (ii) the exercise price for each post-Consolidation Valdy Share issuable upon conversion of the Valdy Consideration Warrant shall be equal to the exercise price of the INX Legacy Warrant divided by the Exchange Ratio; and
- (e) each INX Financing Warrant, in accordance with its terms, became exercisable to purchase an equivalent number of post-Consolidation Valdy Shares at the same exercise price as the INX Shares to which such warrant was previously exercisable for, and such INX Financing Warrant shall otherwise continue to be governed in accordance with its terms.

#### Conditions to Closing

Pursuant to the Securities Exchange Agreement, the completion of the Transaction was subject to the satisfaction of various conditions, including but not limited to the following, all of which have been satisfied or waived:

- (a) the Securities Exchange Agreement shall not have been terminated in accordance with its terms;
- (b) there will not be in force any order or decree restraining or enjoining the consummation of the Transaction, or any proceeding in progress or threatened, which would, if successful, result in such an order;
- (c) the de-listing of the Valdy Shares from the TSXV shall have been completed;
- (d) all required regulatory and third party approvals will have been received, including the conditional approval of a Recognized Exchange for the Transaction and listing of the Resulting Issuer Shares on a Recognized Exchange;
- (e) the Valdy Shareholder Approval shall have been obtained in respect of: (i) the Equity Incentive Plan; (ii) the de-listing of the Valdy Common Shares from the TSXV; (iii) use of the proceeds of Valdy's initial public offering for purposes other than completion of a Transaction, which purposes may include the transactions contemplated by the Securities

Exchange Agreement; and (iv) such other matters that may be required to be approved in order to give effect to the Transaction;

- (f) INX's having no Indebtedness outstanding;
- (g) Valdy will have executed a market awareness contract with Creative Direct Marketing Group Inc. to take effect on the Closing Date on terms and conditions to be agreed to by INX, subject to requisite corporate approvals;
- (h) INX shall have no more than 175,000,000 INX Shares issued and outstanding on a fully diluted basis, which amount shall include INX Shares issuable pursuant to any convertible securities, but excluding any commitments of INX pursuant to its employee stock option plan and the INX Financing Shares;
- (i) the NEO Exchange shall not have objected to the appointment of the INX Nominees to the board of directors of the Resulting Issuer, or of the management nominees of INX to serve as officers of the Resulting Issuer, each following the Closing Time;
- (j) Valdy shall have completed the Consolidation and shall have changed its name to "The INX Digital Company, Inc.", or such other name as agreed to by Valdy and INX;
- (k) the receipt of a favourable tax ruling from Israeli tax authorities with respect to the Securities Exchange, which INX obtained on November 3, 2021, being a temporary ruling, that is subject to a final ruling;
- (l) the changes to the Valdy stock option plan reflected in the Valdy Shareholder Approval shall have been implemented;
- (m) completion of all matters, and the satisfaction of all conditions (unless waived in writing), under the Securities Exchange Agreement required to be completed or satisfied on or before the Closing;
- (n) all parties to the Securities Exchange Agreement shall have performed, satisfied and complied with all obligations, covenants and agreements to be performed and complied with by them on or before the Closing Date pursuant to the terms of the Securities Exchange Agreement and that, except as affected by the transactions contemplated by the Securities Exchange Agreement, all representations and warranties shall be true and correct in all material respects as at the Closing Date; and
- (o) no material adverse effect having occurred in respect of Valdy or INX.

Capitalized terms in this Section 3.1.3 which are not otherwise defined in this Listing Statement shall bear the meaning ascribed to them in the Securities Exchange Agreement.

#### **3.1.4 INX Concurrent Financing**

On April 1, 2021, INX completed a private placement of 31,680,000 INX Subscription Receipts at a price of \$1.25 per INX Subscription Receipt for aggregate gross proceeds of \$39,600,000. On the closing of the INX Concurrent Financing, the gross proceeds from the INX Concurrent Financing (less 50% of the INX Agents' Commission and the reasonable costs and expenses of the Agents payable by INX) (the "**INX Escrowed Proceeds**") were delivered to be held in escrow by the Subscription Receipt Agent appointed under the Subscription Receipt Agreement, and invested in an interest-bearing account, short-term obligation of, or guaranteed by, the government of Canada or any other

investments that may be approved by the INX Agents (the Escrowed Proceeds, together with all interest and other income earned thereon, the **"INX Escrowed Funds"**).

Upon the satisfaction of the INX Escrow Release Conditions, the Subscription Receipt Agent will release the INX Escrowed Funds (less the balance of the INX Agents' Commission and any further reasonable costs and expenses of the Agents by INX) to Valdy, and each INX Subscription Receipt will automatically convert into one INX Unit. Each INX Unit will consist of one INX Share and one-half of one INX Financing Warrant. Each whole INX Financing Warrant will entitle the holder to purchase an additional INX Share at an exercise price of \$1.88 per share for a period of two years following the satisfaction or waiver (to the extent such waiver is permitted) of the INX Escrow Release Conditions. If the INX Escrow Release Conditions are not satisfied on or before 5:00 p.m. (Toronto time) on the Termination Date, the INX Subscription Receipts will expire and be of no further force and effect, and the subscribers will be entitled to receive from the Subscription Receipt Agent a refund of the subscription amounts held in escrow, together interest thereon.

The INX Financing Warrants are subject to the terms and conditions of the Warrant Indenture dated April 1, 2021 between INX, Valdy and Odyssey (the **"Warrant Indenture"**). The Warrant Indenture includes, without limitation, instructions in connection with the exercise of the INX Financing Warrants, restrictions and legends to which the INX Financing Warrants are subject, provisions regarding the transfer fees and other payments due by the holders of the INX Financing Warrants, a description of the rights and the duties of Odyssey as the warrant agent of the INX Financing Warrants and provisions relating to the adjustment of the exercise price and number of Resulting Issuer Shares issuable pursuant thereto in the event INX undertakes certain corporate actions prior to the exercise of the INX Financing Warrants.

The rights and obligations of the INX Agents are set forth in the Agency Agreement dated April 1, 2021, among Valdy, INX, the INX Agents, Beacon Securities Limited and Cormark Securities Inc. (the **"Agency Agreement"**). The Agency Agreement includes, without limitation, customary covenants, representations and warranties made by each of the parties to the Agency Agreement, terms for closing of the transactions contemplated under the Agency Agreement and provisions for termination of the Agency Agreement.

The date on which the INX Escrow Release Conditions are satisfied or waived is referred to as the INX Escrow Release Date which, for greater certainty, shall be no later than the Termination Date except as may be extended in accordance with the terms of the Subscription Receipt Agreement. On July 23, 2021, the majority of the investors under the Concurrent Financing agreed, among additional matters, to extend the Closing Date to 240 days following April 1, 2021, subject to the right of the agents leading the Concurrent Financing to extend the escrow release deadline to the date that is 300 days following completion of the Concurrent Financing, i.e., January 24, 2022. On July 27, 2021, the Subscription Receipt Agreement between INX, the Subscription Receipt Agent, and the INX Agents, was amended such that the Escrow Release Deadline (as such term is defined therein) was extended to the date that is 300 days following the Closing Date.

On January 10, 2022, the INX Escrow Release Conditions were satisfied and the Subscription Receipt Agent released the INX Escrowed Funds (less the balance of the INX Agents' Commission and the reasonable costs and expenses of the Agents by INX) to INX, and each INX Subscription Receipt automatically converted into one INX Unit.

### **3.1.5 INX Token Offering**

On August 20, 2020, the SEC acknowledged effectiveness of the F-1 Registration Statement that was filed by INX with the SEC and declared effectiveness of the INX Token Offering.

On April 22, 2021, the INX Token Offering was completed. Under the INX Token Offering, INX raised US\$84,068,469, pursuant to the sale of 93,409,410 INX Tokens (excluding the sale of INX Tokens described below). Additionally, INX raised US\$7,621,778, pursuant to the sale of 10,386,148 INX Tokens through private placements, which were subject to a 12-month lockup.

Under the INX Token Offering, INX Tokens were bought by retail and institutional investors in 75 countries, with more than 61,000 investors expressing interest but unable to invest in the INX Token Offering, in part due to the U.S. blue sky restrictions.

In June 2021, it came to the attention of INX that during the course of the INX Token Offering as it related to Canada, INX did not take all steps that may be required under Canadian securities laws. As a result, INX elected to unwind the transactions forthwith by cancelling the 1,932,660.65 INX Tokens that were sold to such purchasers and refunding US\$ 1,739,394.585, representing the full purchase price of the tokens sold.

### 3.1.6 Advisory Agreements and Finder's Fees

On Closing, the Resulting Issuer entered into advisory agreements (each, an "**Advisory Agreement**") with James Decker and Johnny Ciampi (each, an "**Advisor**"). Each Advisory Agreement provides for the issuance of 1,000,000 options to purchase shares of the Resulting Issuer (each, an "**Advisor Option**") under the Equity Incentive Plan to the applicable Advisor, with 500,000 Advisor Options being exercisable at a price of \$1.25 per share and 500,000 Advisor Options being exercisable at a price of \$2.50 per share, and all Advisor Options expiring on the date that is five years from the Closing.

In connection with the Transaction, on March 17, 2021, Valdy entered into a finder's fee agreement with Peter Hough (the "**Finder's Fee Agreement**"), pursuant to which Valdy has agreed to issue 650,000 Valdy Shares (approximately 238,386 Valdy Shares on a post-Consolidation basis) (the "**Finder's Shares**") to Mr. Hough on Closing as compensation for services provided in connection with the Transaction.

On January 10, 2022, Valdy issued 640,000 Valdy Shares on a post-Consolidation basis to each of Johnny Ciampi and James Decker in exchange for past services to Valdy in their respective capacities as Chief Financial Officer and Chief Executive Officer of Valdy in connection with the achievement of certain milestones. Such Valdy Shares will be subject to a four month hold period in accordance with Canadian securities laws.

## 3.2 Recent Acquisitions and Dispositions

On January 12, 2021, INX entered into an asset purchase agreement (the "**OFN Asset Purchase Agreement**") with Openfinance Holdings, Inc. and certain subsidiaries of Openfinance Holdings, Inc. (collectively, "**OFN**"). Pursuant to the OFN Asset Purchase Agreement, on May 10, 2021, INX acquired various assets of OFN, including the entire share capital of Openfinance Securities, LLC ("**OFN Securities**"), a Pennsylvania limited liability company, that is a registered in the United States as a broker-dealer, is a member of FINRA and operates and is recognized as an alternative trading system by the SEC. With the closing of the acquisition, INX now counts OFN Securities' broker-dealer/ATS – including its digital security listings and client base – among its wholly-owned subsidiaries. After closing of the acquisition, INX changed OFN Securities name to INX Securities. INX began listing the INX Token on the INX Securities Trading Platform in July 2021.

On April 1, 2021, INX entered into a share transfer agreement with Mr. Adam Berlin, the sole legal and beneficial owner of Midgard Technologies Ltd., (company number 516269339) a limited liability company that was incorporated under the laws of the State of Israel on October 22, 2020 (the "**Midgard Purchase Agreement**" and "**Midgard**", respectively). Since November 1, 2020, prior to the Midgard Purchase Agreement, Midgard has served as the research and development arm of INX, as an external services provider of INX. Pursuant to the Midgard Purchase Agreement, INX purchased from Mr. Berlin the entire share capital of Midgard.

On June 9, 2021, INX entered into a share purchase agreement with the shareholders of I.L.S. Brokers Ltd., a company incorporated under the laws of the State of Israel ("**ILSB**") for the purchase of all of the issued outstanding shares of ILSB (the "**ILSB Acquisition**"). The consideration paid by INX as part of the ILSB Acquisition to the shareholders was US\$4.3 million. Mr. Datika (one of INX's founders, its controlling shareholder (in person and by Triple-V), President and Chief Executive Officer) was a shareholder of ILSB and sold his shares to INX as part of the ILSB Acquisition. Immediately prior to the ILSB Acquisition, Mr. Datika held, directly and indirectly, approximately 20% of the

outstanding share capital of ILSB. Mr. Datika waived his right to receive full consideration under the ILSB Acquisition and received only an amount equal to the tax payments due by him and by his affiliated entity in connection with the ILSB Acquisition. As a result of such waiver, the consideration paid by INX as part of the ILSB Acquisition was reduced from US\$4.9 million to US\$4.3 million. Upon closing of the ILSB Acquisition, ILSB had approximately US\$850,000 in cash.

ILSB is a multinational brokerage house, established in 2001, that facilitates financial transactions between banks and offers a full range of brokerage services to more than 40 leading banks worldwide. ILSB's international clients include Goldman Sachs, Barclays, Morgan Stanley, Citi, JPMorgan Chase, and Nomura. ILSB's main field of operation is Foreign Exchange and interest rate derivatives services. ILSB's activities are regulated by the Israeli Capital Market Authority, Insurance and Savings and registered with the U.S. National Futures Association ("**NFA**") (authorized by the CFTC). ILSB holds the following license: Provider of Financial Services in Israel and an introducing broker (IB) license from NFA (CFTC) in the US.

ILSB has \$5 billion in monthly volume. During 2020 ILSB had generated revenues from its operations in the amount of US\$2,775,000 and net-profits in the amount of US\$347,000. During the first six months of 2021, ILSB generated revenues from its operations in the amount of US\$2.14 million and net profits in the amount of US\$402k. ILSB currently employs 15 employees (including full time service providers) in Israel and London.

On July 13, 2021, INX entered into a share purchase agreement to purchase the entire share capital of ILSB UK Limited, a company incorporated under the laws of England and Wales ("**ILSB UK**") from its sole shareholder, Mr. James Crossley, who also served as a member of the INX Board until his resignation on December 14, 2021, and is now serving as INX's Director of Business Development, in consideration for a one-time payment of 100 GBP. Pursuant to a share purchase agreement, INX acquired the entire share capital of ILSB UK, on July 13, 2021.

On January 1, 2022, INX acquired Tokensoft Transfer Agent LLC, a transfer agent registered with the SEC, pursuant to a purchase agreement dated December 28, 2021 for nominal consideration. Tokensoft was instrumental in facilitating the issuance and listing of two SEC-qualified digital securities: the INX Token and Arca's ArCoin. The ERC-1404 token standard used by Tokensoft is designed to enforce compliance on-chain while enabling compatibility with both centralized and decentralized exchanges, as well as decentralized finance applications such as Maker and Compound. With the acquisition of Tokensoft, INX Securities will be able to offer a complete, 'nose to tail' solution to public and private companies seeking to raise capital and list digital securities.

INX offers professional traders and institutional investors trading platforms with established practices common in other regulated financial services markets, such as customary trading and settlement procedures, regulatory compliance, capital and liquidity reserves and operational transparency. INX believes that the acquisitions of OFN Securities and ILSB, which have ongoing businesses in their areas of operations, should expedite its goals, as further detailed in this Listing Statement, see Section 4.1.1 "*Business Objectives and Milestones*" and Section 4.11 "*Principal Millstones*".

Except for the acquisition under the OFN Asset Purchase Agreement, the ILSB Acquisition and the acquisitions of Midgard, the ILSB UK and Tokensoft Transfer Agent LLC (together the "**INX Acquisitions**"), no acquisitions were made by INX in the year ended December 31, 2020, or, as of the date of this Listing Statement, in the 2021 financial year.

Other than the INX Acquisitions, the Resulting Issuer has not completed any acquisitions or dispositions during the 12-month period ended September 30, 2021, or its current fiscal year. As of the date of this Listing Statement, the Resulting Issuer has identified opportunities to expand by acquisition, but no opportunity identified to date has progressed to the stage of being considered a probable significant acquisition. No assurance can be given that the Resulting Issuer's acquisition strategy will result in one or more acquisitions, or that any acquisitions, if completed, will positively affect the Resulting Issuer's business.

### 3.3 Industry Overview, Trends, Commitments, Events or Uncertainties

#### 3.3.1 Background & Current Market

##### Blockchain Technology and Blockchain Assets

Blockchain technology is a digital record or ledger of transaction data that is permanently recorded in files called “blocks.” Each blockchain is founded upon software source code that establishes and governs its cryptographic system for verifying transactions.

In traditional blockchain networks, copies of the blockchain ledger are stored in a decentralized manner on computers across a peer-to-peer network. Users of the blockchain network maintain a copy of the ledger with all copies of the ledger synchronized through a consensus algorithm. Protocols included in the source code govern the rules, operations, and communications of the underlying blockchain network, including the validation of new blocks that contain an updated ledger reflecting new transactions.

This lack of a single point of data collection is believed to enhance the security of traditional blockchain networks and blockchain assets. Nonetheless, blockchain assets and blockchain trading platforms remain susceptible to security breaches and cybercrime. Since 2011, more than US\$1.7 billion has been publicly reported stolen from cryptocurrency exchanges and investors. For example, in January 2018, about US\$500 million worth of blockchain assets were stolen from a major Japanese trading platform.<sup>4</sup> Variations on traditional blockchain networks include “permissioned” blockchains, in which a limited number of pre-selected users monitor and validate transactions (or add “blocks” to the chain). In a fully centralized blockchain, one organization monitors and validates transactions. Such blockchain ledgers may be viewable by the public or viewing ledger information may be restricted.

Blockchain assets are assets that utilize blockchain ledgers to record their creation, ownership, and transfer of ownership. Blockchain assets have generally been created and used in two broad contexts: within blockchain protocol layers and within application layers. Blockchain assets used at the protocol layer are generally intended to create financial incentives that drive the underlying blockchain network to verify and authorize the creation of a new block to update the ledger of ownership. Network participants may receive a fee, generally paid in the protocol’s native blockchain asset, for validating the authenticity of a new block. A blockchain asset used at the application layer is not designed to incentivize validation of new blocks on the blockchain. However, the ledger of ownership of an application blockchain asset, including the record of transfers of such blockchain assets, is recorded on blocks added to the underlying blockchain. For example, Bitcoin and Ether are protocol blockchain assets used on the Bitcoin and Ethereum blockchains, respectively. The INX Token is an application blockchain asset that is recorded on the Ethereum blockchain.

Ownership of a blockchain asset is established by recording on the blockchain ledger the owner’s unique identifier address, or “public address,” and the amount of the asset held by such address. When a blockchain asset is transferred, the ledger records the sender’s public address, the recipient’s public address and the amount of digital assets transferred. Authorization of the transfer requires the sender’s digital signature and a transfer fee.

Digital signatures are generated by use of the private key associated with the relevant public address. The public address is publicly known so that it may be used to direct transfers of the blockchain asset. Private keys are used to sign transactions that initiate the transfer of blockchain assets from a sender’s public address to a recipient’s public address. Only the private key associated with a particular public address can digitally sign a transaction proposing a transfer of the blockchain asset from one public address to another. Similar to a digital password, if an unauthorized third person learns of a user’s private key, that third person could forge the user’s digital signature and transfer

---

<sup>4</sup> <https://www.cnn.com/2018/01/26/japanese-cryptocurrency-exchange-loses-more-than-500-million-to-hackers.html>; See also <http://blockgeeks.com/guides/cryptocurrency-hacks>.

blockchain assets from the user's public address to another public address, thereby transferring ownership of the user's blockchain assets.

### Blockchain Asset Classes

Blockchain assets exist as a digital representation of value or rights, including rights to an underlying asset. Some blockchain assets may be viewed as having intrinsic value. In addition, the blockchain asset may be tethered to the value of another asset or may be a representation of contractual rights. Almost any asset can be "tokenized," meaning that title to the asset, including any rights associated with such title, can be recorded on a blockchain ledger. To this point, blockchain assets may be used to pay for goods and services, may entitle the owner to certain rights, or may represent assets that have traditionally existed off the blockchain.

INX has identified and targeted its business operations around two emerging blockchain asset classes: cryptocurrencies and security tokens.

A "cryptocurrency," also known as a digital currency or virtual currency, is a digital representation of value that functions as a medium of exchange, a unit of account, or a store of value. Cryptocurrencies are generally used as a substitute for fiat currencies as a means of paying for goods or services or transferring value. While there remains considerable regulatory uncertainty as to which specific blockchain assets qualify as "cryptocurrencies" and which are "digital securities" (and therefore subject to securities laws), a "cryptocurrency," as the term is used in this Listing Statement, is not a "security" as that term is defined under the Canadian or U.S. federal Securities Laws. Bitcoin and Ether are examples of well-known cryptocurrencies.

A "digital security" is a blockchain asset that falls within the definition of a security under U.S. federal securities laws. On April 3, 2019, the Strategic Hub for Innovation and Financial Technology (FinHub) of the U.S. SEC published informal guidance, titled "Framework for 'Investment Contract' Analysis of Digital Assets" (the "**Framework**"), which provides analytical tools for determining whether a blockchain asset is a security under the U.S. federal securities laws. In the Framework, the SEC uses the term "digital asset" to refer to an asset that is issued and transferred using distributed ledger or blockchain technology. In this Listing Statement, we use the term "blockchain asset" to distinguish between assets that are recorded and stored using blockchain technology and assets that may be stored in digital form, but which do not utilize blockchain technology. In addition, the SEC has not used the term "digital security." The Framework provides a list of factors to consider when determining whether a digital asset offered for sale is a security. The factors included in the Framework are based on an analysis of whether the blockchain asset is an "investment contract" as that term was first used by the Supreme Court in *SEC v. Howey*, 328 U.S. 293 (1946), and which has been further clarified through subsequent case law.

The SEC staff has acknowledged that determining whether a blockchain asset is a security can require a careful analysis of the nature of the blockchain asset and how it is offered and sold. Further, the SEC staff acknowledged that a blockchain asset that is initially sold as a security may, at a later point, no longer meet the characteristics of a security. The Framework represents the views of the SEC staff, and it is not a rule, regulation, or statement of the SEC and it is not binding on the SEC.

To determine the character of a blockchain asset and whether it should be traded on the INX Digital Trading platform or the INX Securities Trading Platform, INX has sought the guidance of nationally recognized outside legal counsel. In certain instances, INX may seek a declaratory judgment or no action relief from the relevant regulatory agency prior to deciding whether to permit the trading of an asset on one of its platforms.



## Markets for Blockchain Assets

The market for blockchain assets has grown dramatically including through dramatic volatility since blockchain assets were first introduced in 2009 with the launch of Bitcoin. According to CoinMarketCap.com,<sup>5</sup> on December 31, 2016, global market capitalization for all blockchain assets was approximately US\$17 billion. By December 31, 2017, global market capitalization grew to approximate US\$612 billion, then fell sharply through 2018. As of December 31, 2018, blockchain assets had a total market capitalization of approximately US\$125 billion. As of December 31, 2019, blockchain assets had a total market capitalization of approximately US\$190 billion. As of December 30, 2020, blockchain assets had a total market capitalization of approximately US\$760 billion. As of November 8, 2021, blockchain assets had a total market capitalization of approximately US\$2.493 trillion.

Some blockchain industry participants have reported that a significant percentage of blockchain asset trading activity is artificial or non-economic in nature and may represent attempts to manipulate the price of certain blockchain assets. For example, according to a report published by Bitwise Asset Management,<sup>6</sup> 95% of bitcoin trading activity appearing on 81 blockchain asset trading platforms is fake. Bitwise's report further stated that trading platforms and blockchain asset developers are incentivized to artificially inflate trading volumes so that their platform or asset rises in league tables and gains prominence in the industry. As a result, trading platforms or blockchain assets may seek to inflate demand for specific blockchain assets, or blockchain assets generally, which could increase the volatility of that asset or blockchain asset trading prices generally.

Despite the volatility of blockchain market prices, adoption of blockchain technology has continued. For example, in February 2019, JPMorgan launched its own cryptocurrency, JPM Coin, which it initially plans to use for settlement of international payments for large corporate clients, securities transactions and for larger corporations that use JP Morgan's treasury services. In June 2019, Facebook announced that it would launch a cryptocurrency, the Diem (f/k/a Libra) coin and develop payment and other financial services and products around its Diem network. PayPal, Inc. launched cryptocurrency trading for its U.S. userbase in October 2020 and expanded that offering to its Venmo customers in 2021; Venmo has approximately 67 million U.S. users and PayPal has 300 million users worldwide.<sup>7</sup>

On the digital securities side, INX believes that this nascent market is beginning to blossom. As of August 2021, the total digital securities market capitalization crossed the US\$1 billion threshold, up over 20% from the prior month.<sup>8</sup> Over 90% of all trading was done on the INX Securities Trading Platform (US\$567 million) and INX Securities' closest competitor, tZero (US\$405 million). Trading volumes for digital securities grew by over 27% on a month-over-month basis in August 2021; INX Securities and tZero accounted for approximately 88% of that volume.

## Blockchain Asset Exchanges

INX believes that there is a growing institutional interest in operating regulated blockchain asset exchanges and trading platforms and utilizing blockchain assets in bank financing practices.

According to CoinMarketCap.com,<sup>9</sup> over 300 blockchain asset trading platforms provide basic buy and sell services for one or more blockchain assets. On October 14, 2021, over 60 of those trading platforms had average daily trading volumes over US\$400 million, approximately 35 of which had daily trading volumes over US\$1 billion. Top blockchain

---

<sup>5</sup> <https://coinmarketcap.com/charts>.

<sup>6</sup> <https://www.sec.gov/comments/sr-nysearca-2019-01/srnysearca201901-5164833-183434.pdf>.

<sup>7</sup> <https://www.forbes.com/advisor/banking/venmo-vs-paypal/#:~:text=About%20Venmo&text=This%20mobile%20payment%20app%20allowsVenmo%20has%2065%20million%20users>.

<sup>8</sup> <https://blog.stomarket.com/security-token-market-report-august-2021-283fb57d18b>.

<sup>9</sup> <https://coinmarketcap.com/rankings/exchanges/>.

asset trading platforms, based on USD daily trading volume, include Binance, Huoboi Global, Upbit, OKEx, Coinbase, Mandala Exchange, and Coinsbit.

On November 16, 2018, the SEC’s Division of Corporation Finance, Division of Investment Management, and Division of Trading and Markets issued the Statement on Digital Asset Securities Issuance and Trading addressing the SEC’s enforcement actions involving and relating to digital asset securities. The Statement confirmed the applicability of the U.S. federal securities law framework to new and emerging technologies, such as blockchain, and provided a summary of the circumstances under which the SEC has taken enforcement action against participants in the marketplace for digital asset securities, including actions against initial offerings and sales of securities and actors and institutions that develop and facilitate the secondary market for securities.

Finally, the CFTC has stated that virtual currencies, like Bitcoin, may be commodities that are within the purview of the CFTC. However, beyond its anti-fraud and anti-manipulation authorities, the CFTC generally does not oversee “spot” or cash market exchanges and transactions involving cryptocurrencies that do not utilize margin, leverage, or financing.

According to CoinMarketCap.com,<sup>10</sup> as of October 14, 2021, over 30 cryptocurrency derivatives exchanges were operating, with 24-hour trade volumes of over US\$160 million. Top derivatives exchanges (by volume) include Binance, OKEx, and FTX.

Because of the uncertainty built into a “facts and circumstances” analysis, as well as general regulatory uncertainty worldwide, companies have begun to structure their blockchain assets as securities and conduct sales of their blockchain assets as securities offerings. As blockchain assets take on the attributes of securities and market makers expand the breadth of blockchain asset trading products into spot, futures and derivative trading instruments, the need and demand for a regulated blockchain asset trading solution continues to grow.

### 3.3.2 Opportunities in the Current Market

As blockchain assets are sorted into cryptocurrencies and digital securities, the need and demand for regulated trading solutions for each asset class continues to grow.

However, current platforms or exchange markets that permit the trading of blockchain assets have the following shortcomings:

- Lack of Trading History. Most blockchain asset trading platforms do not or cannot present the entire history of trades to exchange participants in a manner that would be requested by a regulator. This lack of trading history does not allow regulatory agencies to effectively monitor transactions.
- Lack of Regulatory Compliance. Many blockchain asset trading platforms are not prepared to comply (or are not willing to comply) with regulatory requirements imposed by U.S. federal and state securities law. Blockchain asset trading platforms assume less responsibility for what takes place on their platforms as compared to regulated exchanges. For example, blockchain asset trading platforms are generally unable to verify the legitimate origin of funds in a trade and therefore cannot confirm that the trades are not in violation of anti-money laundering laws. In addition, current blockchain asset trading platforms do not provide traditional trading protections, such as liquidity reserves, making professional traders unable or reluctant to conduct trading on these exchanges. The lack of compliant exchanges for the trading of blockchain assets leads to low customer and public confidence in both the exchanges and the blockchain assets traded.

---

<sup>10</sup> <https://coinmarketcap.com/rankings/exchanges/derivatives/>.

- Lack of Technological Capability. Blockchain asset trading platforms generally do not have the technological capability to handle the large trading volumes or capture trades for multiple simultaneous trading requests without disruption or significant errors. The technology of many blockchain asset trading platforms was not developed to handle the dramatic growth in demand to engage in blockchain trades and the market has witnessed exchange outages, sometimes for many hours, pricing errors, lack of user access to their funds, and other service-related complaints.
- Lack of Fee Transparency. There is currently no clear market standard for fees for trading blockchain assets. This is particularly true in the retail market, where many trading platforms do not separately state the transaction fee but instead include any fees as part of the price of the blockchain asset. In this way, many unregulated exchanges do not disclose their fees, creating uncertainty regarding the cost of trading.
- Poor Price Discovery. Blockchain asset trading platforms experience inefficiencies in the form of significant arbitrage due to recurrent operational issues including temporary service outages and other temporary restrictions on access to the trading platform, the ability to withdraw or deposit fiat currencies and cryptocurrencies, or otherwise perform a trade on the platform. This creates significant exposure to arbitrage trading between exchanges. Further, the operator of a blockchain asset trading platform may trade on its own behalf on the trading platform. Doing so provides liquidity to platform participants. However, it also presents potential conflicts of interest, such as front-running customer order flow and engaging in price manipulation. By acting as a trading participant on one's own platform, trading platforms may artificially inflate or deflate prices, which impairs market pricing discovery.

These weaknesses in current blockchain asset trading platforms reveal a significant opportunity in the blockchain asset industry for market development through operations and services that provide functionality, transparency and trading platforms backed by cash reserves similar to those of regulated trading marketplaces.

#### INX's Proposal: INX Trading Solutions, a Single Regulated Ecosystem for Trading Blockchain Assets

INX believes that it has a comprehensive solution to the issues that it has identified. INX developed a new marketplace for blockchain assets that is subject to governmental oversight. INX has designed its platforms to provide the following solutions to the problems identified above, which INX believes makes INX Trading Solutions an attractive choice for the trading of blockchain assets:

- Robust Pre-Trade and Post-Trade Services. INX has developed trading features to permit clients to continually monitor and manage blotter, position, and other technical analysis. INX also offers investment tools during the pre-trading period and provides trade confirmations, reporting and access to pricing data during the post-trading period. INX intends to continue with the development of additional features and improvements to its pre-trade and post-trade services.
- Historical Trading Record. Beginning with the first recorded transaction on the INX Trading Solutions trading platforms, INX applies KYC/AML procedures for all account holders and provides transparency so that clients have the ability to review all activities taken by them. INX believes that this accessibility will supplement the transparency of blockchain assets.
- Regulation. INX believes that regulatory oversight will instill greater confidence in its trading platforms compared to unregulated blockchain asset trading platforms. As the ownership of blockchain assets becomes more commonplace and professional traders continue to analyze and enter the blockchain asset marketplace, INX believes that clients will expect regulatory safeguards for blockchain asset trading, comparable to the current fiat and securities exchanges. All customers of INX Trading Solutions, whether trading cryptocurrencies or digital securities, are required to complete KYC/AML checks in compliance with applicable laws and regulations.

- Cash Fund. INX provides additional comfort to its customers and regulators with respect to the financial stability of INX by allocating the Cash Fund, available to cover customer and INX losses, if any, that result from cybersecurity breaches or theft, errors in execution of the trading platform or its technology, and counterparty defaults, including instances where counterparties lack sufficient collateral to cover losses.
- Robust Technology. INX is developing a technology to enable rapid trading activity. INX's platforms are custom-built to support the growing blockchain asset market, and to scale along with the continued growth of the market.
- Transaction Fee Transparency. INX established transaction fees as a percentage of the trade price of each trade executed on its platforms. Transaction fees must be paid, with regard to (a) the INX Digital Trading Platform, in the currency or cryptocurrency that is used as payment for the purchase or sale associated with the transaction fee, and (b) the INX Securities Trading Platform, in US dollars. The transaction fees of INX's trading platforms are published and updated from time to time on INX's website available at <https://www.inx.co/>

In addition, INX's use of the Ethereum blockchain to create the INX Token include the following benefits, which INX believes makes INX Trading Solutions an attractive choice for the trading of blockchain assets:

- Decentralization. Record-keeping of transfers is performed in real time using a distributed ledger, with no need for third party or intermediary validation.
- Traceability. Full historical data of all transfers of INX Tokens is recorded on the Ethereum blockchain.
- Immutability. Data is written into the blockchain to allow it to be shared publicly while ensuring its immutability. There are no known methods for changing a blockchain once it has been written.
- High Availability. Because the Ethereum blockchain is based on thousands of nodes in a peer-to-peer network, and data is replicated and updated on every node, the distributed ledger becomes highly available.
- Privacy. Personal information of INX Token holders is stored in an encrypted form and only available to INX and will be provided to regulatory and governmental authorities as required by law.

### **3.3.3 Trends, Risks and Uncertainties**

The Resulting Issuer, who continues the business of INX, is subject to a number of risks and uncertainties that could significantly affect its financial condition and performance. As the Resulting Issuer grows and enters new markets, these risks can increase. The risk factors described in Section 16 – “*Risk Factors*” are not a definitive list of all risk factors associated with an investment in the Resulting Issuer or in connection with the Resulting Issuer's operations.

## **4. NARRATIVE DESCRIPTION OF THE BUSINESS**

### **4.1 General**

#### **4.1.1 Business Objectives and Milestones**

##### The Resulting Issuer

The Resulting Issuer has the same stated business objectives as INX.

## INX

INX operates two trading platforms: (a) a trading platform for “cryptocurrencies”, i.e., digital assets that do not constitute securities (e.g. Bitcoin and Ethereum), which was developed by INX and operated through INX’s subsidiary, INX Digital, Inc., which was launched and made available to the public on April 29, 2021 (the “**INX Digital Trading Platform**”); and (b) a trading platform for “digital securities,” i.e., digital assets that constitute securities under applicable securities laws (e.g. the INX Token and tokens of other issuers who chose to issue digital securities), operated through INX’s subsidiary INX Securities, LLC (the “**INX Securities Trading Platform**”).

INX Digital is qualified to operate as a money transmitter in 29 US states and the District of Columbia. INX intends to obtain money transmitter licenses or otherwise become qualified to operate in 8-10 additional US states and territories by the fourth quarter of 2021 and to obtain money transmitter licenses or otherwise become qualified to operate in most US states by 2022.

INX offers professional traders and institutional investors trading platforms with established practices common in other regulated financial services markets, such as customary trading and settlement procedures, regulatory compliance, capital and liquidity reserves and operational transparency. INX believes that the acquisitions of OFN Securities and ILSB, which have ongoing businesses in their areas of operations, should expedite its goals.

The architecture for the INX Digital matching engine, is such that all orders are matched based on a FIFO logic. Orders in different markets/pairs are being processed in parallel to provide the fastest possible execution. To facilitate liquidity and support a vibrant trading market on INX’s trading platforms, INX offers incentives to attract high volume traders and established strategic partnerships with market makers. The INX Digital Trading Platform enables trading via web portal and application programming interface (“**API**”) solutions.

Blockchain assets traded on the INX Digital Trading Platform, are transferred to a digital wallet held by one of INX’s custodians, which transfer is recorded on the blockchain ledger that underlies such blockchain asset. Once a blockchain asset is deposited with INX’s custodian, none of the trading transactions performed on its trading platforms are recorded on a blockchain ledger. Trades on the INX Digital Trading Platform are recorded only on INX’s internal centralized servers, and they are then reflected in each customer’s respective account. A transfer of a blockchain asset is recorded on its underlying blockchain ledger when the owner of the blockchain asset wishes to withdraw the blockchain asset from their account. In this event, the blockchain asset is transferred from INX’s respective custodian’s digital wallet to the customer’s private digital wallet.

INX has a cyber security function that ensures that such transfers will be done after full verification of the person that requested the withdrawal. The procedure includes user credential verification plus one-time password that is replaced every 30 seconds. The customer gets a dedicated unique cryptographic application that generates unique passwords every 30 seconds while INX has a second unique key that enables the verification of the one-time password. The used technology implements the PPK algorithm which is considered to highly strengthen the security of the customer's account. Alex Weinert, Group Program Manager for Identity Security and Protection at Microsoft said "Based on our studies, your account is more than 99.9% less likely to be compromised if you use MFA (Multi-Factor Authentication)<sup>11</sup> The INX system, after verifying the client's one-time password, sends a verification email with a short expiration to get additional client verification for the withdrawal request. A withdrawal request will be approved only after a completion of all the above steps. In addition to robust policies and procedures that govern the onboarding of customers to INX Digital Trading Platform, including both AML and KYC screening and controls, fiat withdrawal requests are screened by Operations staff to match the account credentials and identifying information to the receiving bank account information provided for the withdrawals (i.e. first-party wires only). Discrepancies in information are investigated by Operations staff and escalated to Compliance staff for further review, if necessary, in-line with the suspicious activity escalation procedures in the policies referenced above. Similarly, in regard to crypto withdrawal requests, our industry-leading vendor Elliptic analyzes the blockchain and

---

<sup>11</sup> <https://www.zdnet.com/article/microsoft-using-multi-factor-authentication-blocks-99-9-of-account-hacks/>.

risk scores the recipient wallets prior to the transfer (barring a de minimis or market maker transfer), allowing our Operations staff to timely screen each withdrawal and approve, deny, or escalate to our Compliance staff for further review, if necessary.

INX provides additional comfort to its customers and regulators with respect to the financial stability of INX by allocating the Cash Fund, to be available to cover customer and INX losses, if any, that result from cybersecurity breaches or theft, errors in the execution of the trading platform or its technology, and counterparty defaults, including instances where counterparties lack sufficient collateral to cover losses.

INX also created the INX Token, an ERC 1404 blockchain asset that is programmed using a smart contract that is compatible with the Ethereum blockchain, which was offered to the public from August 20, 2020 and closed on April 22, 2021. For more information see below “The INX Token” and Section 3.1.5 “INX Token Offering”.

In the future, INX intends to establish a platform for the trading of cryptocurrency-based futures, options, and swaps. INX has taken no steps towards the establishment of such a platform, which will require the development of technological solutions as well as US federal and state regulatory approvals; accordingly, there is no assurance that such a trading platform will ever be developed.

#### **4.1.2 Technology and Product Development**

INX designed its trading platforms to provide clients with a multi-currency non-biased execution trading solution and to eventually function as broker, execution, and clearing agent. INX provides trading of different types of digital blockchain assets, including cryptocurrencies and digital securities, with the optionality for the execution of trades in both traditional fiat currencies and digital assets.

INX’s goal in INX Trading Solutions is to offer professionals in the financial services community comprehensive, interactive platforms that allow for seamlessly integrated trading, real-time risk management and reporting and administration tools. The INX Trading Solutions will help INX’s customers automate and coordinate front-office trading functions, middle-office risk management and reporting functions, and back-office accounting functions.

The INX Trading Solutions website serves as a single entry point for its customers. On the homepage, customers are able to access the INX Digital portal for the trading of cryptocurrencies, and the INX Securities portal for the trading of digital securities, in each case subject to the satisfaction of applicable regulatory requirements. The INX Digital portal and the INX Securities portal are separate and distinct trading platforms. As INX further develops and updates its trading platforms, it intends to add functionalities across the entire transaction lifecycle, as well as other information and features. INX’s platforms do not support cross-asset (i.e., digital security for cryptocurrency) trading, nor will INX permit the settlement of securities transactions in cryptocurrency, at least until such time as the regulatory uncertainty regarding such transactions is resolved.

INX developed and operates each of its trading platforms through certain of its subsidiaries, and their functions are separated by entity as follows:

- INX Digital is responsible for recording cryptocurrency trades in accordance with state money transmitter regulations; and
- INX Securities is responsible for recording digital security trades in accordance with applicable SEC and FINRA regulations.

INX utilizes key criteria in the selection of the leadership team and team members. This includes relevant experience in platform development (designing, building, and operating trading platforms), trading, financial markets, digital assets, regulations, legal or compliance skills, foreign exchange, and money transmission. Multiple team members are involved in hiring potential candidates and screening for relevant experience. Multiple interviews and reference checks are conducted for each role, and where appropriate, background checks and/or police report screening is

mandatory. Licensed individuals are registered with relevant regulatory authorities. Potential team members are also evaluated based on their experience operating within regulated businesses, especially of a financial nature.

The INX trading platforms operated by each entity support “straight through processing” of orders received from customers. As such, orders and resulting trades are recorded on internal databases and are reflected in customer accounts without any intervention. Both INX Digital and INX Securities employ staff to monitor trading activity and support customers. Each entity also employs supervising managers to oversee the trading and settlement process.

INX's proprietary order management software, which will be utilized by both INX Digital and INX Securities, has a rules engine that ensures sufficient funds or fully paid assets are available to cover orders, prior to their submission.

#### **4.1.3 INX Digital Trading Platform**

INX developed the INX Digital Trading Platform and has tested its trading capabilities from a functional and load perspective. INX has completed the minimum viable product of the platform that includes the architecture design, trading functionalities and the user interface and experience. To be able to handle large number of trades and transactions, INX is working on improving the scaling the capabilities of the system and latency, from an architecture and application level. INX is putting in place fail safe and recovery processes in case of system failure that are designed to inherently respond in a way that will cause no or minimal harm to core trading data.

Customers of the INX Digital Trading Platform will be entitled to discounts on trading fees charged by INX, providing that they hold INX Tokens. Discounts will be granted according to different tiers, allowing for larger discounts given to customers who hold a larger number of INX Tokens.

INX has prepared the required applications and supporting materials to register INX Digital as a money transmitter in multiple US States. INX has registered INX Digital with FinCEN as a federal money service business. In addition, as of November 15, 2021, INX has been issued a license by the following States: Alaska, Arizona, Arkansas, Connecticut, Florida, Georgia, Illinois, Iowa, Kansas, Maine, Maryland, Minnesota, Michigan, New Hampshire, New Mexico, North Dakota, Puerto Rico, Oklahoma, Oregon, New Hampshire, South Dakota, and Washington, D.C., and has submitted notifications and is qualified to operate (based on being exempted from any licensing requirement) in the following States: California, Colorado, Massachusetts, Missouri, Pennsylvania, Utah, and Wisconsin. In addition, INX is able to operate in Montana without license approval or exemption/notification. INX Digital is now eligible to operate as proposed in those jurisdictions. INX has submitted complete applications in 8-10 additional US states and territories and anticipates that INX Digital will be able to obtain money transmitter licenses or otherwise qualify to operate in these jurisdictions during 2022.

The INX Digital Trading Platform incorporates a secure trading/matching engine, which has high frequency transaction capabilities and supports a range of standard order types. INX developed an API interface for broker-dealers, traders, and market makers.

The architecture for the INX Digital Trading Platform is such that allows all orders to be matched based on a FIFO logic. Orders in different markets/pairs are being processed in parallel to provide the fastest possible execution.

INX has designed trading features to permit clients to continually monitor and manage blotter, position, and other technical analysis. INX also offers investment tools during the pre-trading period and provide trade confirmations, reporting and access to pricing data during the post-trading period.

#### **Custody of Client Assets on the INX Digital Trading Platform**

INX Digital receives custodian services for cryptocurrencies held on behalf of the clients of the INX Digital Trading Platform from BitGo Trust, which is organized and chartered in South Dakota, as the custodian. BitGo Trust describes itself as a “qualified custodian” as defined in Rule 206(4)-2 promulgated under the Investment Advisers Act of 1940. INX believes that BitGo Trust, together with its affiliate BitGo, Inc., is a leading provider of custody and wallet services

for cryptocurrency trading, with the ability to support both “hot” and “cold” storage with a high degree of electronic and physical security, as well as transaction processing and reporting. BitGo Trust is independent of INX and will be independent of the Resulting Issuer.

BitGo Trust offers cold storage technology in bank-grade Class III vaults and storage solutions for more than 100 digital assets, and together with BitGo Inc., offers sophisticated controls and policies enforcement solutions, including multiple approvals, spending limits, and whitelists, as well as customizable user roles and controls to align with INX's organizational structure.

BitGo offers two types of services: a hot wallet solution and a cold storage solution. INX Digital plans to use both services. A hot wallet is a multi-signature storage solution, which requires two of three private keys to transfer digital assets. In INX's arrangement, INX will hold two of the keys and BitGo Inc. will hold the other key. Two keys will be created whenever INX establishes a BitGo hot wallet, a primary key (used to authorize transactions) and a backup key (used to recover the wallet, if the wallet password is lost or if BitGo Inc. ceases operations). The third key is used by BitGo Inc. to co-sign transactions; this key is created by BitGo's servers and is known only to BitGo Inc. to mitigate the risk of an unauthorized transfer of assets. INX policy will require that INX and BitGo Inc. must act together to transfer assets. INX Digital will maintain an omnibus wallet at BitGo Inc. for each type of asset to be traded on INX's platform, which will be designated for the exclusive benefit of customers.

BitGo Trust's cold storage solution outsources key management and security to BitGo Trust. Cold storage is offline storage; it is the most secure way to store digital assets, as it is never connected to a network. INX Digital will transfer cryptocurrency assets from its hot wallet to cold storage at BitGo Trust; BitGo Trust, as custodian, will safeguard cryptocurrency assets for INX customers. To initiate a transfer from cold storage to an INX hot wallet, INX will specify the amount to transfer and submit the request to BitGo Trust. BitGo Trust will contact INX, to conduct an out-of-band video verification to confirm the transfer is legitimate and that an INX authorized signatory approves it. BitGo Trust will then generate the transaction and sign it securely offline with the user key that BitGo Trust holds in custody. Once half-signed, BitGo Trust will bring the transaction back online, and upload it to the platform. After key policies are evaluated and satisfied, BitGo Inc. will then sign the transaction with the BitGo Inc. key. Once completely signed, BitGo Inc. will broadcast the transaction to the blockchain, and the cryptocurrency assets will be transferred from cold storage to the appropriate INX hot wallet. This separation of functions makes INX's operations more secure because, among other reasons, INX only needs to keep a hot wallet sufficiently funded to service withdrawals. INX will use cold storage to store the majority of the cryptocurrency assets held by INX, because cold storage provides greater asset protection through policies and physical security.

INX assets that are held by BitGo Trust in cold storage, where the private keys are held 100% by BitGo, are insured for USD\$100 million by a Lloyd's of London syndicate of insurers. The insurance covers losses in the event of third-party hacks, copying or theft of private keys, insider theft of dishonest acts by BitGo employees or executives, or from the loss of keys. BitGo has not historically experienced any security breaches of their cold storage wallets. BitGo Trust's custodial services will be provided pursuant to custodial services agreements dated August 21, 2020, as amended on January 8, 2021 and March 1, 2021 (jointly, the “**Custodial Services Agreement**”) between INX Digital and BitGo Trust. For its custodial services, BitGo Trust will receive an onboarding fee and will receive a monthly custody fee equal to an annualized percentage of the market value of the assets under custody (subject to a minimum monthly charge). BitGo Trust also receives various transaction-based fees. The Custodial Services Agreement is for an initial term of one year and will be automatically extended for one-year periods, unless terminated by either party by delivery of a written notice at least 60 days prior to the expiration of the then-current term. INX Digital may also terminate the Custodial Services Agreement: (i) during the initial term, within 30 days following written notice a breach of a material term of the Custodial Services Agreement without cure of such breach within the 30 days; or (ii) after the initial term, for any reason upon 30 days' prior written notice.

In addition to the Custodial Services Agreement, on August 17, 2020 the parties thereto entered into an Electronic Trading Agreement (the “**Electronic Trading Agreement**”) in connection with BitGo Trust's services to INX and the access granted to INX by BitGo Trust to BitGo Trust's proprietary electronic trading system (the “**BitGo System**”). The Electronic Trading Agreement includes, without limitation, terms of use of the BitGo System by INX, disclaimers



by BitGo Trust and limitations to its responsibility and liability in connection with the BitGo System, undertakings by INX to indemnify BitGo under certain circumstances, a right of BitGo Trust to terminate the Electronic Trading Agreement at its discretion and without cause upon a 30 days notice. INX's access and use of the BitGo Trust's proprietary electronic trading system is further subject to execution of, and to the terms that were determined by, the Custodial Services Agreement and a clearing and settlement addendum with BitGo Trust. BitGo Trust and its affiliates retain all rights, title and interest in and to the BitGo System, including all source code, object code, data, information, copyrights, trademarks, patents, inventions and trade secrets embodied therein, and all other rights not expressly granted to INX pursuant to the Electronic Trading Agreement. The Electronic Trading Agreement is governed by the laws of California, USA and includes a binding arbitration clause pursuant to the Commercial Arbitration Rules of the American Arbitration Authority.

#### **4.1.4 INX Securities Trading Platform**

On January 12, 2021, INX entered into the OFN Asset Purchase Agreement with OFN. Pursuant to the OFN Asset Purchase Agreement, on May 10, 2021, INX acquired various assets of OFN, including the entire share capital of OFN Securities, LLC (n/k/a INX Securities, LLC), a Pennsylvania limited liability company, that is registered in the United States as a broker-dealer, FINRA member, and that operates and is recognized as an Alternative Trading System by the SEC. With the closing of the acquisition, INX now counts INX Securities' broker-dealer/ATS--including its digital security listings and client base--among its wholly owned subsidiaries.

INX Securities was developed as a platform for investors that trade (buy and sell) securities and would like to enrich their portfolios with a new type of securities, also known as "digital securities."

The INX Securities Trading Platform opens access to a new stream of market liquidity that comes from the alternative asset markets. The INX Securities Trading Platform manages to complete transactions without the need to custody the clients' tokens nor funds and still provides full confidence to the seller and the buyer that the trade will be completed based on their orders.

INX continues the maintenance and development of the INX Securities Trading Platform and will create additional exciting ways of trading digital securities. INX listed the INX Token on the INX Securities Trading Platform in July 2021. INX intends that holders of INX Tokens will be able to use the INX Token to pay transaction fees on the INX Securities Trading Platform, or they will be entitled to, at a minimum, a 10% discount on the payment of transaction fees.

#### **4.1.5 The INX Token**

INX developed the INX Token, an ERC 1404 blockchain asset that is programmed using a smart contract that is compatible with the Ethereum blockchain, which was offered to the public from August 20, 2020, and closed on April 22, 2021. For more information regarding the initial offering of the INX Tokens with the SEC, see Section 3.1.5 – "*INX Token Offering*".

On July 2021, INX listed the INX Token on the INX Securities Trading Platform. INX developed its token smart contract based on the "ERC-1404: Simple Restricted Token Standard." ERC-1404 is designed for security tokens, tokenized securities and other tokens that carry complex compliance requirements. ERC-1404 is a token standard developed with corporate governance, banking, and securities laws in mind. It is fully open source, which is paramount to ensuring its security, quality and interoperability. ERC-1404 carries all of the same benefits of an ERC-20 token, simple, easy to deploy and interoperable with the entire Ethereum universe, with a few key improvements that allow issuers to enforce regulatory transfer restrictions and maintain compliance with KYC/AML rules as well as the ability to recover tokens in case of wallet loss. The INX Token/smart contract passed an external audit test by "Quantstamp".

INX engaged Quantstamp, a blockchain security firm, a leader in blockchain security, having performed over 200 audits and secured over US\$100 billion in value<sup>12</sup>, to perform an audit of the INX Token smart contract code, which was completed on December 12, 2019, a copy of which is attached as Schedule “I” to this Listing Statement (the “**INX Contract Audit**”). Quantstamp’s team has decades of combined experience in formal verification, static analysis, and software verification. Through their services, Quantstamp has assisted blockchain projects globally with its white glove security auditing services, and has secured billions of dollars in transaction value for blockchain applications<sup>13</sup>. Quantstamp is also dedicated to research and development in the form of collaborations with leading academic institutions such as National University of Singapore and MIT (Massachusetts Institute of Technology). Quantstamp has experience with auditing various blockchain platforms including Ethereum, Binance Chain, Hyperledger, EOS, and Corda, and languages including Solidity and Vyper.

The INX Contract Audit is intended to evaluate security-related issues, code quality, adherence to specification and best practices and it includes a manual review of code and a comparison to specifications of the code. Quantstamp reviewed the INX Token smart contract for vulnerabilities related to transaction-ordering dependence, timestamp dependence, mishandled exceptions and call stack limits, reentrancy and cross-function vulnerabilities, logical oversights, access control, code clones, functionality duplication, gas usage and arbitrary token minting. The INX Contract Audit is not an endorsement of the reliability or effectiveness of the INX Token smart contract, but rather it is limited to an assessment of its logic and implementation.

During the INX Contract Audit, Quantstamp identified two specific risks: (i) the ability of a hacker to delay the release of INX Tokens by other holders as a means to get a trading advantage, and (ii) the risk to users if the INX’s private keys are compromised. Quantstamp advised that INX take caution in using particular functions when transaction ordering. Quantstamp also advised that INX disclose the risk associated with theft or loss of its private keys having the ability to revoke INX Tokens from a third-party account or time-lock INX Tokens of such account. INX has acknowledged each of these risks and has taken security precautions with regard to each.

The INX Tokens are accessible only from secure Ethereum wallets and have a recovery mechanism that allows INX under certain circumstances to protect the INX Token holder even in the case of loss of wallet credentials.

Prospective investors who were duly identified through KYC/AML procedures were able to purchase the INX Token under the INX Token Purchase Agreement, which all initial purchasers of INX Tokens in the offering of the INX Token with the SEC are a party to, and which sets forth the rights of each INX Token holder with regard to the INX Tokens held by such holder.

Holders of INX Tokens will be able to use the INX Token to pay transaction fees on the INX Securities Trading Platform, or they will be entitled to, at a minimum, a 10% discount on the payment of transaction fees. Customers of the INX Digital Trading Platform will be entitled to discounts on trading fees charged by INX, provided that they hold INX Tokens. Discounts will be granted according to different tiers, allowing for larger discounts given to customers who hold a larger number of INX Tokens. INX Tokens may not be used as payment for transaction fees on the INX Digital Trading Platform. INX does not currently accept INX Tokens as payment for its services. In addition, holders of INX Tokens will be entitled to receive an annual pro rata distribution of 40% of INX’s cumulative net cash flow from operating activities (since INX’s inception (September 1, 2017)), excluding any cash proceeds from an initial sale by INX of an INX Token (“**Adjusted Operating Cash Flow**”). INX’s profit share model makes these INX Token holders beneficiaries of the growth and success of INX’s operations. This in turn increases the value of the INX Token and its acceptance as a method of payment on the INX Securities Trading Platform.

Commencing in 2021, the distribution will be calculated on an annual basis and paid on or before April 30 to parties (other than INX or its subsidiaries) that hold INX Tokens on the preceding March 31. Each annual distribution will be based on INX’s cumulative Adjusted Operating Cash Flow (net of cash flows which have already formed the basis for

---

<sup>12</sup> <https://quantstamp.com/about>.

<sup>13</sup> See footnote 12 above.

a prior distribution), calculated as of December 31 of the year prior to the distribution. However, because each INX Token holder's right to a pro rata distribution is based on our cumulative Adjusted Operating Cash Flow, no distribution will be made to INX Token holders, if at all, until INX generates positive cumulative Adjusted Operating Cash Flows. As of December 31, 2020, cumulative Adjusted Operating Cash Flow was approximately negative \$12,419,000. The distribution to INX Token holders is a contractual obligation of INX and a right of each INX Token holder of record as of March 31 of a year following a year end for which there was positive cumulative Adjusted Operating Cash Flow. However, the pro-rata distribution of INX cumulative Adjusted Operating Cash Flow is not self-executing and requires the approval of the INX's financial statements by the INX Board and calculation of such distributions in good faith by the INX Board. For purposes of the calculation of the Adjusted Operating Cash Flow, cash flow from the sale and purchase of blockchain assets, including cash flow from the sale and purchase of the INX Token (excluding cash proceeds from an Initial Sale) and cash flow for interest paid and interest received, will be included in the calculation of Adjusted Operating Cash Flow regardless of their classification in the consolidated statement of cash flow of INX. An "Initial Sale" refers to the first sale and transfer of the respective INX Token by INX to an initial purchaser. Distributions will be paid either in U.S. Dollars to an INX Token holder's bank account or in Ether which will be transferred to the INX Token holders' wallet that is recorded on the INX Token Distributed Ledger (as defined in the INX Token Offering). The distribution to INX Token holders is a contractual obligation of INX and a right of each INX Token holder of record as of March 31 of a year following a year end for which there was positive cumulative Adjusted Operating Cash Flow. However, the pro rata distribution of INX cumulative Adjusted Operating Cash Flow is not self-executing and requires that our board of directors approve the INX's financial statements and calculate such distribution in good faith.

Holders of INX Tokens have contractual rights determined by the INX Token Purchase Agreement. Pursuant to the terms of the INX Token Purchase Agreement, ownership of the INX Tokens and all rights under the INX Token Purchase Agreement are contingent upon holders of INX Tokens satisfying INX's KYC/AML procedures, including any requirements to periodically or otherwise update information provided to INX. Transfer of INX Tokens would include similar rights and obligations toward the new holder of the INX Tokens.

- Rights of INX Token Holders Upon a Failure or a Change of Control. Each INX Token held by parties other than INX shall entitle its holder to receive a pro rata portion (based upon the number of INX Tokens then outstanding) of the Cash Fund, if any of the following occur:
  - INX fails to operate a bona fide trading platform that permits the spot trading of Bitcoin and Ethereum by December 31, 2021, (a milestone which has, as of the date hereof, been achieved); or
  - (a) a sale of all or substantially all of the assets of INX; (b) any person or entity becoming the beneficial owner, directly or indirectly, of more than 50% of the outstanding voting interests of INX; or (c) the closing of a merger, consolidation, recapitalization or reorganization of INX with or into any person or entity pursuant to which the shareholders of INX immediately prior to such transaction own less than 50% of the outstanding voting interests of the resulting entity or its parent company.
- Rights of INX Token Holders Upon an Insolvency Event. If (i) INX permanently discontinues all the activities of INX Solutions and there is no successor conducting a substantially similar business that assumes the obligations of INX with regard to the INX Tokens and (ii) an "Insolvency Event" (as defined in the INX Token Purchase Agreement) occurs, then INX shall be deemed to be in breach of its obligations under the INX Token Purchase Agreement, which breach shall create a claim in favor of INX Token holders that may be asserted by INX Token holders against INX in any proceeding arising from such Insolvency Event. The claim amount will be determined by the liquidator, a court of competent jurisdiction overseeing the liquidation, or some other authority pursuant to applicable insolvency law, and accordingly, there can be no assurance as to the payment amount, if any, that may be received by an INX Token Holder in settlement of such claim.

INX intends that the INX Token holders will be unsecured creditors of INX and would therefore rank pari passu with all the other unsecured creditors of INX and senior to the claims of holders of INX's shares. On Closing, the Resulting Issuer will enter an agreement with INX (the "**Waiver and Subordination Undertaking**"), pursuant to which the Resulting Issuer will (a) irrevocably subordinate its rights to receive any distributions and payments from INX prior to the payment in full by INX of all distributions owed to INX Token holders, and (b) irrevocably waive and subordinate its rights, in the event of an Insolvency Event, to any cash held in the Cash Fund.

The Cash Fund will not be held in an escrow or trust account, but rather, will be held in a separate bank account controlled by INX. The Cash Fund can be used only for very specific designated purposes, under certain pre-identified circumstances, such as for covering losses of INX and its clients that result from cybersecurity breaches or theft, errors in the execution of the trading platform or its technology, and counterparty defaults, including instances where counterparties lack sufficient collateral to cover losses, or for the purpose of payment to holders of INX Tokens (other than to INX itself) in the event of a change of control in INX. In addition, payment of funds held in the Cash Fund is subject to the approval of the Board of Directors of INX which always consists of a majority of independent board members. In the case of an Insolvency Event, a liquidator, court or other applicable authority may determine that INX Token holders are not entitled to any payment from INX's assets or that the INX Token holders' claims are not senior in right to claims or interests of INX's shareholders, in particular the shareholders who have not agreed to subordinate their rights to the claims of Token holders. In addition, INX may incur debt (including secured debt) that ranks equally with, or senior to, the rights of INX Token holders. In the case of an Insolvency Event, holders of debt instruments ranking senior to INX Tokens, as well as holders of other preferential claims under relevant insolvency laws, may be entitled to receive payment in full before INX Token holders receive any distribution, including distributions of Adjusted Operating Cash Flow and distributions from the Cash Fund. INX Token holders do not have a perfected security interest in either the Cash Fund, or their Pro Rata Portion (as such term is defined in the INX Token Offering) of the Distributable Amount (as such term is defined in the INX Token Offering) of the cumulative Adjusted Operating Cash Flow. There is no guarantee that an INX Token holder will receive any funds following an Insolvency Event (as such term is defined in the INX Token Offering).

#### **4.2 Future Development**

INX plans to further develop its products and business, and in particular, to conduct the following development activities:

- Develop full solution to support onboarding and trading of institutions - front and back office.
- Mobile platform – simplified version for new users as well as advanced version.
- Embed risk profiling and compliance solutions into the trading platform automated processes.
- Enhance risk trading management tools.
- Execute the full vision of one regulated hub for digital assets – all under the same platform and share common processes (such as: registration, onboarding, trading, support).
- Create the infrastructure to develop and launch new digital assets and/or integration with third party providers for specific solutions (for example: staking). INX intends to establish a platform for the trading of cryptocurrency-based futures, options and swaps. INX has taken no steps towards the establishment of such a platform, which will require both the development of technological solutions as well as applicable regulatory approvals, and accordingly, there is no assurance that such a trading platform will ever be developed.

#### **4.3 INX Growth Strategies**

INX believes that as INX Trading Solutions completes each phase of development, which INX expects will increase the number of high-volume blockchain assets included on its platforms, INX business operations will grow and enable it to launch several growth strategies, including the following:

- Active expansion of institutional blockchain asset trading and large-scale block transactions. INX plans to promote its trading platforms and related services with institutional and other accredited investors such as family offices, hedge funds and others who require access to platforms for trading cryptocurrencies or digital securities, including trades in large-scale block transactions.
- Fully monetize market data and connectivity. INX plans to serve as a hub for blockchain asset traders, institutional investors, commercial banks, and individuals trading blockchain assets. As INX attracts more clients, INX expects that it will accumulate non-proprietary big data relating to trading behavior and related market statistics. INX plans to use this data for internal use and as a product to be sold to institutional investors and trade analysts.
- Strategic opportunities. Upon completion of development phases, INX plans to pursue strategic alliances with commercial banks and other licensed and regulated blockchain asset trading platforms for the expansion of its business.
- The INX Token. Use of the INX Token on INX trading platforms is intended to create a “virtuous cycle”, where users will get benefits to buy INX Tokens. For example, INX plans to accept INX tokens as a payment method for trading fees for a minimum of 10% discount on the INX Securities Trading Platform. This, in turn, may increase the value of the INX Token as the number of users on the INX trading platforms grows. In addition, holders of INX Tokens will be entitled to a distribution based on INX's net cash flow from operating activities, excluding any cash proceeds from an initial sale by INX of an INX Token. INX's profit share model makes these INX Token holders beneficiaries of the growth and success of INX's operations. INX has not allocated for issuance and has no current intention to issue 35 million of the 200 million INX Tokens that have been created. In addition, INX will reserve an additional 20% of INX Tokens received as payment of transaction fees, as long as the total amount of INX Tokens reserved does not exceed 35 million plus 50% of the number of INX Tokens sold by INX to the public pursuant to the INX Token public Offering and subsequent offerings of INX Tokens (excluding re-issuances of reacquired INX Tokens). INX does not intend to issue these reserved INX Tokens for general fundraising purposes; these INX Tokens may be issued to fund acquisitions, address regulatory requirements, or fund the operations of INX if INX's Board of Directors determines that INX has net cash balances sufficient to fund less than six months of INX's operations. INX intends to restrict issuances of the reserved INX Tokens to these or similar extraordinary situations to limit the dilution to INX Token holders.
- Single integrated solution. INX believes that developing INX Trading Solutions with the capability to provide customers with a single integrated solution to access an array of services and features will be preferred by participants in the financial services community and will attract high volume traders who need a multifunctional trading solution. INX intends to bolster its competitive position by developing platforms for a wide breadth of asset classes, each platform with a suite of workflow functionalities across the entire transaction lifecycle, including pre-trade, trade, and post-trade services. In the future, INX intends to establish a platform for the trading of cryptocurrency-based futures, options, and swaps. INX has taken no steps towards the establishment of such a platform, which will require the development of technological solutions as well as U.S. federal and state regulatory approvals; accordingly, there is no assurance that such a trading platform will ever be developed.

#### **4.4 Foreign Operations**

The Resulting Issuer management is located in the United States, the UK, and Israel. The Resulting Issuer business is currently focused on the United States. In addition, ILSB, INX's wholly owned subsidiary operates in Israel. Other jurisdictions in which INX will be operating will be selected based on INX's analysis of the local regulatory regime and its ability to satisfy all applicable requirements. Such analysis shall be based, inter alia, on consultation with external legal counsel which INX shall seek in any relevant jurisdiction. INX does not have any Canadian operations or Canadian customers. In the event that INX will wish to commence operations in Canada (including enabling access

to its services/trading platforms by Canadian resident customers), it will, prior to doing so, complete or satisfy all applicable securities registration requirements under applicable Canadian securities law.

INX and the Resulting Issuer conducts their international operations to conform to local variations, economic realities, market customs, consumer habits and regulatory environments.

In addition, international operations are subject to certain risks inherent in conducting business abroad, including foreign regulatory restrictions, fluctuations in monetary exchange rates and the economic and political policies of foreign governments. Government regulations in foreign countries may prevent or delay the introduction, or require modifications and further developments, to the INX trading platforms.

The importance of these risks increases as the Resulting Issuer’s international operations grow and expand. See also Section 16 – “Risk Factors -Risks Related to INX’s Operations”.

#### **4.5 Specialized Skills and Knowledge**

The Resulting Issuer’s directors and officers possess a wide range of professional skills and experience relevant to pursuing and executing on the Resulting Issuer’s business strategy. Drawing on significant experience in various industries and sectors, extensive market knowledge and long-standing industry relationships, the Resulting Issuer believes its management has a demonstrated track record of bringing together all of the key components for a successful digital assets and digital securities trading company, such as strong technical skills, expertise in planning and financial controls, ability to execute on business development opportunities, and capital markets expertise.

By leveraging the strengths and experiences of its management team (i.e., individuals who possess a wealth of combined knowledge and experience), the Resulting Issuer intends to, over time, establish itself as a leader in the digital assets and digital securities trading industry. The Resulting Issuer will continue to build out its team with specialists on an “as-needed” basis.

#### **4.6 Cyclical or Seasonality of Business**

The Resulting Issuer’s business is not expected to be cyclical or seasonal.

#### **4.7 Employees**

At the current stage of development, the Resulting Issuer is not expected to engage with any new employees and will be focused on maintaining a lean corporate structure, utilizing independent contractors and consultants, on an “as needed” basis. The Resulting Issuer’s wholly owned subsidiary, INX, and its subsidiaries has full-time staff and expects to scale their employees and service providers (on a full-time basis) numbers over the next 12 months.

Each of the individuals who provide services to INX does so through a management, services, consulting or similar agreement (on a full-time basis) as described in the following table:

<b>Company<sup>(1)</sup></b>	<b>Location</b>	<b>Management</b>	<b>Financing</b>	<b>Development</b>	<b>Administration and Other Positions</b>	<b>Total</b>
INX Limited (Gib.)	UK, Cyprus and Gibraltar	2 <sup>(2)</sup>	0	0	21	<b>23</b>
INX Services Inc. (US)	United States	0	0	0	0	<b>0</b>

Company <sup>(1)</sup>	Location	Management	Financing	Development	Administration and Other Positions	Total
INX Digital, Inc. (US)	United States	3	0	0	8	11
Midgard Technologies Ltd. (Israel)	Israel	5	3	21	6	35
I.L.S. Brokers Ltd. (Israel)	Israel	2	1	1	12	16
INX Securities, LLC	United States	1	0	0	0	1
ILSB UK Limited	UK	0	0	0	0	0
<b>Total</b>		<b>13</b>	<b>4</b>	<b>22</b>	<b>47</b>	<b>86</b>

**Notes:**

- (1) As a single employee/service provider may be engaged in more than one activity, each employee/service provider is represented only once under the activity representing their primary responsibility.
- (2) These employees/service providers are located in Israel.
- (3) Employees/service providers of INX Digital also provide services to INX Services and INX Securities.

#### **4.8 Intellectual Property**

The Resulting Issuer and INX take industry standard actions to protect its intellectual property through a collection of trademarks registrations in the US, UK, Canada, Japan and EU. The INX Trademarks report as of October 2021, is attached as Schedule “M” to this Listing Statement.

INX also takes significant steps to protect trade secrets, software, confidential information, and intellectual property. Each of the Resulting Issuer, INX and its subsidiaries generally require its employees, consultants, suppliers, and partners to execute confidentiality agreements with it that restrict the disclosure of INX’s intellectual property, and each of INX and its subsidiaries generally require its employees and consultants to execute invention assignment agreements that help protect INX’s intellectual property rights. See also Section 16 - “*Risk Factors – Risk Factors Related to INX’s Operations*”.

As the INX and the Resulting Issuer generate new data it will continue to expand its trademarks registrations throughout the development program, and will continue to take all the necessary steps to protect their intellectual property.

#### **4.9 Competitive Conditions**

INX faces intense competition in the blockchain asset trading market on a global level. As of July 9, 2021, top blockchain asset trading platforms, based on USD daily trading volume, include Binance, Huobi Global, Coinbase Pro, Bitfinex, Kraken, FTX, Bitstamp, Bitflyer.<sup>14</sup>

<sup>14</sup> <https://coinmarketcap.com/rankings/exchanges/>.

An ever-growing number of previously unregulated trading platforms have announced intentions to operate as regulated broker-dealers, or as otherwise regulated entities either under the U.S. federal securities laws, U.S. state or local laws or, as applicable, the laws of other jurisdictions (outside the U.S.) such as the EU. The market for trading blockchain assets has generated considerable interest and is continually evolving with new entrants to the market. In addition, established financial institutions have expressed interest in operating regulated blockchain asset exchanges or trading platforms and utilizing blockchain assets in bank financing practices.

For example, in January 2019, t0.com, Inc. announced that its digital security trading platform was operational and began trading tZERO token, in compliance with SEC and FINRA regulations. Coinbase and Uphold, two blockchain asset trading platforms, have each announced plans to obtain SEC approval to operate trading platforms for trading blockchain assets that are securities and on April 14, 2021, Coinbase listed its shares on the Nasdaq stock exchange.

The market for trading blockchain assets is developing and INX anticipates new entrants to the market and competition to intensify in the future. INX's future competitors may have greater resources than INX and there can be no assurance that INX will have the financial and operational resources necessary to carry out its business plan and successfully compete with its competitors.

#### 4.10 Risk Factors

The INX Shares (and correspondingly those of the Resulting Issuer) should be considered highly speculative due to the nature of the Resulting Issuer's proposed business and the current stage of INX's development. An investment in INX or the Resulting Issuer is highly speculative. Such investment will be subject to certain material risks and investors should not invest in securities of INX or the Resulting Issuer unless they can afford to lose their entire investment. For a description of certain risks and uncertainties that may affect the business of INX and the Resulting Issuer, see Section 16 - "Risk Factors". Readers should note that such list is not a definitive list of all risk factors associated with ownership of securities of INX or the Resulting Issuer or in connection with the Resulting Issuer's operations following the completion of the Transaction, and other events could arise that may have a material adverse effect on the business of INX or the Resulting Issuer.

#### 4.11 Principal Milestones

The Resulting Issuer's business is expected to have the same stated business objectives as INX. See Section 4.1.1 above "Business Objectives and Milestones".

The principal milestones, including but not limited to research and development, expected to occur to meet the Resulting Issuer's business objectives, as well as the expected timeframe for, and cost of, achieving same, are as follows:

Milestone description <sup>(2) (3)</sup>	Target timeframe for completion <sup>(4)</sup>	Applicability of milestone to INX Digital	Applicability of milestone to INX Securities	Estimated cost (US\$) <sup>(1)</sup>
Promote primary offering services to new issuers	4 <sup>th</sup> quarter of 2021	Applicable	Applicable	Estimated cost for INX Digital: US\$ 642,572 +
Build and nurture a pipeline of potential issuers to list on INX Securities Trading Platform		Not Applicable	Applicable	



Milestone description <sup>(2) (3)</sup>	Target timeframe for completion <sup>(4)</sup>	Applicability of milestone to INX Digital	Applicability of milestone to INX Securities	Estimated cost (US\$) <sup>(1)</sup>
Generate and drive traffic to INX Digital (cryptocurrencies trading platform)		Applicable	Not Applicable	Estimated cost for INX Securities: US\$ 194,270
General branding awareness efforts		Applicable	Applicable	+
Developing the first “one platform approach” version for seamless one onboarding process for both the INX Digital and INX Securities trading platforms.		Applicable	Applicable	Estimated cost for both entities: US\$ 1,334,734
Public API ready for Institutional trading		Applicable	Not Applicable	=
Recruit and train customer support agents, onboarding specialists and licensed principals in US, IL and Cyprus to support the entire operation 24X7		Applicable	Applicable	<b>Total estimated cost: US\$ 2,171,575</b>
Develop a simplified version of a native mobile application		Applicable	Not Applicable	
Define a regulatory road map for licenses in jurisdictions outside of the US		Applicable	Applicable	
Continuing promoting primary offering services to new issuers	1 <sup>st</sup> quarter of 2022	Applicable	Applicable	Estimated cost for INX Digital: US\$ 842,100
Ongoing marketing activity to increase brand awareness and to acquire new customers (retail and institutions)		Applicable	Applicable	+
Institutional trading and support capabilities (onboarding, backoffice, API)		Applicable	Applicable	Estimated cost for INX Securities: US\$ 360,900
Introduce the OTC trading desk		Applicable	Applicable	+

Milestone description <sup>(2) (3)</sup>	Target timeframe for completion <sup>(4)</sup>	Applicability of milestone to INX Digital	Applicability of milestone to INX Securities	Estimated cost (US\$) <sup>(1)</sup>
Launch an internal tool for business intelligence and advanced analytics (including management dashboards)		Applicable	Applicable	Estimated cost for both entities: US\$ 1,153,934
Launch a new mobile app for INX Digital		Applicable	Not Applicable	= <b>Total estimated cost: US\$ 2,356,934</b>
Onboard new issuers to the INX Securities Trading Platform for secondary market trading	2 <sup>nd</sup> quarter of 2022	Not Applicable	Applicable	Estimated cost for INX Digital: US\$ 977,497
Ongoing marketing activity to increase brand awareness and to acquire new customers (retail and institutions)		Applicable	Applicable	Estimated cost for INX Securities: US\$ 481,454
Establish INX Trading Solution holistic one platform approach with a single interface and BackOffice enhancements for Operations & Support		Applicable	Applicable	+
Robust infrastructure (including legal and compliance vetting process) to list and open new markets for trading at INX Digital		Applicable	Not Applicable	Estimated cost for both entities: US\$ 1,419,576
Broaden the markets offering at the INX Digital Platform - INX intends to add more crypto currencies to its platform and make them available to trade against other crypto currencies or vs USD.		Applicable	Applicable	= <b>Total estimated cost: US\$ 2,878,527</b>
Add new funding options in the US - INX currently supports bank USD wire and ACH transfers for fiat deposits in the US. INX intends to add other		Applicable	Applicable	

Milestone description <sup>(2) (3)</sup>	Target timeframe for completion <sup>(4)</sup>	Applicability of milestone to INX Digital	Applicability of milestone to INX Securities	Estimated cost (US\$) <sup>(1)</sup>
payment methods to fund or deposit fiat (USD) to the customer account. For example - adding credit / debit cards processing, Apple pay, Google pay, etc.				
Continuing onboarding new issuers to the digital securities platform for secondary market trading	3 <sup>rd</sup> quarter of 2022	Not Applicable	Applicable	Estimated cost for INX Digital: US\$ 1,005,395
Ongoing marketing activity to increase brand awareness and to acquire new customers (retail and institutions)		Applicable	Applicable	+ Estimated cost for INX Securities: US\$ 430,883
Full launch of the One Platform Approach – INX Digital and INX Securities side by side		Applicable	Applicable	+
Enable Staking subject to regulatory guidelines		Applicable	Applicable	Estimated cost for both entities: US\$ 1,441,304
Integrate trading and compliance solutions to automate business processes		Applicable	Applicable	=
Add new funding options for customers outside the US		Applicable	Applicable	<b>Total estimated cost: US\$ 2,877,582</b>
Continuing onboarding new issuers to the INX Securities Trading Platform for secondary market trading		4 <sup>th</sup> quarter of 2022	Not Applicable	Applicable
Ongoing marketing activity to increase brand awareness and to acquire new customers (retail and institutions)	Applicable		Applicable	Estimated cost for INX Securities: US\$ 427,724
Introduce new products and services to target countries	Applicable		Applicable	+

Milestone description <sup>(2) (3)</sup>	Target timeframe for completion <sup>(4)</sup>	Applicability of milestone to INX Digital	Applicability of milestone to INX Securities	Estimated cost (US\$) <sup>(1)</sup>
Full mobile native application for simplified and advanced users		Applicable	Applicable	Estimated cost for both entities: US\$ 1,614,770 =
Complete revamp to the website		Applicable	Applicable	
Add multi-lingual customer support		Applicable	Applicable	<b>Total estimated cost: US\$ 3,040,518</b>

**Notes:**

- (1) The above costs include R&D, support centers in multiple locations, marketing for branding and acquisition, contracts with different solutions and service providers.
- (2) There may be circumstances where for sound business reasons the Resulting Issuer reallocates the funds or determines to not proceed with a milestone.
- (3) Subject to receipt of all necessary approvals, including without limitation, regulatory approvals in all applicable jurisdictions.
- (4) Based on a calendar year-end.

Other than as described in this Listing Statement, to the knowledge of the Resulting Issuer, there are no other particular significant events or milestones that must occur for the Resulting Issuer’s initial business objectives to be accomplished. Given the uncertainty of the regulatory paths and changes on the Resulting Issuer’s proposed business plans and the operations of its industry partners, there can be no guarantee that the Resulting Issuer will meet its business objectives or milestones described above within the specific time periods, within the estimated costs or at all.

In addition, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary, including due to demands for shifting focus or investment in marketing and business development activities, requirements for accelerating, increasing, reducing, or eliminating initiatives in response to changes in market, regulations and/or developments in research and design, unexpected setbacks, and strategic opportunities, such as partnerships, strategic partners, joint ventures, mergers, acquisitions, and other opportunities. The Resulting Issuer may require additional funds to fulfill all of the Resulting Issuer’s expenditure requirements and to meet its objectives, in which case the Resulting Issuer expects to either issue additional securities or incur indebtedness. There is no assurance that additional funding required by the Resulting Issuer will be available if required.

**4.12 Available Funds and Principal Purposes**

Funds Available

The following tables set out information respecting the Resulting Issuer’s sources of funds and intended uses of such funds over the next 12 months. The amounts shown in the tables are estimates only and are based upon the information available to the Resulting Issuer as of September 30, 2021. The intended uses of such funds and/or the Resulting Issuer’s development capital needs may vary based upon a number of factors. See Section 16 - “Risk Factors – Risk Factors Related to the Resulting Issuer’s Securities”.

Sources of Funds	US\$
------------------	------

Estimated Adjusted working capital of the Resulting Issuer as of September 30, 2021 <sup>(1)</sup>	\$26,409,000 <sup>(1)</sup>
Cash Fund	\$39,637,000 <sup>(2)</sup>
Net proceeds of INX Concurrent Financing	\$29,800,000 <sup>(3)</sup>
<b>Total</b>	<b>\$95,846,000</b>

**Notes:**

- (1) Based on the estimated pro forma working capital as of September 30, 2021, of the Resulting Issuer, less cash. Excluding US\$348,738,000 INX Token liability and US\$9,470,000 INX Token Warrant liability
- (2) The Cash Fund was established to cover customer and Company losses, if any, that result from cybersecurity breaches or theft, errors in execution of the trading platform or its technology, and counterparty default and accordingly is only available to INX for such purposes.
- (3) Calculated after deducting the INX Agents' Commission and the reasonable expenses of the INX Agents incurred in connection with the INX Concurrent Financing to be paid by INX.

Principal Purposes of Funds

The following tables set out the principal purposes, using approximate amounts, for which the Resulting Issuer currently intends to use its available funds over the next 12 months. See Section 4.1.1 above "*Business Objectives and Milestones*".

Uses of Funds	US\$
Payments related to the Completion of the Transaction	\$500,000
Estimated 12 month general and administrative expenses <sup>(1)</sup>	\$5,432,030
Public Company Operations	\$800,000
Estimated cost of completion of the Resulting Issuer's 12-month business plan (excluding general and administrative expenses)	\$13,325,136
Cash Fund <sup>(2)</sup>	\$39,637,000
Unallocated funds	\$36,151,864
<b>Total</b>	<b>\$95,846,000</b>

**Notes:**

- (1) 12-month forecasted general and administrative expenses are based on the historical general and administrative expenses of INX.
- (2) The Cash Fund was established to cover customer and Company losses, if any, that result from cybersecurity breaches or theft, errors in execution of the trading platform or its technology, and counterparty default and accordingly is only available to INX for such purposes.

On December 14, 2021, the INX Board approved the repurchase by INX of certain INX Tokens from their holders, provided that the aggregate purchase amount of such INX Tokens by INX until December 31, 2022, will not exceed US\$5 million. Such repurchase shall be subject to the provisions of any applicable law and regulation and to the advice of INX's legal advisors.

There may be circumstances where, for sound business reasons, the Resulting Issuer reallocates the funds. The Resulting Issuer may require additional funds to fulfill all the Resulting Issuer’s expenditure requirements and to meet its objectives, in which case the Resulting Issuer expects to either issue additional securities or incur indebtedness. There is no assurance that additional funding required by the Resulting Issuer will be available if required. See Section 16 “*Risk Factors – Risk Factors Related to the Resulting Issuer’s Securities*”.

#### **4.13 Lending and Investment Policies and Restrictions**

On December 30, 2021, the INX Board approved the grant of loans to Mr. Alan Silbert and Mr. Douglas Borthwick in the amount of US\$404,129 and US\$610,777, respectively, pursuant to the Silbert Promissory Note and the Borthwick Promissory Note and subject to the terms and conditions thereof.

Other than as disclosed in this Listing Statement, INX does not conduct any lending operations.

On July 13, 2021, the INX Board approved the overriding objective, liquidity rates and yield target of the INX cash investment policy. To date, the INX Board has not adopted a written investment policy.

### **5. SELECTED CONSOLIDATED FINANCIAL INFORMATION**

#### **5.1 Consolidated Financial Information - Annual Information**

The following table summarizes selected pro-forma financial information for the Resulting Issuer as of September 30, 2021, after giving effect to the Transaction as if it had been completed on that date and should be read in conjunction with the unaudited pro forma financial statements of the Resulting Issuer, a copy of which is attached as Schedule “J” to this Listing Statement attached.

<b>Selected Financial Information</b>	<b>Resulting Issuer Pro Forma Consolidation (unaudited) (US\$) (In thousands)</b>
Current Assets	87,313
Total Assets	107,278
Current Liabilities	366,066
Total Liabilities	367,303
Total expenses	274,552
Net Income/(loss)	(276,112)

#### **INX**

The following table sets out certain selected financial information for INX in summary form for the years ended December 31, 2020, and 2019. Such information is derived from the audited financial statements of INX and should be read in conjunction with such financial statements. See Schedule “A” “*Annual Financial Statements of INX Limited*”.

<b>Selected Financial Information</b>	<b>As at and for the year ended December 31, 2020 (audited) (US\$) (in thousands)</b>	<b>As at and for the year ended December 31, 2019 (audited) (in thousands) (US\$)</b>
Current Assets	8,053	387
Total Assets	8,085	387
Current Liabilities	29,831	1,933
Total Liabilities	29,831	1,933
Shareholders' Equity (Deficit)	(21,746)	(1,546)
Total Liabilities and Equity	8,053	387
Total expenses	24,331	3,689
Net Income/(loss)	(24,331)	(3,689)

### **Valdy**

The following table sets out certain selected financial information for Valdy in summary form for the years ended December 31, 2020, and 2019. Such information has been derived from the audited financial statements of Valdy and should be read in conjunction with such financial statements. See Schedule "E" – "Annual Financial Statements of Valdy Investments Ltd."

<b>Selected Financial Information</b>	<b>As at and for the year ended December 31, 2020 (audited) (CAD\$) (in thousands)</b>	<b>As at and for the year ended December 31, 2019 (audited) (CAD\$) (in thousands)</b>
Current Assets	425	460
Total Assets	425	460
Current Liabilities	22	8
Total Liabilities	22	8
Shareholders' Equity (Deficit)	402	451
Total Liabilities and Equity	425	460
Total expenses	49	156
Net Income/(loss)	49	156

## **5.2 Consolidated Financial Information – Interim Period**

### **INX**

The results for each INX's three most recently completed quarters ending at the end of the most recently completed interim period, being the nine-month period ended September 30, 2021, are summarized below and should be read in conjunction with such financial statements:

Interim Period Ended	Total Revenue (US\$) (In thousands)	Net Income (Loss) (unaudited) (US\$) (In thousands)	Net Income (Loss) per Share (basic and diluted) (US\$) (In thousands)
March 31, 2021	-	(4,005)	(0.29)
June 30, 2021	250	(15,604)	(1.14)
September 30, 2021	1,075	(249,532)	(17.10)

## Valdy

The results for each of Valdy's three most recently completed quarters ending at the end of the most recently completed interim period, being the nine-month period ended September 30, 2021, are summarized below and should be read in conjunction with such financial statements:

Quarter Ended	Total Revenue	Net Income (Loss) (unaudited) (\$)	Net Income (Loss) per Share (basic and diluted)
March 31, 2021	Nil	(142)	(0.02)
June 30, 2021	Nil	(50)	(0.01)
September 30, 2021	Nil	(25)	(0.00)

### 5.3 Dividends

The Resulting Issuer does not currently intend to declare any dividends payable to the holders of the Resulting Issuer Shares. The Resulting Issuer has no restrictions on paying dividends except as it relates to the solvency tests under applicable corporate law, but if the Resulting Issuer generates earnings in the foreseeable future, it expects that they will be retained to pay down indebtedness and to finance growth, if any. The board of directors of the Resulting Issuer will determine if and when dividends should be declared and paid in the future based upon the Resulting Issuer's financial position at the relevant time. All the Resulting Issuer Shares will be entitled to an equal share in any dividends declared and paid.

## 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

INX's MD&A for the years ended December 31, 2020, 2019 and 2018, and the three month period ended September 30, 2021, are respectively attached as Schedule "B" and Schedule "D" to this Listing Statement. Valdy's MD&A for the years ended December 31, 2020, 2019 and nine months ended September 30, 2021 are respectively attached as Schedule "F" and Schedule "H" to this Listing Statement; The MD&A should be read in conjunction with the INX Financial Statements and Valdy's Financial Statements, together with the notes thereto, a copy of which is attached hereto. See Schedule "A" and Schedule "C" and Schedule "E" and Schedule "G" to this Listing Statement.

## 7. MARKET FOR SECURITIES

Until November 16, 2021, the Valdy Shares were listed for trading on the TSXV under the symbol "VLDY.P". Upon completion of the Transaction, it is expected that the Valdy Shares will be listed for trading on the NEO Exchange under the symbol "INXD".



## 8. CONSOLIDATED CAPITALIZATION

### Valdy

The following table sets forth the consolidated capitalization of (a) Valdy as at December 31, 2020, and (b) the Resulting Issuer on a pro forma basis after giving effect to the Securities Exchange. This table should be read in conjunction with the financial statements of Valdy for the year ended December 31, 2020 and the pro forma financial statements of the Resulting Issuer included in this Listing Statement.

Designation of Security	Number Outstanding as of December 31, 2020	Number Outstanding as of January 10, 2022 (prior to giving effect to the Transaction)
Valdy Shares	7,000,000	10,483,333
Valdy Options	700,000	Nil
Valdy Warrants	250,000	Nil

### INX

The following table sets forth the consolidated capitalization of INX (a) as at December 31, 2020, and (b) on a pro forma basis after giving effect to the INX Concurrent Financing and the Securities Exchange. This table should be read in conjunction with the financial statements of INX for the years ended December 31, 2020, 2019 and 2018 and the pro forma financial statements of the Resulting Issuer included in this Listing Statement.

Designation of Security	Amount Outstanding as of December 31, 2020	Amount Outstanding as of January 10, 2022
INX Shares	14,019,044 <sup>(1)</sup>	167,331,410
INX Options	Nil	10,381,959
INX Tokens	30,697,171	131,718,965
INX Broker Warrants	Nil	1,810,740
INX Legacy Warrants	1,711,736 <sup>(1)</sup>	7,668,591
INX Shares to be issued upon conversion of certain convertible loan agreements	956,333	Nil

#### Notes:

- (1) Assuming conversion of outstanding SAFEs at the SAFEs default price.

### The Resulting Issuer

The following table summarizes the Resulting Issuer's consolidated capitalization as at Closing. The table should be read in conjunction with the financial statements of Valdy, INX and the pro-forma financial statements of the Resulting Issuer, including the notes thereto, included as Schedules to this Listing Statement.

Description of Securities	Amount Authorized	Number outstanding	Percentage <sup>(1)</sup>
---------------------------	-------------------	--------------------	---------------------------

Resulting Issuer Shares	Unlimited	204,136,150 <sup>(2)</sup>	80.11%
Resulting Issuer Options	10%	25,352,832 <sup>(3)</sup>	9.95%
Resulting Issuer Warrants	n/a	23,508,591 <sup>(4)</sup>	9.23%
INX Financing Agent' Warrants	n/a	1,810,740	0.71%
<b>Total Fully Diluted</b>	<b>n/a</b>	<b>254,808,313</b>	<b>100%</b>

**Notes:**

- (1) Calculated on a fully diluted basis based on 254,808,313 Resulting Issuer Shares expected upon completion of the Transaction.
- (2) Includes (i) 5,124,740 Valdy Shares held by existing Valdy Shareholders; (ii) 167,331,410 Valdy Consideration Shares; and (iii) 31,680,000 INX Financing Shares.
- (3) Includes: (i) 10,381,959 Resulting Issuer Shares issuable on exercise of Valdy Consideration Options (ii) 8,548,285 Resulting Issuer Shares that are reserved for issuance pursuant to the Equity Incentive Plan per INX's existing undertakings, including to INX NEOs and service providers; (iii) 4,422,588 Resulting Issuer Shares that are reserved as part of the Resulting Issuer's unallocated pool of options for future grants of options to purchase shares of the Resulting Issuer at the discretion of the Resulting Issuer Board; and (iv) 2,000,000 Resulting Issuer Shares issuable on exercise of Advisor Options.
- (4) Includes: (i) 7,668,591 Resulting Issuer Shares issuable on exercise of Valdy Consideration Warrants; and (ii) 15,840,000 Resulting Issuer Shares issuable on exercise of INX Financing Warrants.

**9. OPTIONS TO PURCHASE SECURITIES**

The Valdy Options outstanding immediately prior to the Transaction will become exercisable thereafter as though they were Resulting Issuer Options. There were no Valdy Options currently issued and outstanding that will become issuable for the Resulting Issuer Shares. The INX Options outstanding immediately prior to the Transaction will become exercisable thereafter as though they were Resulting Issuer Options, subject only to adjustment in accordance with the Exchange Ratio under the Securities Exchange Agreement. There were 989,971 INX Options issued and outstanding immediately prior to the Transaction, which have become issuable for 10,381,959 Resulting Issuer Shares.

	Resulting Issuer Shares under Option <sup>(1)</sup>	Exercise Price (\$) <sup>(1)</sup>	Date of Grant
All present and past executive officers and directors of Resulting Issuer <sup>(2)</sup>	3,012,849	US\$0.03737	Between February 22, 2021 and April 1, 2021.
	2,044,331	US\$0.13035	
	4,233,761	US\$1.06	
	5,036,132 <sup>(5)</sup>	Cashless basis	N/A
	1,179,803 <sup>(6)</sup>	FMV	N/A
All present and past executive officers and directors of all subsidiaries of the Resulting Issuer <sup>(2)(5)</sup>	504,662	US\$0.03737	February 22 <sup>nd</sup> , 2021.
All other present and past employees of the Resulting Issuer	N/A	N/A	N/A

	Resulting Issuer Shares under Option <sup>(1)</sup>	Exercise Price (\$) <sup>(1)</sup>	Date of Grant
All other employees and past employee of subsidiaries of the Resulting Issuer	N/A	N/A	N/A
All consultants of the Resulting Issuer	714,939 <sup>(3)</sup>	£0.0001	N/A
	293,745 <sup>(3)</sup>	£0.0001	
	586,357 <sup>(3)</sup>	US\$0.09955	
	1,000,000 <sup>(4)</sup>	\$1.25	
	1,000,000 <sup>(4)</sup>	\$2.50	

**Notes:**

- (1) The number of Resulting Issuer Shares issuable on exercise of such options and the exercise price thereof have been adjusted for the Valdy Share Consolidation and the Exchange Ratio.
- (2) These numbers reflect the grants of options to purchase INX Shares, to NEOs and Directors of INX only, including commitments to issues options as set forth in note 6 below.
- (3) These numbers reflect INX undertakings, to grant options to purchase INX Shares, subject to the adoption of the INX Plan, the approval of the INX Board, and subject to the terms and conditions of the INX Plan, to certain service providers of INX.
- (4) These numbers reflect the Advisor Options under the Advisory Agreements for more information see Section 3.1.6 “Advisory Agreements and Finder’s Fees”.
- (5) Excludes any present and past executive officers and directors of subsidiaries of the Resulting Issuer who are also present or past executive officers and directors of the Resulting Issuer.
- (6) Pursuant to agreements with INX, the following officers of INX are entitled to receive an aggregate of 7,539,600 options (or restricted shares, subject to a reverse vesting schedule) to purchase INX Shares (or 6,215,935 if the options are granted to Messrs. Paz Diamant and Itai Avneri are exercised on a cashless basis), on a post-Consolidation basis multiplied by the Exchange Ratio: Paz Diamant - 607,698 options (if exercised on a cashless basis); Itai Avneri – 4,428,434 options (if exercised on a cashless basis); Maia Naor – 786,535 options; and Jonathan Azeroual – 393,268 options. Ms. Naor and Mr. Azeroual’s Options will be granted at an exercise price equal to the fair market value of the INX Shares at the time of their issuance. The issuance of such options is subject to the approval of the Resulting Issuer Board.

**10. DESCRIPTION OF THE SECURITIES**

**10.1 General**

The authorized share capital of the Resulting Issuer will consist of an unlimited number of common shares without par value. The holders of Resulting Issuer Shares are entitled to one vote for each Resulting Issuer Share held at all meetings of the Resulting Issuer shareholders, to receive dividends if, as and when declared by the Resulting Issuer Board and to participate ratably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Resulting Issuer. The Resulting Issuer Shares carry no pre-emptive rights, conversion or exchange rights, or redemption, retraction, repurchase, sinking fund or purchase fund provisions. There are no provisions requiring a holder of the Resulting Issuer Shares to contribute additional capital, and no restrictions on the issuance of additional securities by the Resulting Issuer. There are no restrictions on the repurchase or redemption of the Resulting Issuer Shares by the Resulting Issuer except to the extent that any such repurchase or redemption would render the Resulting Issuer insolvent.

## 10.2 Prior Sales

### Valdy

The following table sets out information with respect to prior issuances of securities of Valdy (on a pre-Consolidation basis) in the 12 months preceding the date of this Listing Statement.

Date Issued	Type of Security	Number of Securities	Exercise Price	Aggregate Issue Price (\$)	Nature of Consideration (cash, services, debt, exercise of warrant/options/convertible securities)
February 5, 2021	Valdy Shares	4,583,333 <sup>(1)</sup>	\$0.06	\$275,000	Cash
February 11, 2021	Valdy Options	450,000 <sup>(2)</sup>	\$0.075	-	-
April 27, 2021	Valdy Shares	700,000 <sup>(3)</sup>	\$0.10	\$70,000	Cash - Exercise of Options
April 27, 2021	Valdy Shares	450,000 <sup>(3)</sup>	\$0.075	\$33,750	Cash - Exercise of Options
April 27, 2021	Valdy Shares	250,000 <sup>(4)</sup>	\$0.10	\$25,000	Cash - Exercise of Warrants
<b>Total</b>		<b>12,983,333<sup>(5)</sup></b>		<b>\$403,750</b>	

#### Notes:

- (1) Issued pursuant to a private placement.
- (2) Each of these Valdy Options were granted to Non-Arm's Length Parties.
- (3) Issued pursuant to the exercise of Valdy Options.
- (4) Issued pursuant to the exercise of options issued to the underwriters and certain other brokers in connection with the Valdy IPO.
- (5) In connection with the delisting of the Valdy Shares from the TSXV, an aggregate of 3,150,000 pre-Consolidation Valdy Shares were cancelled.

### INX

The following table sets out information with respect to prior issuances of securities of INX in the 12 months preceding the date of this Listing Statement.

Date Issued	Type of Security	Number of Securities	Sale / Exercise / Conversion Price US\$	Aggregate Issue Price (US\$)	Nature of Consideration (cash, services, debt, exercise of warrant/options/convertible securities)
February 22, 2021	INX Options	335,412 <sup>(4)</sup>	\$0.391904	-	-
February 22, 2021	INX Options	194,937 <sup>(4)</sup>	\$1.367	-	-

Date Issued	Type of Security	Number of Securities	Sale / Exercise / Conversion Price US\$	Aggregate Issue Price (US\$)	Nature of Consideration (cash, services, debt, exercise of warrant/ options/convertible securities)
February 25, 2021	INX Shares	956,333 <sup>(5)</sup>	\$0.121939	\$116,614	Cash – Convertible Loan
February 25, 2021	INX Shares	21,214 <sup>(3)</sup>	\$1.953	\$41,431	Cash - Exercise of Warrants
March 7, 2021	INX Shares	183,006 <sup>(1)</sup>	\$1.526	\$279,267	Cash
March 7, 2021	INX Legacy Warrants	183,006 <sup>(2)</sup>	\$1.696	-	-
March 9, 2021	INX Shares	80,073 <sup>(3)</sup>	\$1.953	\$156,383	Cash - Exercise of Warrants
March 9, 2021	INX Shares	65,530 <sup>(3)</sup>	\$1.696	\$111,139	Cash - Exercise of Warrants
March 15, 2021	INX Shares	6,188 <sup>(3)</sup>	\$1.953	\$12,085	Cash - Exercise of Warrants
March 22, 2021	INX Shares	9,339 <sup>(3)</sup>	\$1.953	\$18,239	Cash - Exercise of Warrants
March 22, 2021	INX Shares	8,366 <sup>(3)</sup>	\$1.696	\$14,189	Cash - Exercise of Warrants
March 25, 2021	INX Shares	9,339 <sup>(3)</sup>	\$1.953	\$18,239	Cash - Exercise of Warrants
March 25, 2021	INX Shares	8,366 <sup>(3)</sup>	\$1.696	\$14,189	Cash - Exercise of Warrants
March 25, 2021	INX Shares	98,295 <sup>(1)</sup>	\$1.526	\$149,998	Cash
March 25, 2021	INX Legacy Warrants	98,295 <sup>(2)</sup>	\$1.696	-	-
March 25, 2021	INX Options	403,710 <sup>(4)</sup>	\$11.126	-	-
March 26, 2021	INX Shares	24,226 <sup>(3)</sup>	\$1.696	\$41,087	Cash - Exercise of Warrants
March 31, 2021	INX Shares	98,292 <sup>(1)</sup>	\$1.526	\$149,994	Cash
March 31, 2021	INX Legacy Warrants	98,292 <sup>(2)</sup>	\$1.696	-	-
March 31, 2021	INX Shares	105,449 <sup>(3)</sup>	\$1.953	\$205,942	Cash - Exercise of Warrants
March 31, 2021	INX Shares	9,173 <sup>(3)</sup>	\$1.696	\$15,557	Cash - Exercise of Warrants

Date Issued	Type of Security	Number of Securities	Sale / Exercise / Conversion Price US\$	Aggregate Issue Price (US\$)	Nature of Consideration (cash, services, debt, exercise of warrant/ options/convertible securities)
April 18, 2021	INX Shares	36,576 <sup>(3)</sup>	\$1.953	\$71,433	Cash - Exercise of Warrants
December 31, 2021	INX Shares	596,659	\$2.514	\$1,500,001	Cash- Exercise of Warrants
<b>Total</b>		<b>3,630,076</b>		<b>\$2,915,787</b>	

**Notes:**

- (1) INX Shares issued pursuant to certain SAFE agreements and include issuances of (a) 358,141 INX Shares to Mr. Shy Datika, INX's President, Chief Executive Officer and a member of its Board of Directors, either directly or by holdings of Triple-V; and (b) issuance of 206,835 INX Shares to certain service providers of INX.
- (2) INX Legacy Warrants issued pursuant to certain SAFE agreements and include the issuance of (a) 358,141 INX Legacy Warrants to Mr. Shy Datika, INX's President, Chief Executive Officer and a member of its board of directors, either directly or by holdings of Triple-V; and (b) issuance of 206,835 INX Legacy Warrants to certain service providers of INX.
- (3) INX Shares issued pursuant to option exercises as part of SAFE agreements and include exercise of (a) 146,306 INX Legacy Warrants by Mr. Shy Datika, INX's President, Chief Executive Officer and a member of its Board of Directors, either directly or by holdings of Triple-V, an entity wholly owned by Mr. Datika, and (b) exercise of 21,214 INX Legacy Warrants by Mr. Yaniv Segev, service provider of INX.
- (4) INX Options granted to certain INX's officers and directors, past or present. See Section 12.8 - "Management and Board" for more information.
- (5) INX Shares issued pursuant to convertible loan agreements and include the issuance of (a) 333,333 shares to Ms. Maia Naor, INX's CPO; (b) 311,500 shares to Mr. Yaniv Segev, service provider of the Company.

**10.3 Stock Exchange Price**

**Valdy**

The Valdy Shares were originally posted for trading on the TSXV under the trading symbol "VLDY.P" on May 29, 2019. The Valdy Shares were halted from trading on the TSXV on February 22, 2021, pending completion of the Transaction. On November 16, 2021, following receipt of the requisite shareholder approval, Valdy received approval to delist the Valdy Shares from the TSXV, and, effective after the close of markets on November 16, 2021, the Valdy Shares were delisted from the TSXV. Valdy has obtained approval from the NEO Exchange to list the Resulting Issuer Shares on the NEO Exchange under the symbol "INXD".

Month	TSXV		
	High (\$)	Low (\$)	Volume Traded
February 1, 2021 to February 22, 2021	No trades		
January 2021	0.075	0.075	10,000

Month	TSXV		
	High (\$)	Low (\$)	Volume Traded
December 2020	0.12	0.065	125,500
November 2020	0.07	0.06	14,000
October 2020	No trades		
September 2020	0.10	0.10	1,000
August 2020	No trades		
July 2020	No trades		
June 2020	No trades		
May 2020	No trades		
April 2020	No trades		
March 2020	No trades		
February 2020	No trades		

The closing price of the Valdy Shares on February 22, 2021, being the last day the Valdy Shares were traded on the TSXV and the last trading day immediately preceding the announcement of the Transaction, was \$0.075. The above table sets out trading information for Valdy Shares on a monthly basis for the approximate 12 months of trading prior to trading being halted, in connection with the Transaction.

## INX

The INX Shares are not listed on any Canadian or foreign stock exchange and are not traded on any Canadian or foreign market.

## 11. ESCROWED SECURITIES

### 11.1 Resulting Issuer Escrowed Securities

#### Contractual Agreements – Lock-Up Terms

A term of the Securities Exchange Agreement is that each INX Shareholder, INX Option Holder and INX Legacy Warrant Holder that is party to the agreement (the “**Locked-Up Securityholders**”) is subject to certain lock-up terms (the “**Lock-Up Terms**”).

Pursuant to the Lock-Up Terms, the Locked-Up Securityholders agree that during a period commencing on the closing of the INX Concurrent Financing and ending 24 months following the Closing (the “**Lock-up Period**”), the Locked-up Securityholders will not, without the prior consent of the INX Agents (such prior consent not to be unreasonably withheld or delayed) directly or indirectly: offer, sell, contract to sell, transfer, otherwise monetize the economic value of any securities or otherwise dispose of or transfer any securities of INX or an affiliate of INX or any Resulting Issuer Shares, or securities convertible or exchangeable into equity securities of INX or any affiliate of INX or into Resulting Issuer Shares, in each case, whether owned by the Locked-up Securityholder or the Locked-up Securityholder has the power of disposition, including those listed below the undersigned’s signature (collectively, the “**Locked-up Securities**”); (ii) make any short sale, engage in any hedging transaction, or enter into any swap or other arrangement or transaction that transfers, economic consequences of ownership of any Locked-up Securities; or (iii) otherwise publicly announce (by press release or other public platform of dissemination) any intention to do any of the activities restricted by (i) and (ii) (the “**Restrictions**”).

Notwithstanding the foregoing, the Restrictions do not apply in the case of: (i) certain business combination or change of control transactions of the Resulting Issuer, subject to certain conditions; or (ii) in connection with transfers to affiliates, immediate family members of the Locked-Up Securityholder, to a company trust or other entity owned or maintained for the benefit of the Locked-Up Securityholder or any immediate family.

The Lock-Up Terms are in substantially the same form for all Locked-Up Securityholders, subject to varying vesting schedules for each of: (a) Shy Datika who is subject to a 24 month lock-up, subject to the right to sell up to 15% of the Locked-Up Securities held by Mr. Datika (including Locked-Up Securities held by entities controlled by Mr. Datika) beginning March 1, 2023 in order to pay amounts due to the Israeli tax authorities under the tax ruling ; (b) holders of INX Shares equal to 1% or greater of the outstanding INX Shares and INX nominees to the Resulting Issuer Board and management; and (c) INX Shareholders who immediately following the Closing hold less than 1% of the issued and outstanding Resulting Issuer Shares, but not including officers and directors of INX. The individuals in category (b) are subject to a vesting schedule of 20% of the Locked-Up Securities being released incrementally over 6-month, 9-month, 12-month, 15-month, and 18-month anniversaries of the Closing Date. The individuals in category (c) are subject to a vesting schedule of 10% of the Locked-Up Securities being released on the Closing Date and 18% of the Locked-Up Securities being released incrementally, on the 6-month, 9-month, 12-month, 15-month and 18-month anniversaries of the Closing Date.

The Resulting Issuer Shares subject to the Lock-Up Terms will total 164,964,519 representing 64.74% of the Resulting Issuer Shares outstanding completion of the Transaction.

The table immediately below sets out the number of securities held by those shareholders that will be subject to the contractual escrow described above.

Designation of Class Held in Contractual Escrow	Number of Securities Held in Escrow	Percentage of class <sup>(1)</sup>
Resulting Issuer Shares	164,964,519	64.74%
Resulting Issuer Options	10,272,858	4.03%
Resulting Issuer Warrants	7,240,955	2.84%

**Notes:**

- (1) Calculated on a fully diluted basis based on 254,808,313 Resulting Issuer Shares expected upon completion of the Transaction.

**Release Schedule**

The table below sets out the total number of each class of securities that will be released from restrictions on transfer on listing, and on the date that is each of 6 months, 9 months, 12 months, 15 months, and 18 months from the listing date. Options are also subject to vesting provisions which may be longer than the lock-up period.

Release Date	Class of Security	Number of Securities to be released from contractual restriction or escrow	Percentage of Class <sup>(1)</sup>
On the Closing Date	Resulting Issuer Shares	2,366,891	0.93%
	Resulting Issuer Options	109,102	0.04%
	Resulting Issuer Warrants	427,636	0.17%



Release Date	Class of Security	Number of Securities to be released from contractual restriction or escrow	Percentage of Class <sup>(1)</sup>
4 months and 1 day from the Closing Date	Resulting Issuer Shares	1,280,000	0.5%
6 months from the Closing Date	Resulting Issuer Shares	24,894,501	9.77%
	Resulting Issuer Options	2,054,571	0.81%
	Resulting Issuer Warrants	1,234,031	0.48%
9 months from the Closing Date	Resulting Issuer Shares	24,894,501	9.77%
	Resulting Issuer Options	2,054,571	0.81%
	Resulting Issuer Warrants	1,234,031	0.48%
12 months from the Closing Date	Resulting Issuer Shares	24,894,501	9.77%
	Resulting Issuer Options	2,054,571	0.81%
	Resulting Issuer Warrants	1,234,031	0.48%
15 months from the Closing Date	Resulting Issuer Shares	24,894,501	9.77%
	Resulting Issuer Options	2,054,571	0.81%
	Resulting Issuer Warrants	1,234,031	0.48%
18 months from the Closing Date	Resulting Issuer Shares	24,894,501	9.77%
	Resulting Issuer Options	2,054,571	0.81%
	Resulting Issuer Warrants	1,234,031	0.48%
24 months from the Closing Date	Resulting Issuer Shares	40,492,013	15.89%
	Resulting Issuer Options	N/A	N/A
	Resulting Issuer Warrants	1,070,798	0.42%
<b>Total Restricted</b>		<b>186,661,955</b>	<b>73.25%</b>

**Notes:**

- (1) Calculated on a fully diluted basis based on 254,808,313 Resulting Issuer Shares expected upon completion of the Transaction.
- (2) The INX Agents agreed to an early release of Resulting Issuer Shares constituting 15% of the aggregate number of Resulting Issuer Shares held by Shy Datika directly and indirectly (including Resulting Issuer Shares issued in connection with exercise of warrants).

**12. PRINCIPAL SHAREHOLDERS**

**12.1 Principal Shareholders**

The following persons beneficially own, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Resulting Issuer on a fully diluted basis:

Shareholder Name	Number of Resulting Issuer Shares Held <sup>(1)</sup>	% of Issued and Outstanding Resulting Issuer Shares (on a Fully Diluted basis) <sup>(3)</sup>
Shy Datika, Israel	40,540,013 <sup>(2)</sup> (of which 37,503,305 are owned beneficially only and 3,036,708 are owned of record and beneficially)	15.91%

**Notes:**

- (1) The number of Resulting Issuer Shares have been adjusted for the Valdy Share Consolidation and the Exchange Ratio.
- (2) This number includes (i) 40,492,013 Valdy Consideration Shares to be held by Mr. Datika directly and indirectly; and (ii) 48,000 Resulting Issuer Shares purchased by Mr. Datika under the INX Concurrent Financing; the amount above does not include the Resulting Issuer Shares to be issued to Mr. Datika upon exercise of warrants.
- (3) Calculated based on 254,808,313 Resulting Issuer Shares expected to be issued on a fully diluted basis upon completion of the Transaction.

**12.2 Principal Shareholdings in Resulting Issuer**

See Section 12.1 – “Principal Shareholders”.

**12.3 Voting Trusts**

To the knowledge of the Resulting Issuer, no voting trust exists within the Resulting Issuer such that more than 10% of any class of voting securities of the Resulting Issuer are held, or are to be held, subject to any voting trust or other similar agreement.

**12.4 Associates and Affiliates**

To the knowledge of the Resulting Issuer none of the principal shareholders is an Associate or Affiliate of any other principal shareholder.

**DIRECTORS AND OFFICERS**

**12.5 Directors and Officers**

The following table lists the names, municipalities of residence of the directors and officers of the Resulting Issuer, their positions and offices to be held with the Resulting Issuer, and their principal occupations during the past five years and the number of securities of the Resulting Issuer that are beneficially owned, directly or indirectly, or over which control or direction will be exercised by each.

Name and Jurisdiction of Residence	Position(s) with the Resulting Issuer	Principal Occupation for the Past Five Years	Number of Voting Securities of the Resulting Issuer directly or Indirectly held <sup>(1)(2)</sup>	Percentage of Issued and Outstanding Resulting Issuer Shares <sup>(3)</sup>
Shy Datika, Israel	President, Chief Executive Officer	President, CEO, and founder INX Limited.	40,540,013 <sup>(13)</sup>	19.86%

Name and Jurisdiction of Residence	Position(s) with the Resulting Issuer	Principal Occupation for the Past Five Years	Number of Voting Securities of the Resulting Issuer directly or Indirectly held(1)(2)	Percentage of Issued and Outstanding Resulting Issuer Shares (3)
	and Non-Independent Director	<p>Angel investor and board member in several start up tech companies. Formerly, founder and Chief Executive Officer of ILS Brokers and formerly Chief Executive Officer of Anyoption from 2015 to 2017. Member of Altshuler Shacam's (Israeli biggest provident and pension fund, \$70B AUM) board as Independent Director and member of the Audit and Investment Committees.</p>		
Gadi Levin, Israel <sup>(12)</sup>	Chief Financial Officer	<p>Chief Financial Officer of INX Limited, on a part-time basis since July 18, 2021.</p> <p>Also serves as the CFO of Briacell Therapeutics Corp. (a public company traded on NASDAQ and TSXV), , and as the Finance director of Eco (Atlantic) Oil &amp; Gas Ltd. (a public company traded on the Toronto stock exchange and London stock exchange (AIM)), and as the Director &amp; Chief Financial Officer of Vaxil Bio Ltd. a public company traded on the TSX.V and OTC).</p> <p>Formerly, CFO of A2Z Smart Technologies Corp, (a public company traded on the TSX.V and the OTCOX) and served as the Director of</p>	Nil	Nil

Name and Jurisdiction of Residence	Position(s) with the Resulting Issuer	Principal Occupation for the Past Five Years	Number of Voting Securities of the Resulting Issuer directly or Indirectly held <sup>(1)(2)</sup>	Percentage of Issued and Outstanding Resulting Issuer Shares (3)
		<p>Clearmind Medicine Inc. (a public company traded on the TSX.V and the OTCOX)</p> <p>Formerly, CFO of Enthusiast Gaming Holdings Inc. (a public company traded on NASDAQ and TSX.V) and of DarioHealth (a public company traded on NASDAQ and OTC), also served as a Senior Manager of Ernst &amp; Young, Israel, and as a Manager of Arthur Andersen, London (UK) and Cape Town (South Africa).</p>		
Maia Naor, Israel	Chief Product Officer	<p>Chief Product Officer of INX Limited. Ms. Naor has been engaged with INX Limited since incorporation.</p> <p>Formerly, Vice President – Product of Anyoption from 2010 until July 2017.</p>	3,495,708 <sup>(6)</sup>	1.71%
Jonathan Azeroual, Israel	Chief Blockchain Officer	<p>Chief Blockchain Officer of INX Limited and officer since November 27, 2017.</p> <p>Formerly, co-founder and Chief Executive Officer of Bsave Ltd. since July 2015 to December 2017. He also currently works for Redwood Digital Fund as a member of their Trading &amp; Investment Services team. From June 2016 to February 2017,</p>	4,309,069 <sup>(7)</sup>	2.11%

Name and Jurisdiction of Residence	Position(s) with the Resulting Issuer	Principal Occupation for the Past Five Years	Number of Voting Securities of the Resulting Issuer directly or Indirectly held(1)(2)	Percentage of Issued and Outstanding Resulting Issuer Shares (3)
		he was a member of the Trading & Investment Services group at Hadas Capital.		
Alan Silbert, USA	CEO, North America, and Secretary	<p>CEO, North America, Secretary and Non-independent director of INX since April 1, 2021. Mr. Silbert is engaged with INX Limited since March 1, 2018.</p> <p>Formerly, Senior Vice President at Capital One Commercial Bank, December 2015 to March 2018 and prior to that, Vice President – Life Science Finance at GE Capital. Prior to that, founder and Chief Executive Officer of BitPremier LLC from February 2013 to October 2017.</p>	Nil <sup>(10)</sup>	Nil
Douglas Borthwick, USA	Chief Business Officer (CBO)	<p>Chief Marketing and Business Development Officer of INX Limited since September 1, 2019. Mr. Borthwick has been engaged with INX Limited since September 1, 2019.</p> <p>Formerly, founder of Chapdelaine FX (TP-ICAP) from 2012 to September 2018. Head of Latam Options and NDF, Standard Chartered 2006-2009. Head of Strategic Trading, Merrill Lynch 2005-2006. Head of FX Derivatives Trading, Morgan Stanley 1996-2005</p>	Nil <sup>(11)</sup>	Nil

Name and Jurisdiction of Residence	Position(s) with the Resulting Issuer	Principal Occupation for the Past Five Years	Number of Voting Securities of the Resulting Issuer directly or Indirectly held(1)(2)	Percentage of Issued and Outstanding Resulting Issuer Shares (3)
Paz Diamant, Israel	Chief Technology Officer	<p>Chief Technology Officer of INX Limited since July 6, 2020.</p> <p>Formerly, Managing Director of R&amp;D and Product of eToro from November 2013 to January 2020.</p>	Nil <sup>(8)</sup>	Nil
Itai Avneri, Israel	Chief Operating Officer	<p>Chief Operating Officer of INX Limited since January 4, 2021.</p> <p>Formerly, COO of Anyoption Israel from June 2015 to June 2017 and CEO of invest.com Israel from June 2017 to July 2018.</p>	Nil <sup>(9)</sup>	Nil
Vlad Uchenik, USA	Chief Compliance Officer of INX Securities	<p>Chief Compliance Officer of INX Securities since May 2021.</p> <p>Mr. Uchenik has over 24 years of experience in the financial services industry. Vlad is currently CEO and CCO for INX Securities, LLC (formerly Openfinance Securities, LLC, Sageworks Capital, LLC and Raiseworks), and has been in the role since 2013.</p>	Nil	Nil
Catherine Yoon, USA	General Counsel	<p>General Counsel of INX Limited since April 26, 2021.</p> <p>Founder and principal of CJY Advisors LLC (January 2021 – April 2021). Co-head Blockchain and Fintech Practice at Katten Muchin Rosenman LLP (May</p>	Nil	Nil

Name and Jurisdiction of Residence	Position(s) with the Resulting Issuer	Principal Occupation for the Past Five Years	Number of Voting Securities of the Resulting Issuer directly or Indirectly held(1)(2)	Percentage of Issued and Outstanding Resulting Issuer Shares (3)
		2019 - December 2021). General Counsel, Genesis Block LLC and GB Capital Markets, Inc. (October 2017-April 2019). Managing Director and Senior Counsel at The Bank of New York Mellon (October 2010-October 2017).		
James Crossley, United Kingdom	Director of Business Development, Non-Independent Director until December 14, 2021	Mr. Crossley is engaged with INX Limited since January 2018 and is serving as INX's Director of Business Development (as a service provider). On December 14, 2021, Mr. Crossly resigned from his position as a member of the INX Board, a position he filled since January 2018. Formerly, director of Flo Live group from October 2015 to December 2018.	Nil	Nil
David Weild <sup>(5)(4)</sup> , USA	Chairman of the Board and Independent Director	Independent Director of INX Limited since April 15, 2018. Chairman of the Board of INX Limited since July 13, 2021. Founder, chairman and CEO of Weild & Co, Inc.	Nil	Nil
Nicholas Thadaney <sup>(4) (5) (14)</sup> , Canada	Independent Director	Independent director of INX Limited since July 11, 2018. Formerly, President and CEO, Global Equity Capital Markets of TMX Group until February 2018.	Nil	Nil

Name and Jurisdiction of Residence	Position(s) with the Resulting Issuer	Principal Occupation for the Past Five Years	Number of Voting Securities of the Resulting Issuer directly or Indirectly held(1)(2)	Percentage of Issued and Outstanding Resulting Issuer Shares (3)
Thomas Lewis <sup>(4)(5)</sup> (14), USA	Independent Director	Independent director of INX Limited since October 5, 2018.  Founder of Noble 4 Advisors, LLC, founded in September 2012.	Nil	Nil
Hilary Kramer, USA	Independent Director	Chief Investment Officer at Kramer Research Capital	Nil	Nil

**Notes:**

- (1) The information as to the number of Resulting Issuer Shares expected to be beneficially owned, or controlled or directed, directly or indirectly, by the proposed directors and officers immediately following the Closing.
- (2) The number of Resulting Issuer Shares have been adjusted for the Valdy Share Consolidation and the Exchange Ratio.
- (3) Calculated based on 204,136,150 Resulting Issuer Shares expected to be issued and outstanding on an undiluted basis following the Closing.
- (4) Member of the Audit Committee.
- (5) Member of the Compensation Committee.
- (6) Pursuant to an agreement with INX, Ms. Maia Naor is entitled to receive 786,535 Options (or restricted shares, subject to a reverse vesting schedule) at an exercise price equal to the fair market value of the INX Shares on the date of issuance, calculated on a post-Consolidation basis multiplied by the Exchange Ratio. The issuance of such Options shall be subject to the approval of the Resulting Issuer Board.
- (7) Pursuant to an agreement with INX, Mr. Jonathan Azeroual is entitled to receive 393,268 INX Options (or restricted shares, subject to a reverse vesting schedule) at an exercise price equal to the fair market value of the shares as of the date of issuance, calculated on a post-Consolidation basis multiplied by the Exchange Ratio. The issuance of such options shall be subject to the approval of the Resulting Issuer Board.
- (8) Pursuant to an agreement with INX, Mr. Paz Diamant is entitled to receive 607,698 INX Options (or restricted shares, subject to a reverse vesting schedule) at an exercise price equal to the fair market value of the shares as of the date of such agreement, calculated on a post-Consolidation basis multiplied by the Exchange Ratio and assuming cashless exercise. The issuance of such options shall be subject to the approval of the Resulting Issuer Board.
- (9) Pursuant to an agreement with INX, Mr. Itai Avneri is entitled to receive 4,428,434 INX Options (or restricted shares, subject to a reverse vesting schedule) at an exercise price equal to the fair market value of the shares as of the date of such agreement, calculated on a post-Consolidation basis multiplied by the Exchange Ratio and assuming cashless exercise. The issuance of such options shall be subject to the approval of the Resulting Issuer Board.
- (10) Pursuant to the Silbert Employment Agreement, Mr. Silbert was granted with 3,012,849 INX Options at an exercise price of US\$0.03737 per share, and (ii) 2,073,411 INX Options at an exercise price of US\$1.06 per INX Share, calculated on a post-Consolidation basis multiplied by the Exchange Ratio.



- (11) Pursuant to the Borthwick Employment Agreement, Mr. Borthwick was granted with 2,044,331 INX Options at an exercise price of US\$0.13035 per share, and (ii) 2,160,350 INX Options at an exercise price of US\$1.06 per share, calculated on a post-Consolidation basis multiplied by the Exchange Ratio.
- (12) Mr. Levin is expected to serve as the Resulting Issuer CFO on a part-time basis, devoting 20% of his working time to the Resulting Issuer business.
- (13) Mr. Shy Datika has 1,094,798 warrants to purchase Resulting Issuer Shares, of which: (i) 1,070,798 are Legacy Warrants; and (ii) 24,000 INX Financing Warrants purchased by Mr. Datika under the INX Concurrent Financing.
- (14) Member of the Governance and Nominating Committee.

A brief description of the biographies for all the officers and directors of the Resulting Issuer is set out below.

All the directors of the Resulting Issuer will be appointed to hold office until the next annual general meeting of shareholders or until their successors are duly elected or appointed, unless their office is earlier vacated.

As of the date of this Listing Statement, all promoters, directors, officers and insiders of the Resulting Issuer and its material subsidiaries, as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 48,344,790 Resulting Issuer Shares on an undiluted basis, representing 23.83% of the Resulting Issuer's capitalization on an undiluted basis.

#### **Enforcement of Judgments against Foreign Persons or Companies**

The following individuals reside outside of Canada and have appointed the following agents for service of process:

<b>Name of Person or Company</b>	<b>Name and Address of Agent</b>
Shy Datika	The INX Digital Company, Inc. 550 Burrard Street, Suite 2900, Vancouver, British Columbia, V6C 0A3
Gadi Levin	The INX Digital Company, Inc. 550 Burrard Street, Suite 2900, Vancouver, British Columbia, V6C 0A3
David Weild	The INX Digital Company, Inc. 550 Burrard Street, Suite 2900, Vancouver, British Columbia, V6C 0A3
Thomas Lewis	The INX Digital Company, Inc. 550 Burrard Street, Suite 2900, Vancouver, British Columbia, V6C 0A3
Hilary Kramer	The INX Digital Company, Inc. 550 Burrard Street, Suite 2900, Vancouver, British Columbia, V6C 0A3

Readers are advised that it may not be possible to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process. See Section 16 "Risk Factors – Risk Factors Related to Incorporation in Gibraltar - It may be difficult to enforce a Canadian judgment against INX, its officers and directors, and the experts named in this Listing Statement, or to assert Canadian securities laws claims or serve process on INX's officers and directors and these experts.

#### **Audit Committee and Corporate Governance**

##### Audit Committee

The audit committee assists the Resulting Issuer's board of directors in fulfilling its responsibilities for oversight of financial and accounting matters. The audit committee reviews the financial reports and other financial information

provided by the Resulting Issuer to regulatory authorities and its shareholder and reviews the Resulting Issuer's system of internal controls regarding finance and accounting including auditing, accounting, and financial reporting processes.

The members of the audit committee include the following three directors each of whom must be “independent” and “financially literate” within the meaning of National Instrument 52-110 – Audit Committees.

<b>Name of Member</b>	<b>Independent<sup>(1)</sup></b>	<b>Financially Literate<sup>(2)</sup></b>
Thomas Lewis	Yes	Yes
Nicholas Thadaney	Yes	Yes
David Weild	Yes	Yes

**Notes:**

- (1) A member of the audit committee is independent if he or she has no direct or indirect 'material relationship' with the Resulting Issuer. A material relationship is a relationship which could, in the view of the Resulting Issuer's board of directors, reasonably interfere with the exercise of a member's independent judgment.
- (2) A member of the audit committee is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Resulting Issuer's financial statements.

Audit Committee Charter

The full text of the audit committee charter (the “**Charter**”) is attached as Schedule “M” to this Listing Statement.

Relevant Education and Experience

All the proposed members of the Audit Committee are able to understand and interpret information related to financial statement analysis. Each of the proposed members of the Audit Committee has a general understanding of the accounting principles used by the Resulting Issuer to prepare its financial statements and will seek clarification from the Resulting Issuer's auditors, where required. Each of the proposed members of the Audit Committee also has direct experience in understanding accounting principles for private and reporting companies. See “*Directors and Officers*” above for the relevant experience of the proposed members of the Audit Committee.

Audit Committee Oversight

At no time since the commencement of Valdy's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

Since the commencement of Valdy's most recently completed financial year, Valdy has not relied on the exemptions in Sections 2.4, 6.1.1(4), 6.1.1(5), or 6.1.1(6) or Part 8 of NI 52-110. Section 2.4 (De Minimis Non-Audit Services) provides an exemption from the requirement that the Audit Committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditor in the financial year in which the non-audit services were provided. Sections 6.1.1(4) (Circumstance Affecting the Business or Operations of the Venture Issuer), 6.1.1(5) (Events Outside Control of Member) and 6.1.1(6) (Death, Incapacity or Resignation) provide exemptions from the requirement that a majority of the members of Valdy's Audit Committee must not be executive officers, employees or control persons

of Valdy or of an affiliate of Valdy. Part 8 (Exemptions) permits a company to apply to a securities regulatory authority or regulator for an exemption from the requirements of NI 52-110 in whole or in part.

#### Pre-Approval Policies and Procedures

Formal policies and procedures for the engagement of non-audit services have yet to be formulated and adopted. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Board and the Audit Committee, on a case-by-case basis as applicable.

#### External Auditor Service Fees

In the following table, “audit fees” are fees billed by Valdy’s external auditor for services provided in auditing Valdy’s annual financial statements for the subject year. “Audit-related fees” are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit review of Valdy’s financial statements. “Tax Fees” are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. “All other fees” are fees billed by the auditor for products and services not included in the foregoing categories.

The aggregate fees billed by Valdy’s external auditor in the last two fiscal years, by category, are as follows:

<b>Year Ended December 31</b>	<b>Audit Fees</b>	<b>Audit Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
2020	\$7,000	Nil	\$605	Nil
2019	\$11,500	Nil	\$5,500	Nil

#### Exemption

Valdy is relying on the exemption provided by Section 6.1 of NI 52-110, which provides that a venture issuer is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

### **Corporate Governance**

#### Board of Directors

The Valdy Board facilitates, and following the Closing, the Resulting Issuer Board will facilitate its exercise of independent supervision over the company’s management through meetings of the Board.

Mr. Shy Datika, a proposed director of the Resulting Issuer is not considered to be independent as he is expected to be the Chief Executive Officer and President of the Resulting Issuer. Mr. David Weild, Mr. Nicholas Thadaney, Mr. Thomas Lewis and Ms. Hilary Kramer are considered to be independent in that they are independent and free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the respective director’s ability to act with the best interests of the Resulting Issuer, other than the interests and relationships arising from being shareholders.

It is proposed that Mr. David Weild will be the Chair of the Resulting Issuer Board, and in such role, he is principally responsible for overseeing the operations and affairs of the Resulting Issuer Board.

It is expected that the Resulting Issuer Board will adopt a written charter describing, inter alia, the Board’s role and overall responsibility to supervise the management of the business and affairs of the Resulting Issuer following Completion of the Transaction.

As not all the members of the Resulting Issuer Board will be independent within the meaning of section 1.4 of NI 52-110, it is anticipated that the independent directors will hold regularly scheduled meetings at which the non-independent directors and management of the Resulting Issuer will not be present. Mr. Weild, an independent director and proposed Chair of the Resulting Issuer Board, will be responsible for facilitating board operations independently of management and to maintain and improve the quality of governance

The Board has not adopted a written mandate but understands that its role is to (i) assume responsibility for the overall strategy and oversight of management of the Company, and, operations with subsidiaries, (ii) identify the principal risks and opportunities of the Company's business and ensuring the implementation of appropriate systems to manage these risks, (iii) manage the cash reserve and token reserves, and (v) ensure the integrity of the Company's internal financial controls and management information systems.

To date, the Board has not adopted written position descriptions for the Chairman, the chair of each Committee of the Board, or of the CEO. Currently, Mr. Weild serves as the independent Chairman of the Board of INX. The prime responsibility of the Chairman of the Board is to provide leadership to the Board and to enhance Board effectiveness.

#### Orientation and Continuing Education

New directors of the Resulting Issuer will be expected to participate in an initial information session on the Resulting Issuer in the presence of its senior executive officers to learn about, among other things, the business of the Resulting Issuer, its financial situation and its strategic planning. In addition, new directors will be furnished with appropriate documentation, providing them with information about, among other matters, the corporate governance practices of the Resulting Issuer, the structure of the Board and its committees, the Resulting Issuer's history, its activities, its corporate organization, the charters of the Board and its committees, the Resulting Issuer's articles and other relevant corporate policies.

The Resulting Issuer will encourage all directors to attend continuing education programs and intends to facilitate such continuing education of its directors by providing them with information on upcoming courses and seminars that may be relevant to their role as directors or hosting brief information sessions during Board meetings by invited external advisors. In addition, the Resulting Issuer's management will periodically make presentations to the directors on various topics, trends and issues related to the Resulting Issuer's activities during meetings of the Board or its committees, which will be intended to help the directors to constantly improve their knowledge about the Resulting Issuer and its business.

#### Ethical Business Conduct

It is expected that the Resulting Issuer Board will adopt a written code of ethics applicable to all its employees, executive officers and directors following completion of the Transaction (the "**Code of Ethics**"). Among other things, the Code of Ethics will provide guidance on appropriate conduct within the organization amongst shareholders, customers, vendors and other third parties, as well as outline the appropriate course of action to ensure regulatory compliance and avoid conflicts of interests, bribes and kickbacks, and other unethical practices. The purpose of the Code of Conduct is to establish a workspace with integrity and ethical standards and will apply in addition to any legal, contractual obligations or regulatory obligations. The Chief Financial Officer will be responsible for reporting any material issues relating to the Code of Ethics to the Audit Committee.

#### Whistleblower Policy

It is expected that the Resulting Issuer will adopt a policy for employee complaint procedures for accounting and auditing matters (the "**Whistleblower Policy**"). Under the Whistleblower Policy, any employee of the Resulting Issuer or any of its subsidiaries is able to submit a good faith complaint regarding auditing or accounting matters to the management of the Resulting Issuer without fear of dismissal or retaliation. All complaints or questions will be held in confidence to the fullest extent possible and will be reviewed in accordance with a specified plan of action. The

Chairman of the Resulting Issuer Board will maintain a log of all complaints, investigations and resolutions and prepare a summary to the Audit Committee.

#### Insider Trading Policy

It is expected that the Resulting Issuer will adopt an insider trading policy (the “**Insider Trading Policy**”) following completion of the Transaction, applicable to all directors, officers, employees, consultants, contractors and related individuals of the Resulting Issuer who have access to material non-public information. The Insider Trading Policy will be implemented to ensure compliance with applicable securities laws. Compliance with the Insider Trading Policy will be overseen by the Chief Financial Officer, or in his/her absence, the President and Chief Executive Officer of the Resulting Issuer.

The Insider Trading Policy applies to all transactions in the securities of the Resulting Issuer, other than the exercise of share options or other awards for cash under the Resulting Issuer’s incentive plan.

#### Nomination of Directors

Management of the Resulting Issuer is in contact with individuals involved in the technology and blockchain sector. From these sources’ management has made a number of contacts and in the event that the Resulting Issuer requires any new directors, such individuals will be brought to the attention of the Board. Management will conduct reference and background checks on suitable candidates. New nominees generally must have public company board experience and a track record in business management, areas of strategic interest to the Resulting Issuer, the ability to devote the time required to carry out the obligations and responsibilities of a director and a willingness to serve in that capacity.

#### Compensation Committee

The Resulting Issuer Board is expected to form a compensation committee (the “**Compensation Committee**”) to assist the Resulting Issuer’s board of directors in fulfilling its responsibilities for compensation philosophy and guidelines, and fixing compensation levels for the Resulting Issuer’s executive officers.

The Compensation Committee shall, among other things:

- consider and recommend for approval by the Resulting Issuer Board the appointment of the executive officers of the Resulting Issuer;
- review existing management resources and plans for ensuring that qualified personnel will be available as required and to report on this matter to the Resulting Issuer Board;
- review and assess annually the performance of the Chief Executive Officer, the Chief Financial Officer and the Chief Technology Officer against pre-set specific corporate and individual goals and objectives;
- oversee and recommend for approval by the Resulting Issuer Board the executive compensation principles, policies, programs, grants of equity-based incentives and processes and specifically consider and recommend annually or as required;
- review the compensation discussion and analysis and related executive compensation disclosure for inclusion in the Resulting Issuer’s public disclosure documents, in accordance with applicable rules and regulations; and

- review, monitor, report and where appropriate, provide recommendations to the Resulting Issuer Board on the Resulting Issuer's exposure to risks related to executive compensation policies and practices, if any, and identify compensation policies and practices that mitigate any such risk.

The Compensation Committee will have the authority to engage outside counsel or other outside advisors as it deems appropriate to assist the Compensation Committee in the performance of its functions.

The Compensation Committee may also recommend to the Resulting Issuer Board further changes to the existing executive compensation regimes and severance pay practices, employment agreements for executive officers and adoption of stock ownership guidelines.

The members of the Compensation Committee of the Resulting Issuer include the following three directors: Mr. Thomas Lewis, Mr. Nicholas Thadaney and Mr. David Weild, each of whom has a working familiarity with human resources and compensation matters.

#### Assessments

The INX Board regularly monitors the adequacy and effectiveness of information given to directors, communications between the Board and management, and the strategic direction and processes of the Board and its committees.

#### Term

The term of office of the directors will expire annually at the time of the Resulting Issuer's next annual general meeting or when or until their successors are duly appointed or elected.

#### Diversity

It is not expected that the Resulting Issuer Board will adopt a formal policy which specifies targets regarding the representation of women in executive officer positions or on its board of directors. While the Resulting Issuer believes that diversity, including gender diversity, is an important consideration in determining the makeup of its executive team, it is only one of a number of factors (which include merit, talent, experience, expertise, leadership capabilities, innovative thinking and strategic agility), that are considered in selecting the best candidates for executive and board of director positions. At the present time, it is expected that the Resulting Issuer will have 2 women on its executive team and 2 female directors.

#### Governance and Nominating Committee

The Resulting Issuer is expected to have a corporate governance and nominating committee. The overall purpose of the corporate governance and nominating committee is to develop and monitor the Resulting Issuer's approach to: (i) matters of governance, and (ii) the nomination of directors to the board of the Resulting Issuer. The members of the corporate governance and nominating committee of the Resulting Issuer include the following three directors: Mr. Thomas Lewis, Mr. Nicholas Thadaney and an additional independent director who will be appointed following the Transaction.

#### **Other Directorships**

In the past 5 years, the directors and officers of the Resulting Issuer have held officer or director positions with the following issuers:

Name	Name of Reporting Issuer	Name of Exchange or Market	Position	From	To
David Weild	BioSig	NASDAQ	Director	May 2015	Presently
	Scopus BioPharma	NASDAQ	Director	December 2020	Presently
	PAVMed	NASDAQ	Director	April 2016	June 2021
Gadi Levin	Briacell Therapeutics Corp	NASDAQ	CFO	July 2016	Presently
		TSX.V			
	Eco (Atlantic) Oil & Gas Ltd	TSX.V	Finance Director	December 2016	Presently
		AIM			
	Vaxil Bio Ltd	TSX.V	Director & Chief Financial Officer	July 2016	Presently
		OTC			
	A2Z Smart Technologies Corp	TSX.V	CFO	April 2020	October 2021
		OTCQX			
	Clearmind Medicine Inc	TSX.V	Director	April 2020	September 2021
		OTCQX			
	Enthusiast Gaming Holdings Inc	NASDAQ	CFO	September 2018	August 2019
		TSX.V			
DarioHealth	NASDAQ	CFO	2013	2015	
	OTC				
Nicholas Thadaney	TMX Group, Ontario, Canada	Toronto Stock Exchange	President & CEO, Global Equity Capital Markets	September 2015	March 2018

## 12.6 Corporate Cease Trade Orders or Bankruptcies; Penalties or Sanctions; Personal Bankruptcies

Except as disclosed below, no proposed director, officer or promoter of the Resulting Issuer or a shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer is, as at the date of this Listing Statement, or has been within the 10 years before the date of this Listing Statement, a director or officer of any other company that:

- (a) was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an “**Order**”), which Order was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer of such company; or

- (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company.

To the Resulting Issuer's knowledge, no proposed director, officer, or promoter of the Resulting Issuer:

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

Except as disclosed below, To the Resulting Issuer's knowledge, no proposed director, officer, or promoter of the Resulting Issuer, or shareholder anticipated to hold a sufficient number of Resulting Issuer Shares to affect materially the control of the Resulting Issuer, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

On September 17, 2015, The Financial and Consumer Affairs Authority of Saskatchewan ("FCAA") issued a temporary cease trade order against Anyoption and Ouroboros Derivatives Trading Ltd. At the time the cease trade order was issued, Shy Datika, the Chief Executive Officer of INX and one of its Directors, was, and continued to be until the resolution of the matter, the Chief Executive Officer Anyoption IL and the executive director of Ouroboros Derivatives Trading Ltd. The cease trade order was issued as a result of Anyoption and Ouroboros Derivatives engaging in the business of trading in securities in Saskatchewan (through soliciting, advising and trading on behalf of locally resident individuals) without the required registration.

On June 21, 2016, Anyoption & Ouroboros Derivatives Trading Ltd. were provided with a notice of first appearance and statement of allegations. On July 6, 2016, Anyoption & Ouroboros Derivatives Trading Ltd. were provided with an order setting the hearing dates. On August 25, 2017, Anyoption and Ouroboros entered into a settlement agreement (the "**Settlement Agreement**") with the FCAA pursuant to which, among other things, Anyoption and Ouroboros agreed to not trade in, advise on in any securities or derivatives in Saskatchewan without first becoming registered under the Securities Act (Saskatchewan) and to pay an administrative penalty of \$20,000.

On October 17, 2017, the FCAA approved the Settlement Agreement and issued a final order giving effect to the Settlement Agreement.

The foregoing information, not being within the Resulting Issuer's knowledge, has been furnished by the respective proposed directors, officers, and shareholders of the Resulting Issuer.



## **12.7 Conflicts of Interest**

The proposed directors and officers of the Resulting Issuer will be required by law to act honestly and in good faith with a view to the best interests of the Resulting Issuer and to disclose any interests, which they may have in any project or opportunity of the Resulting Issuer. If a conflict of interest arises at a meeting of the board of directors of the Resulting Issuer, any director in a conflict will be required to disclose his or her interest and abstain from voting on such matter.

To the best of the Resulting Issuer's knowledge, other than as disclosed herein, there are no known existing or potential conflicts of interest among the Resulting Issuer, any subsidiaries of the Resulting Issuer, and the proposed directors and officers as a result of their outside business interests except that certain of the proposed directors and officers serve as directors and officers of other companies, and may, from time to time, participate in ventures with, other companies involved in financial services, cryptocurrency or related businesses and therefore it is possible that a conflict may arise between their duties to the Resulting Issuer and their duties as a director or officer of such other companies. Notwithstanding, the proposed directors and officers will be bound by the provisions of the BCBCA to act at all times in good faith in the interests of the Resulting Issuer and to disclose such conflicts to the Resulting Issuer if and when they arise. Conflicts, if any, will be subject to the procedures and remedies prescribed by the BCBCA, the NEO Exchange and applicable Securities Laws in Canada and the jurisdictions in which the Resulting Issuer will operate.

## **12.8 Management and Board**

The following is a brief description of each of the proposed key members of management and directors of the Resulting Issuer:

### **Mr. Alan Silbert – CEO, North America and Secretary**

Mr. Alan Silbert is a director of INX, secretary and its CEO, North America. He joined INX in March 2018. Mr. Silbert is responsible for launching INX Services operations in North America, including facilitating the build-out of the director and advisor team, raising capital, growing operations and infrastructure for North American operations, and leading the registration processes for broker-dealer and alternative trading system licenses. From December 2015 until March 2018, he was Senior Vice President at Capital One Commercial Banking, serving on the Asset Based Lending and Life Science Finance/Venture Debt teams. Prior to that, he was Vice President – Life Science Finance at GE Capital. From February 2013 until October 2017, he served as founder and Chief Executive Officer of BitPremier LLC, a bitcoin luxury marketplace. Mr. Silbert received his BS in Business Administration with a concentration in Finance from Towson University.

### **Mr. James Crossley – INX's Director of Business Development**

Mr. James Crossley is INX's Director of Business Development. Since January 2018 James acted as a Director of INX until his resignation on December 14, 2021. From October 2015 to December 2018, James was a Director of the Flo Live group, a provider of global cloud-based Internet-of-Things ecosystems. From March 2016 to May 2017, he acted as Director and CFO of Flocash Limited, a technology based international money transfer gateway. From February 2013 to December 2016, he worked with Extech, Ascarii and Intalec, marketing ERP Solutions including SAP Business One Cloud and Infor. Prior to February 2013, he had been Director of Corporate Development for Titan GS Europe, a global SAP Partner, having previously sold his own successful SAP Partnership to Titan in February 2009. Before moving into technology James spent 25 years at C Level in the advertising industry including CFO, CEO and Group CFO roles for regional and global ad agencies.

### **Mr. David Weild – Chairman of the INX Board of Directors**

Mr. David Weild is an independent director of INX. Mr. Weild is founder, chairman and CEO of Weild & Co., Inc., parent company of the investment banking firm Weild Capital, LLC. Prior to Weild & Co., Mr. Weild was vice chairman

of NASDAQ, president of PrudentialFinancial.com and head of corporate finance and equity capital markets at Prudential Securities, Inc. Mr. Weild holds an M.B.A. from the Stern School of Business and a B.A. from Wesleyan University. Mr. Weild is currently on the boards of BioSig Technologies, Inc. and PAVmed Inc. From September 2010 to June 2011, Mr. Weild served on the board of Helium.com, until it was acquired by R.R. Donnelly & Sons Co. Since 2003, Mr. Weild was a director and then chairman of the board of the 9-11 charity, Tuesday's Children. He became chairman emeritus in October 2016 and still serves on the board. Mr. Weild brings extensive financial, economic, stock exchange, capital markets, and small company expertise to the company gained throughout his career on Wall Street. He is a recognized expert in capital markets and has spoken at the White House, Congress, the SEC, OECD, and the G-20 on how market structure can be bettered to improve capital formation and economic growth.

**Mr. Nicholas Thadaney – Director**

Mr. Nicholas (Nick) Thadaney is an independent director of INX. Mr. Thadaney was President and Chief Executive Officer, Global Equity Capital Markets, and a member of the senior management team of TMX Group until February 2018. In his roles with TMX Group, Mr. Thadaney was responsible for all equity listing and trading activity across the company's equities markets and alternative trading systems, including Toronto Stock Exchange, TSX Venture Exchange, Alpha, TMX Select, TSX Private Markets and TSX Trust. Prior to joining TMX Group in September 2015, Mr. Thadaney was Chief Executive Officer of ITG Canada Corp. since 2005, with responsibility for managing all aspects of the business, as well as a member of ITG's Global Executive Committee. Previously, he was Director of Sales and Trading of ITG Canada's Institutional Equities business from 2000 to 2005. Before his tenure at ITG, Mr. Thadaney was Vice-President, Business Development (Equities) at C.T. Securities Inc., which was later acquired by T.D. Securities Inc. in 1999. He has also been a member of several industry associations, boards and registered charities, including: Asset Management Industry Hold'em for Life Charity; Mount Sinai, Co-Chair; Bermuda Stock Exchange; Canadian Council of the Americas; CanDeal; IIROC; Toronto Financial Service Alliance; Investment Industry Association of Canada; Junior Achievement Canada; Young Presidents Association (Ontario Chapter); and the World Federation of Exchanges SME Advisory Board.

**Mr. Thomas Lewis – Director**

Mr. Thomas K. Lewis, Jr. is an independent director of INX. Mr. Lewis is currently the Founder of Noble 4 Advisors, LLC, a company he founded in September 2012 that develops and provides methodologies, technologies and guidance that assist boards, CEOs, investors, and senior executives in defining and implementing plans to improve operating performance. Mr. Lewis has served as CEO of four companies, including The Green Exchange, a federally regulated futures and options exchange in New York and London, from September 2009 to July 2012; Automated Power Exchange Inc. (APX), a venture-backed wholesale power markets and renewable energy services provider, from August 2003 to October 2007; Ameritrade, an online retail broker, from February 1999 to August 2000; and Campus Pipeline, an educational software company. Prior to that, Mr. Lewis served in technology leadership positions with American Express, Credit Suisse First Boston, USF&G Insurance and Marriott Corporation. Mr. Lewis has served on the boards of The New York Ledger Exchange, aka LedgerX (from 2014 to 2017), Green Exchange Holdings, LLC (2009 to 2012), Evolution Markets, Inc. (2007 to 2009), Automated Power Exchange Inc. (2003 to 2007) and Neovest Holdings, Inc. (2001 to 2004). Mr. Lewis holds an honorary doctorate, a master's degree in computer and information science, and a bachelor's degree, magna cum laude, in business administration from the University of New Haven in Connecticut, where he was honored as a distinguished alumnus. He served as chairman of the Board of Trustees of the Henry Lee Institute of Forensic Science and served for twelve years as a member of the Board of Trustees of the University of New Haven. He has also served as a member of the Advisory Board of the Johns Hopkins Carey Business School at Johns Hopkins University. Mr. Lewis served as Executive in Residence and Assistant Professor at Johns Hopkins University, Carey Business School. Mr. Lewis also served as the head of technology for the Executive Office of the President of the United States during the Ronald Reagan Administration.

**Ms. Hilary Kramer – Director**

Ms. Hilary Kramer is a former analyst and investment banker at Morgan Stanley and Lehman Brothers, founded and ran a long-short hedge fund and has been chief investment officer overseeing more than \$5 billion of debt and equity

portfolios. Ms. Kramer served as the co-head and board member of a \$1.0 billion private equity fund jointly owned by Hicks, Muse that developed and invested in new programming content as well as serving on the advisory board of numerous companies including international TV Satellite Company--DirecTV. Ms. Kramer has served as a director to four publicly-traded companies and consults into family offices and institutions, such as Montgomery Asset Management, Freddie Mac, and families on the Forbes list of global billionaires ranging from Latin America to the Middle East. Ms. Kramer authors the futurist and investment newsletter GameChangers published by Eagle Financial Publications and has a nationally syndicated investment radio show, Kramer's Millionaire Maker, on the Salem Network in 140 markets. She is the author of Ahead of the Curve (Simon & Schuster 2007) and The Little Book of Big Profits from Small Stocks (Wiley 2012). Her latest book, Game Changing Investing (Regnery 2020) is on the best-selling lists at "The Wall Street Journal", "USA TODAY" and on Amazon.com. Ms. Kramer was a founding member of the Wall Street Journal Women in Business. Ms. Kramer holds an MBA from the Wharton School of the University of Pennsylvania and a BA with honors from Wellesley College.

#### **Mr. Shy Datika – President, Chief Executive Officer and a Director**

Mr. Shy Datika is one of the founders of INX and is INX's President, CEO and a member of the board of directors. Mr. Datika has more than 25 years of experience in the banking and finance industry. As founder and former Chief Executive Officer of ILS Brokers, a multinational brokerage house based in Tel-Aviv, Israel, Mr. Datika has a significant role in the adoption of electronic trading in the global OTC foreign exchange (OTC Forex) market as well as in the brokerage activity and online trading business. During the last 20 years, Mr. Datika has been extensively involved in financial technology (FinTech) as an investor, director or manager of several companies, including as CEO of ForexManage Ltd., a software company providing professional technology platform solutions for institutional risk management and trading activities in the forex and interest rate derivatives markets for the banking industry, Ouroboros Derivatives Trading Ltd. (holding a CIF license from CySec) and its affiliated entities (collectively, "Anyoption") and as an independent (external) director and a member of the Investment Committee and member of the Audit Committee of Altshuler Shaham provident funds and Pension Ltd. Prior to that, with US\$65B under management, he was a senior dealer in Bank Hapoalim heading the G7 spot desk. Mr. Datika possesses broad knowledge in the areas of fin-tech and trading and has an extensive track record in building sustainable businesses in the financial market. Mr. Datika serves as a director on the board of numerous private companies.

#### **Mr. Gadi Levin – Chief Financial Officer CA, MBA**

Mr. Levin has over 25 years of experience working with public US, Canadian and multi-jurisdictional public companies. He serves as a director and chief financial officer for a number of publicly listed companies in North America. Mr. Levin also served as the Vice President of Finance and Chief Financial Officer for two Israeli investment firms specializing in private equity, hedge funds and real estate. Mr. Levin began his CPA career at the accounting firm Arthur Andersen, where he worked for nine years, specializing in U.S. listed companies involved in IPOs. Mr. Levin has a Bachelor of Commerce degree in Accounting and Information Systems from the University of Cape Town, South Africa, and a post graduate diploma in Accounting from the University of South Africa, Pretoria. He received his Chartered Accountant designation in South Africa and has an MBA from Bar Ilan University in Israel.

#### **Mr. Itai Avneri – Chief Operating Officer**

Mr. Itai Avneri brings over 20 years of executive management experience into this role. His commercial work spans a variety of technology companies, including from June 2015 to June 2017, COO of Anyoption, from June 2017 to July 2018, CEO of invest.com in Israel, where he spearheaded the shift to cryptocurrency and former Playtech Group-CMO and CEO of the Israel office. Since 2018 Mr. Avneri has served on the advisory boards of various enterprises including Peality Races, Layer11, Groupiez and BeexOS. Mr. Avneri has led the launch of multiple financial services and products in Europe and South Africa among other regulated jurisdictions. He designed and built advanced information systems with specializations in trading, BI & CRM solutions, marketing, and KYC automation as well as payments and integration hubs. His in-depth knowledge and hands-on experience on all aspects of online business (B2B & B2C), marketing, technology and finance will play a key role at INX Limited.

#### **Mr. Douglas Borthwick – Chief Business Officer**

Mr. Douglas Borthwick has over 25 years of experience in the finance industry, most recently founding and building the Chapdelaine FX electronic and voice trading business for inter-dealer broker TP-ICAP from 2012 to September 2018. Mr. Borthwick held various roles with Morgan Stanley from 1996 through 2005; managing foreign exchange derivatives trading groups in New York and London, with a strong focus on emerging markets. He then ran the strategic trading desk at Merrill Lynch from 2005 to 2006, and the Latin American FX trading business at Standard Chartered from 2006 to 2009. In 2010, Mr. Borthwick managed trading and research areas for startup foreign exchange agency Faros Trading, a company that was later sold to FXCM in 2013. Mr. Borthwick holds a Bachelor of Science in Economics from Carnegie Mellon University and an MBA from Yale University's School of Management.

#### **Mr. Paz Diamant – Chief Technology Officer**

Mr. Paz Diamant has more than 25 years of experience in the banking and financial technology industry. From November 2013 to January 2020, Mr. Diamant held several roles at eToro, a worldwide leading social investment network, where he was most recently Managing Director of R&D and Product. In that role he directed the design, development, and deployment of the company's cloud-based exchange system and was responsible for the development of eToro's complicated hedging algorithms. While at eToro, Mr. Diamant managed R&D teams for several years while implementing cutting-edge, cloud-based technologies successfully. From October 2002 to January 2011, Mr. Diamant was the founder and Chief Executive Officer of ForexManage Ltd., a leading provider of advanced, real-time, risk management and foreign exchange online trading technologies for the banking industry. Through his role at ForexManage, Mr. Diamant had a significant role in the adoption of advanced risk management models in major European banks and brokerage houses. Mr. Diamant holds a BS in Physics from the Technion - Israel Institute of Technology, where he graduated cum laude, and an MBA, Finance from Bar-Ilan University.

#### **Ms. Maia Naor – Chief Product Officer**

Ms. Maia Naor has been with INX since its founding. Ms. Naor has ten years of fin-tech experience working for companies across Europe and Israel. From 2010 until July 2017, Ms. Naor served as Vice President – Product in Anyoption, a leading European regulated trading group where she oversaw the planning, implementation and launch of several financial services and computer-internet-based and cellular-based trading applications. Ms. Naor also gained experience in building and training teams of data scientists that supported the growth and optimization of the trading products. Ms. Naor is a graduate of the Tel Aviv University School of Economics and the Tel Aviv University School of Mathematical Sciences, with honors.

#### **Mr. Jonathan Azeroual – Chief Blockchain Officer**

Mr. Jonathan Azeroual has been with INX since its founding. Mr. Azeroual has over nine years of broad financial experience working for banks, hedge funds, brokerage firms in various analytical, operational, or executive positions in the Paris, New York, and London financial markets. He is the co-founder and, from July 2015 until December 2017, served as Chief Executive Officer of Bsave Ltd., a UK company which operates a Bitcoin savings platform. He also currently works for Redwood Digital Fund as a member of their Trading & Investment Services team. From June 2016 to February 2017, he was a member of the Trading & Investment Services group at Hadas Capital. Between October 2014 and October 2015, he was an algorithmic trader for Colley Cooper Capital. Prior to that, starting in 2012 until October 2014, he served as an institutional sales trader for Sunrise Brokers. He graduated with honors and holds a postgraduate degree in Financial and Statistical Engineering from Paris-Dauphine University and holds ESCP Europe Advanced master's in finance.

#### **Ms. Catherine Yoon – General Counsel**

Ms. Catherine Yoon is responsible for leading all legal, regulatory and government affairs efforts. Ms. Yoon was the founder and principal of CJY Advisors LLC from January 2021 to April 2021. From May 2019 to December 2020, she was special counsel and the co-head of the FinTech and blockchain practice group at the law firm of Katten Muchin

Rosenman LLP. From October 2017 to April 2019, she was general counsel of Genesis Block LLC, a blockchain advisory firm, and its affiliated broker-dealer, GB Capital Markets Inc. From November 2010 to October 2017, she was Managing Director and Senior Counsel at The Bank of New York Mellon. Prior to that, she was an associate at the law firm of Schulte Roth & Zabel LLP. Ms. Yoon is a member of several blockchain industry groups and is on the steering committee for Global Blockchain Convergence, a blockchain policy think tank. Ms. Yoon received her BA from Swarthmore College and her JD from New York University Law School.

### Mr. Vlad Uchenik – Chief Compliance Officer of INX Securities

Mr. Uchenik has over 24 years of experience in the financial services industry. Vlad is currently CEO and CCO for INX Securities, LLC (formerly Openfinance Securities, LLC, Sageworks Capital, LLC and Raiseworks), and has been in the role since 2013. Mr. Uchenik was responsible for getting regulatory approval for the first ATS that traded digital securities in the secondary market, with the first trade occurring in November 2018. Mr. Uchenik also previously worked as CCO for Eagliew Securities, LLC, as CCO for iTB Securities LLC, a fixed income ATS trading platform BD, and as COO and CCO for InterMerchant Securities, LLC in New York. Prior to that, Mr. Uchenik was the Chief Operating, Compliance and Financial Officer of Jesup & Lamont Securities Corp supervising over 150 registered reps. Mr. Uchenik was also the COO/CCO of Safdie Investment Services Corp., a boutique BD and Investment Advisor, and served as the VP of Regulatory Risk and Control for US Trust’s Operations Division where his responsibilities included overseeing the risk and compliance measures in operations for the BD, 4 SEC IAs, a National Bank, 40 Act mutual funds and a Trust company. Mr. Uchenik also held a CCO role with BBVA Securities Corp in New York and was CCO/COO for Security Financial Network in Phoenixville, PA. Mr. Uchenik has the FINRA Series 4, 7, 24, 28, 53, 63 and 65 licenses. Mr. Uchenik has an undergraduate degree in Business Management from Rutgers University in New Brunswick, NJ and a master’s degree in Finance from Temple University in Philadelphia, PA.

## 13. CAPITALIZATION

The following charts set out in this Section 13 of the Listing Statement are with respect to the Resulting Issuer Shares to be listed:

### Issued Capital

	Number of Securities (non-diluted)	Number of Securities (fully diluted)	% of Issued and Outstanding (non-diluted)	% of Issued and Outstanding (fully diluted)
<u>Public Float</u>				
Total outstanding (A)	204,136,150	254,808,313	100%	100%
Number of outstanding securities that are (1) beneficially owned or under the control or direction of the Resulting Issuer and every non Public Security Holder of the Resulting Issuer and/or (2) subject to restrictions on transfer. (B)	166,292,519	191,206,949	81.46%	75.04%
<b>Total Public Float (A-B)</b>	<b>37,843,631</b>	<b>63,601,364<sup>(1)</sup></b>	<b>18.54%</b>	<b>24.96%</b>

- (1) Assumes Resulting Issuer Shares issued upon exercise of Resulting Issuer Options issued pursuant to the Equity Incentive Plan would not be subject to restrictions on transfer.

### 13.1 Convertible/Exchangeable Securities

Description of Security (includes conversion/exercise terms, including conversion /exercise price)	Number of Underlying Resulting Issuer Shares	Percentage (fully diluted)(1)
Resulting Issuer Options, including options which are yet to be allocated (exercisable for one Resulting Issuer Share at exercise prices ranging from €0.0001 to FMV at the date of issuance with respect to current commitments of INX Limited, and including an option to exercise on a cashless basis; prices for unallocated options are yet to be determined)	25,352,832 <sup>(2)</sup>	9.95%
Resulting Issuer Warrants (exercisable for one Resulting Issuer Share at exercise prices ranging from US\$0.161 to CAD\$1.88)	23,508,591 <sup>(3)</sup>	9.23%
INX Broker Warrants (exercisable for one Resulting Issuer Share at an exercise prices of CAD\$1.25)	1,810,740	0.71%

Notes:

- (1) Calculated on a fully-diluted basis based on 254,808,313 Resulting Issuer Shares expected upon completion of the Transaction.
- (2) Includes: (i) 10,381,959 Resulting Issuer Shares issuable on exercise of Valdy Consideration Options (ii) 8,548,285 Resulting Issuer Shares that are reserved for issuance pursuant to the Equity Incentive Plan per INX's existing undertakings, including to INX NEOs and service providers; (iii) 4,422,588 Resulting Issuer Shares that are reserved as part of the Resulting Issuer's unallocated pool of options for future grants of options to purchase shares of the Resulting Issuer at the discretion of the Resulting Issuer Board; and (iv) 2,000,000 Resulting Issuer Shares issuable on exercise of Advisor Options.
- (3) Includes: (i) 7,668,591 Resulting Issuer Shares issuable on exercise of Valdy Consideration Warrants; and (ii) 15,840,000 Resulting Issuer Shares issuable on exercise of INX Financing Warrants.

## 14. EXECUTIVE COMPENSATION

### 14.1 Valdy

#### 14.1.1 Director and Named Executive Officer Compensation, Excluding Compensation Securities

The following table sets forth all direct and indirect compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by Valdy or any subsidiary thereof to each named executive officer and each director of Valdy, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial reward, benefit, gift or perquisite paid, payable, awarded, granted, given or otherwise provided to the NEO or director for services provided and for services to be provided, directly or indirectly, to the Company or any subsidiary thereof for each of the two most recently completed financial years, other than stock options and other compensation securities:

Name and Position	Fiscal Year Ended December 31	Salary, Consulting Fee, Retainer or Commission (C\$)	Bonus (C\$)	Committee or Meeting Fees (C\$)	Value of Perquisites (C\$)(1)	Value of All other Compensation (C\$)	Total Compensation (C\$)
James Decker <sup>(2)</sup> , CEO and Director	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil

Johnny Ciampi <sup>(3)</sup> , CFO, Corporate Secretary and Director	2020 2019	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil
Neil Currie <sup>(4)</sup> , Director	2020 2019	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil
Jonathan McNair <sup>(5)</sup> , Director	2020 2019	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil

**Notes:**

- (1) “Perquisites” include perquisites provided to an NEO or director that are not generally available to all employees and that, in aggregate, are: (a) \$15,000, if the NEO or director’s total salary for the financial year is \$150,000 or less, (b) 10% of the NEO or director’s salary for the financial year if the NEO or director’s total salary for the financial year is greater than \$150,000 but less than \$500,000, or (c) \$50,000 if the NEO or director’s total salary for the financial year is \$500,000 or greater.
- (2) Mr. Decker was appointed the CEO and a director of Valdy on August 22, 2018.
- (3) Mr. Ciampi was appointed the CFO and a director of Valdy on August 22, 2018 and the Corporate Secretary on January 14, 2019.
- (4) Mr. Currie was appointed a director of Valdy on February 15, 2019.
- (5) Mr. McNair was appointed a director of Valdy on August 22, 2018.

Valdy did not grant any compensation securities to its directors and NEOs during the year ended December 31, 2020.

As at December 31, 2020:

- (a) James Decker, the CEO and a director of Valdy, owned an aggregate of 250,000 compensation securities, comprised solely of stock options, each of which is exercisable into one Valdy Share at an exercisable at a price of \$0.10 per Valdy Share until May 27, 2029;
- (b) Johnny Ciampi, the CFO, Corporate Secretary and a director of Valdy, owned an aggregate of 250,000 compensation securities, comprised solely of stock options, each of which is exercisable into one Valdy Share at an exercisable at a price of \$0.10 per Valdy Share until May 27, 2029;
- (c) Neil Currie, a director of Valdy, owned an aggregate of 100,000 compensation securities, comprised solely of stock options, each of which is exercisable into one Share at an exercisable at a price of \$0.10 per Share until May 27, 2029; and
- (d) Jonathan McNair, a director of Valdy, owned an aggregate of 100,000 compensation securities, comprised solely of stock options, each of which is exercisable into one Valdy Share at an exercisable at a price of \$0.10 per Share until May 27, 2029.

**14.1.2 Exercise of Compensation Securities by Directors and NEOs**

No compensation securities were exercised by directors and NEOs during the year ended December 31, 2020. On April 27, 2021, all stock options held by NEOs were exercised; however, on November 16, 2021, in connection with the delisting of the Valdy Shares from the TSXV, the Valdy Shares issued on exercise of these stock options were cancelled.

**14.1.3 Stock Option Plans and Other Incentive Plans**

Key provisions of Valdy’s current stock option plan, as amended (the “Valdy Plan”), are as follows:

- Eligible Persons. Valdy may grant Awards (as defined below) to eligible Employees, Consultants, Officers, Directors or Management Company Employees (each as defined in the Policies of the TSXV), provided that persons performing investor relations activities shall only be eligible for grants of stock options and shall not be eligible for grants of other equity awards.
- Incentive Awards. The Valdy Plan includes incentive awards in addition to stock options. The available awards that may be granted under the Valdy Plan include: (a) stock options, (b) restricted shares; and (c) restricted share units (collectively, the “Awards”).
- Fixed Plan. The number of Valdy Shares reserved and made available for grant and issuance pursuant to the Awards shall not exceed 25,352,832.
- Exercise Price. The exercise price of any Award shall be determined at the discretion of the Valdy Board, provided that the exercise price shall not be less than the Discounted Market Price (as defined in the Policies of the TSXV).
- Limitations on Grants.
  - Awards granted to any one individual in any 12-month period cannot exceed more than 5% of the issued common shares of the Valdy, unless Valdy has obtained disinterested shareholder approval.
  - Awards granted to any one Consultant, in aggregate, in any 12 month period cannot exceed more than 2% of the issued Valdy Shares, without the prior consent of the TSXV.
  - Stock options granted to all persons, in aggregate, conducting investor relations activities in any 12 month period cannot exceed more than 2% of the issued Valdy Shares, without the prior consent of the TSXV.
  - Stock options issued to grantees performing investor relations activities will vest in stages over not less than 12 months with no more than one quarter of the options vesting in any three-month period.
- Term. Each Award shall, unless sooner terminated, expire on a date to be determined by the Valdy Board which will not exceed 10 years.
- Expiry and Termination. Unless otherwise determined by the Valdy Board and/or set forth in grantee’s award agreement, if the engagement of a grantee is terminated or if he ceases to serve as an Officer, Consultant, Employee or Director or service provider of Valdy or of a subsidiary (as the case may be) prior to the complete exercise of an Award,
  - by reason of death or disability (as determined by the Board in its absolute discretion), the Award shall remain exercisable for a period of one (1) year following such termination (but only to the extent exercisable at termination of engagement or appointment, as the case may be, and not beyond the scheduled expiration date);
  - by reason of retirement, pursuant to applicable law with the approval of the Valdy Board, the Award shall remain exercisable for a period of one hundred and eighty (180) days following such termination (but only to the extent exercisable at termination of engagement or appointment, as the case may be, and not beyond the scheduled expiration date);



- for any other reason other than for cause, the Award shall remain exercisable for a period of ninety (90) days following the earlier of such termination or notice of termination (but only to the extent exercisable at the earlier of termination or notice of termination of engagement or appointment, as the case may be, and not beyond the scheduled expiration date); or
- for cause, as shall be determined by the Valdy Board, all Awards held by or on behalf of such grantee shall immediately expire upon the earlier of such termination or notice of termination.
- **Foreign Participants.** The Valdy Plan is designed to enable Awards to be granted to eligible persons in various jurisdictions. The Valdy Board in its sole discretion has the authority to determine which individuals outside of Canada are eligible to participate in the Valdy Plan. Any participants to the Valdy Plan who are resident in either (a) Israel or (b) the United States of America will be subject to sub-plans which contain unique terms relevant to those jurisdictions. The U.S. subplan and the Israeli sub-plan are appended to the Valdy Plan. For greater certainty, any issuance to participants to the sub-plans shall only be issuable provided they are in accordance with the rules of the TSXV.
- **Trustee.** Shares issued upon the exercise of an Award are to be issued to a grantee or to a Board-appointed “trustee”, who has all of the rights of the grantee, including voting rights and entitlement to review notice.

#### **14.1.4 Employment, Consulting and Management Agreements**

Valdy is not party to any formal, written employment, consulting or management agreements with any NEO or director.

#### **14.1.5 Oversight and Description of Director and NEO Compensation**

As Valdy is currently a capital pool company, it does not have a formal or informal compensation program. Except as set below or otherwise disclosed in its management information circular, prior to completing of a Qualifying Transaction, no payment of any kind has been made, or will be made, directly or indirectly, by Valdy to a non-arm’s length party to Valdy or a non-arm’s length party to the Qualifying Transaction, or to any person engaged in investor relations activities in respect of the securities of Valdy or any resulting issuer by any means, including:

- (a) remuneration, which includes but is not limited to: (i) salaries, (ii) consulting fees, (iii) management contract fees or director fees, (iv) finder’s fees, or (v) loans, advances, bonuses; and
- (b) deposits and similar payments.

Although Valdy may reimburse non-arm’s length parties for Valdy’s reasonable allocation of rent, secretarial services and other general administrative expenses, at fair market value (“**Permitted Reimbursement**”), there have been no such Permitted Reimbursements since incorporation. No Permitted Reimbursement may be made for any payment made to lease or buy a vehicle. The directors and officers of Valdy will also be granted the directors’ and officers’ options. Following completion of the Qualifying Transaction, it is anticipated that Valdy shall pay compensation to its officers. However, no payment other than the Permitted Reimbursements, will be made by Valdy or by any party on behalf of Valdy, after completion of the Qualifying Transaction, if the payment relates to services rendered or obligations incurred or in connection with the Qualifying Transaction.

#### **14.1.6 Pension Plan Benefits**

Valdy does not have any pension, defined benefit, defined contribution or deferred compensation plans in place.

## 14.2 INX

### 14.2.1 Compensation Discussion and Analysis

The purpose of this Compensation Discussion and Analysis is to provide information about INX's executive compensation objectives and process as well as to discuss compensation relating to the INX NEOs. For the financial year ended December 31, 2020, the NEOs were Mr. Shy Datika, Mr. Oran Mordechai<sup>15</sup>, Mr. Alan Silbert, and Mr. Douglas Borthwick.

#### Summary Compensation Table

The following table sets forth all direct and indirect compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by INX thereof to each NEO and each director of INX, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given or otherwise provided to the NEO or director for services provided and for services to be provided, directly or indirectly, to INX:

Name and Position	Year <sup>(1)</sup>	Salary, Consulting Fee, Retainer or Commission <sup>(2)</sup> (US\$)	Share-Based Awards (US\$)	Option-Based Awards (US\$) <sup>(3)</sup>	Non-Equity Incentive Plan Compensation (US\$)		Pension Value (US\$) <sup>(5)</sup>	All other Compensation (US\$)	Total Compensation (US\$)
					Annual incentive plans <sup>(4)</sup>	Long-term incentive Plans			
Shy Datika, President, CEO and Non-Independent Director <sup>(11)</sup>	2020	144,000	Nil	Nil	Nil	Nil	Nil	250,000 <sup>(4)</sup>	394,000
	2019	144,000	Nil	Nil	Nil	Nil	Nil	Nil	144,000
	2018	144,000	Nil	Nil	Nil	Nil	Nil	Nil	144,000
Oran Mordechai <sup>(9)</sup> Former CFO	2020	56,000	Nil	Nil	Nil	Nil	Nil	16,000 <sup>(6)</sup>	72,000
	2019	59,000	Nil	Nil	Nil	Nil	Nil	Nil	59,000
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gadi Levin, CFO <sup>(10)</sup>	2020	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Douglas Borthwick, Chief Business Officer (CBO)	2020	67,000	Nil	170,626 <sup>(7)</sup>	Nil	Nil	Nil	200,000 <sup>(4)</sup> ; 421,000 <sup>(6)</sup>	858,626
	2019	112,000	Nil	Nil	Nil	Nil	Nil	Nil	112,000
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Alan Silbert, Director <sup>(14)</sup> , CEO, North America and Secretary	2020	165,117	Nil	124,139 <sup>(8)</sup>	Nil	Nil	Nil	150,000 <sup>(4)</sup> ; 370,000 <sup>(6)</sup>	809,256
	2019	132,000	Nil	Nil	Nil	Nil	Nil	Nil	132,000
	2018	105,085	Nil	Nil	Nil	Nil	Nil	Nil	105,085
James Crossley, Director of Business Development <sup>(12)</sup>	2020	26,000	Nil	Nil	Nil	Nil	Nil	6,000 <sup>(6)</sup>	32,000
	2019	33,000	Nil	Nil	Nil	Nil	Nil	Nil	33,000
	2018	25,000	Nil	Nil	Nil	Nil	Nil	Nil	25,000
David Weild, Director, Chairman of the Board	2020	18,000	Nil	Nil	Nil	Nil	Nil	296,000 <sup>(6)</sup>	314,000
	2019	18,000	Nil	Nil	Nil	Nil	Nil	Nil	18,000
	2018	13,000	Nil	Nil	Nil	Nil	Nil	Nil	13,000
Nicholas Thadaney, Director	2020	18,000	Nil	Nil	Nil	Nil	Nil	296,000 <sup>(6)</sup>	314,000
	2019	18,000	Nil	Nil	Nil	Nil	Nil	Nil	18,000
	2018	8,000	Nil	Nil	Nil	Nil	Nil	Nil	8,000

<sup>15</sup> Mr. Oran Mordechai resigned as CFO in April 2021.

Name and Position	Year <sup>(1)</sup>	Salary, Consulting Fee, Retainer or Commission <sup>(2)</sup> (US\$)	Share-Based Awards (US\$)	Option-Based Awards (US\$) <sup>(3)</sup>	Non-Equity Incentive Plan Compensation (US\$)		Pension Value (US\$) <sup>(5)</sup>	All other Compensation (US\$)	Total Compensation (US\$)
					Annual incentive plans <sup>(4)</sup>	Long-term incentive Plans			
Thomas Lewis, Director	2020	18,000	Nil	Nil	Nil	Nil	Nil	294,000 <sup>(6)</sup>	312,000
	2019	18,000	Nil	Nil	Nil	Nil	Nil	Nil	18,000
	2018	5,000	Nil	Nil	Nil	Nil	Nil	Nil	5,000
Rafael Rafaeli, Director <sup>(13)</sup>	2020	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

**Notes:**

- (1) 2020 refers to the financial year ended December 31, 2020, 2019 refers to the financial year ended December 31, 2019 and 2018 refers to the financial year ended December 31, 2018.
- (2) This column discloses the actual salary, consulting fee, retainer or commission earned during the financial year indicated.
- (3) This column discloses the total value of the INX Options at the time of contractual undertaking. The value of the INX Option awards was calculated using the Black-Scholes option-pricing model using the same assumptions used for determining the equity-based compensation expense in INX's financial statements for the financial years ended December 31, 2020, December 31, 2019 and December 31, 2018. The Black-Scholes model was selected by INX as it is the most widely-adopted and used option-valuation method.
- (4) The amounts disclosed in this column are granted as annual cash bonuses and are attributable to the financial year indicated, as considered to have been earned for services performed in that year, although not necessarily paid in such year.
- (5) INX does not have a pension/retirement plan, other than contributions for individual pension plans of certain officers, and as required with respect to Israeli employees of Midgard Ltd.
- (6) Consists of token-based compensation.
- (7) Pursuant to INX undertaking, that is subject to the adoption of the INX Plan, the approval of the INX Board, and subject to the terms and conditions of the INX Plan, to grant Mr. Borthwick 194,937 INX Options to purchase INX Shares according to the Borthwick Employment Agreement, effective as of September 1, 2019 (however, such grant was not actually made in the financial year of 2020 as the INX Shares Option Plan was adopted by the INX Board on February 22, 2021, and was approved by INX's shareholders on March 18, 2021).
- (8) Pursuant to INX undertaking, that is subject to the adoption of the INX Plan, the approval of the INX Board, and subject to the terms and conditions of the INX Plan, to grant Mr. Silbert 287,290 INX Options to purchase INX Shares according to the Silbert Employment Agreement, effective as of March 1, 2018 (however, such grant was not actually made in the financial year of 2020 as the INX Shares Option Plan was adopted by the INX Board on February 22, 2021 and was approved by INX's shareholders on March 18, 2021).
- (9) Oran Mordechai resigned as CFO in April 2021.
- (10) Mr. Levin was appointed as INX's Chief Financial Officer on July 18, 2021, pursuant to the Levin Services Agreement.
- (11) Mr. Datika was appointed as member of the INX Board on December 14, 2021.
- (12) Mr. Crossly served as member of the INX Board since January 2018 until his resignation on December 14, 2021.
- (13) Mr. Rafaeli will not be a director in the Resulting Issuer board of directors.
- (14) Mr. Silbert will not be a director in the Resulting Issuer board of directors at Closing.

## 14.2.2 Oversight and Description of Named Executive Officer Compensation

### Compensation of NEOs

INX NEOs' compensation is determined by the INX Board and is designed to attract, retain, motivate and reward the INX NEOs for their performance and contribution to INX's long-term success. The overall objective of INX's executive compensation is to focus the INX NEOs on the key business factors that affect shareholder value and to align their compensation with INX's business and financial objectives and the long-term interests of INX's shareholders. Although INX does not currently have a formal executive compensation program, the INX Board ensures that total compensation paid to INX NEOs is fair and reasonable and accomplishes the following objectives: (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long-term INX shareholder value; (b) align management's interests with the long-term interests of INX shareholders; and (c) provide a compensation package that is commensurate with similar cryptocurrency and financial services companies in order to enable INX to attract and retain talent.

### Elements of Executive Compensation

The significant elements of executive compensation for INX NEOs consist of a combination of: (a) base salary; (b) short term incentive by way of discretionary cash bonuses; and (c) long term incentive by way of stock options granted pursuant to the INX Share Option Plan and by grant of options to purchase INX Tokens. The following discussion describes each such element of executive compensation and how each element relates to INX's overall executive compensation objective.

#### Base Salary or Consulting Fees

Base salaries or consulting fees for INX NEOs are established based on the scope of their responsibilities, competencies and their prior relevant experience, taking into account compensation paid in the market for similar positions. The base salaries of the INX NEOs are reviewed annually by the INX Board to ensure that they take into account the following factors: market and economic conditions, levels of responsibility and accountability of each INX NEO, skill and competencies of each individual, retention considerations and level of demonstrated performance. Base salaries and consulting fees are reviewed by the INX Board on the basis of its opinion as to a fair and responsible compensation package, taking into account the contribution of the INX NEO to INX's long term growth.

#### Short Term Incentive

As a short-term incentive component of executive compensation, certain INX NEOs are eligible to receive a discretionary cash bonus. On an annual basis, the INX Board and each INX NEO reviews performance objectives for the coming year and establish reasonable performance objectives and targets and bonus levels. Subject to meeting such performance objective and targets as determined by the INX Board in its sole discretion, the INX NEO shall be entitled to a bonus of the determined percentage of such INX NEO's base salary. Among the current INX NEOs, each of Mr. Shy Datika, Mr. Alan Silbert and Mr. Douglas Borthwick are eligible for a bonus pursuant to the terms of their respective employment, consulting, or services agreements with INX or with the INX Subsidiaries. See Section 14.2.6 "*Employment Agreements, Termination, and Change of Control Benefits*" below for further details.

#### Long Term Incentive

INX provides long term incentive compensation to the INX NEOs through the INX Share Option Plan and by grant of options to purchase INX Tokens. INX currently has no long-term incentive plans in place other than the INX Share Option Plan. Under the INX Share Option Plan, the INX Board may by resolution grant INX Options to directors, officers, employees, consultants and contractors of INX and INX Subsidiaries, provided that the maximum aggregate number of INX Shares that may be reserved for issuance under INX Share Option Plan. The purpose of INX Share Option Plan is to provide INX with a share-related mechanism to attract, retain and motivate qualified directors,

officers, employees, consultants and contractors, to incentivize such individuals to contribute toward the long-term goals of INX and to encourage such individuals to acquire INX Shares as long term investments.

### **Pension Plan Benefits**

No pension, retirement or deferred compensation plans, including defined contribution plans, have been instituted by INX and none are proposed at this time, other than those required by law.

### **Stock options and other compensation securities**

As at the end of the financial year ended December 31, 2020, no option-based and share-based awards were granted and held by the INX directors.

Following the adoption of the INX Limited Share Ownership and Award Plan (2021) on February 22, 2021, and the approval by the INX's shareholders of the INX Plan on March 18, 2021, INX granted on February 22, 2021 the following INX Options to officers and former officers of INX (i) 287,290 INX Options to purchase INX Shares to Mr. Alan Silbert pursuant to the Silbert Employment Agreement, at an exercise price of US\$0.391904 per each INX Share, for a period of 10 years, unless terminated earlier in accordance with the terms of the INX Share Option Plan, and subject to Mr. Silbert's continued engagement with INX; and (ii) 48,122 INX Options to purchase INX Shares to Mr. Matt Rozzi pursuant to the Fidelis Services Agreement, at an exercise price of US\$0.391904 per each INX Share, for a period of 10 years, unless terminated earlier in accordance with the terms of the INX Share Option Plan, and subject to Mr. Rozzi's continued engagement with INX; and (iii) 194,937 INX Options to purchase INX Shares to Mr. Douglas Borthwick pursuant to the Borthwick Employment Agreement, at an exercise price of US\$1.367 per each INX Share, for a period of 10 years, unless terminated earlier in accordance with the INX Share Option Plan, and subject to Mr. Borthwick's continued engagement with INX.<sup>16</sup>

In addition, on March 18, 2021, with the approval of the shareholders of the INX Plan, the grant of 55,912 INX Options to purchase shares of INX to certain Israeli employees, at an exercise price of US\$1.044 per share and subject to the terms of the Plan, entered into effectiveness.<sup>17</sup>

In addition, On March 25, 2021, INX granted (i) 197,710 options to purchase INX Shares to Mr. Alan Silbert pursuant to the Silbert Employment Agreement, at an exercise price of US\$11.126 per INX Share, for a period of 10 years, unless terminated earlier in accordance with the terms of the INX Share Option Plan, and subject to Mr. Silbert's continued engagement with INX; and (ii) 206,000 options to purchase INX Shares to Mr. Douglas Borthwick pursuant to the Borthwick Employment Agreement, at an exercise price of US\$11.126 per INX Share, for a period of 10 years, unless terminated earlier in accordance with the INX Share Option Plan, and subject to Mr. Borthwick's continued engagement with INX.<sup>18</sup>

Immediately prior to, or concurrently with the completion of the Transaction, such options will be exchanged for Valdy Consideration Options, which will be governed by the Equity Incentive Plan.

---

<sup>16</sup> The number of INX Options in this section and the corresponding exercise prices in this paragraph are pre-Transaction (meaning are not multiplied by the Exchange ratio and pre-consolidation, nor any adjustment to the exercise prices have been made). This paragraph intends to reflect INX's grants of options pre-Transaction. See notes 9 and 10 in Section 12.5 – “*Directors and Officers*” table, for Messers. Silbert and Borthwick number of Valdy Consideration Options.

<sup>17</sup> The number of INX Options in this section and the corresponding exercise prices in this paragraph are pre-Transaction (meaning are not multiplied by the Exchange ratio and pre-consolidation, nor any adjustment to the exercise prices have been made). This paragraph intends to reflect INX's grants of options pre-Transaction. See Section 9 – “*Options to Purchase Securities*” for more information of the Resulting Issuer outstanding options and commitments.

<sup>18</sup> See footnote 12 above.

Pursuant to agreements with INX, the following officers of INX are entitled to receive an aggregate of 718,938 INX Options (or restricted shares, subject to a reverse vesting schedule) to purchase INX Shares (or 592,720 if the options granted to Paz Diamant and Itai Avneri are exercised on a cashless basis): Paz Diamant - 57,947 INX Options (if exercised on a cashless basis); Itai Avneri - 422,273 INX Options (if exercised on a cashless basis); Maia Naor – 75,000 INX Options; and Jonathan Azeroual – 37,500 INX Options. Ms. Naor and Mr. Azeroual’s INX Options will be granted at an exercise price equal to the fair market value of the INX Shares at the time of their issuance. The issuance of such options shall be subject to the approval of the INX Board.

### **14.2.3 Equity Compensation Plan Information**

INX’s board of directors adopted the INX Limited Share Ownership and Award Plan (2021) on February 22, 2021, and INX’s shareholders approved the INX Plan on March 18, 2021.

*Share Option Plan Awards.* The INX Plan provides for the grant of options to purchase INX Shares and restricted shares to such employees, directors and consultants engaged by INX or any of its affiliates. The INX Plan further provides for the grant of options and restricted shares to service providers who are not Gibraltar citizens, and includes U.S. and Israeli appendices that further specify the terms and conditions of grants of options and restricted shares to such foreign grantees.

*Authorized Shares.* Subject to certain capitalization adjustments, the aggregate number of INX Shares that may be issued pursuant to share awards under the INX Plan may not exceed 1,288,882 shares.

Shares subject to share awards granted under the INX Plan that expire, become unexercisable or are cancelled, forfeited to or repurchased by INX due to the failure to vest, or otherwise terminated without having been exercised or settled in full, in accordance with the INX Plan, shall revert to and again become available for issuance under the INX Plan (unless the INX Plan has terminated). This includes shares that are reacquired pursuant to any forfeiture provision, right of repurchase or redemption or shares that are used to satisfy the exercise or purchase price for the award or any tax withholding obligations related to an award.

*Plan Administration.* INX Board administers and interprets the provisions of the INX Plan. Under the INX Plan, the INX Board has the authority to, among other things, determine award grantees, the numbers and types of share awards to be granted, the applicable fair market value and the provisions of each share award, including the period of their exercisability and the vesting schedule applicable to a share award, construe and interpret the INX Plan and awards granted thereunder, prescribe, amend and rescind rules and regulations for the administration of the INX Plan, and accelerate the vesting of awards.

*Share Options.* Options to purchase INX Shares are granted under option agreements adopted by the INX Board. The INX Board determines the exercise price for share options, within the terms and conditions of the INX Plan. Options granted under the INX Plan vest at the rate specified in the share option agreements and option rules as determined by the INX Board.

The INX Board determines the term of share options granted under the INX Plan, up to a maximum of 15 years, or 10 years for its US grantees. If a grantee’s service relationship with INX or any of its affiliates ceases for any reason other than disability or death or Cause, the grantee may generally exercise any vested awards for a period of up to 90 days following the cessation of service, or such other period of time set forth in the option agreement. If a grantee’s service relationship with INX or any of its affiliates ceases by reason of death or disability (as determined by the INX Board in its absolute discretion), the award shall remain exercisable for a period of one year following such termination (but only to the extent exercisable at termination of engagement or appointment, as the case may be, and not beyond the scheduled expiration date). If a grantee’s service relationship with INX or any of its affiliates ceases by reason of retirement, pursuant to applicable law with the approval of the INX Board, the award shall remain exercisable for a period of one hundred and eighty (180) days following such termination (but only to the extent exercisable at termination of engagement or appointment, as the case may be, and not beyond the scheduled expiration date). If a grantee’s service relationship with INX or any of its affiliates ceases for Cause (as such term is

defined below), as shall be determined by the INX Board, all awards held by or on behalf of such grantee shall immediately expire upon the earlier of such termination or notice of termination. In no event may an option be exercised beyond the expiration of its term.

For purposes of the INX Plan, the term “Cause” means any of (i) a material breach by the grantee of the grantee’s obligations under any agreement with INX or any related company; (ii) the commission by the grantee of an act of fraud or embezzlement against INX or any related company or the willful taking of action injurious to the business or prospects of INX or any related company; (iii) the conviction of the grantee of a felony; and (iv) the grantee’s involvement in an act or omission which constitutes breach of trust between the grantee and INX or any related company.

The exercise price for shares issued under the INX Plan are generally payable in cash or cash equivalents or other forms of consideration determined by the INX Board, including but not limited to a cashless exercise.

Unless the INX Board provides otherwise, options may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution.

*Restricted Shares.* Restricted shares may be awarded in consideration for cash or cash equivalents or another form of consideration, including past services, as determined by the INX Board. The INX Board determines the terms and conditions of restricted shares, including vesting and forfeiture terms. If a participant’s service relationship with INX ends for any reason, INX may receive any or all of the shares held by the participant that have not vested as of the date the participant terminates service with INX through a forfeiture condition or a repurchase right.

*Changes to Capital Structure.* In the event of any dividend or other distribution, recapitalization, share split, reverse share split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares or other change in INX corporate structure affecting its shares, the INX Board may make any adjustments it deems appropriate, including in the aggregate number and class of shares available under the INX Plan, and the Board’s determination in this regard shall be conclusive.

*Significant Event.* In the event of (a) any consolidation or merger of INX in which INX is not the continuing or surviving corporation, other than a transaction in which the holders of INX Shares (on an as converted basis) immediately prior thereto have the same, or substantially similar, proportionate ownership of shares (on an as converted basis) of the surviving corporation immediately after the transaction and a transaction in which the holders of INX Shares (on an as converted basis) immediately prior thereto own a majority of the voting power of the surviving corporation; or (b) any sale, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets or all or substantially all of the outstanding and issued shares of INX; each outstanding award will be treated as the INX Board determines, unless in each case the applicable award agreement provides otherwise. The INX Board may, but shall not be obligated to, determine that a certain portion of the outstanding awards held by or for the benefit of any grantee and which have not yet vested shall be accelerated and become immediately vested and exercisable.

The INX Board is not obligated to treat all awards similarly.

*Plan Amendment or Termination.* The INX Board may at any time amend, alter, suspend or terminate the INX Plan. Certain amendments, alterations, or the suspension or discontinuance of the INX Plan may require the written consent of holders of outstanding awards. Certain material amendments also require the approval of the INX shareholders. Unless sooner terminated, the INX Plan terminates in February 2036.

Immediately prior to, or concurrently with the Completion of the Transaction, the INX Plan will be terminated, and the INX Options will be exchanged for Valdy Consideration Options, which will be governed by the Equity Incentive Plan.

#### **14.2.4 Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards**

See Section 14.2.2 “Oversight and Description of Named Executive Officer Compensation - Stock options and other compensation securities”.

#### **14.2.5 Incentive Plan Awards – Value Vested or Earned During the Year**

Compensation securities were not exercised by the INX directors and NEOs during the financial year ended December 31, 2020.

#### **14.2.6 Employment Agreements, Consulting, Termination, and Change of Control Benefits**

As at December 9, 2021, Mr. Alan Silbert, Mr. Douglas Borthwick and Ms. Catherine Yoon, the Resulting Issuer executive officers, are entitled to payments in connection with termination of their engagement with INX, due to disability, death or without Cause and for Good Reason (as such terms are defined in the respective engagement agreements).

Below is a brief description of the current advisory and employment agreements between INX and the key management members of the Resulting Issuer.

##### Mr. James Crossley

Pursuant to a Services Agreement dated March 8, 2018, between Bentley Limited and INX (as amended on August 1, 2018, January 7, 2019, October 1, 2020, and April 1, 2021), (the “**Bentley Services Agreement**”), Bentley Limited provides services to INX, including that Mr. James Crossley shall serve as a member of the INX Board. On December 14, 2021, Mr. Crossley resigned from his position as a member of the INX Board and is now serving as INX’s Director of Business Development.

*Term.* Bentley Limited’s engagement with INX will continue until such time as either Bentley Limited or INX terminates its engagement pursuant to the terms of the Bentley Services Agreement, including by 30 days written notice.

*Compensation.* Pursuant to the Bentley Services Agreement, Bentley Limited will receive a monthly consulting fee of GBP 1,600 + VAT per month. On October 1, 2020, the Bentley Services Agreement was amended such that, commencing as of such date, the monthly consulting fee due to Bentley Limited was increased to GBP 3,600 + VAT per month. Effective as of April 1, 2021, the Bentley Services Agreement was amended such that, commencing as of such date, the monthly consulting fee due to Bentley Limited was increased to GBP 5,000 + VAT per month.

In addition, Bentley Limited received the option to purchase 10,000 INX Tokens per month at the price of US\$0.01 per INX Token, subject to a maximum of 100,000 INX Tokens. Options to purchase INX Tokens granted pursuant to the Bentley Services Agreement were exercised for the maximum amount.

On January 7, 2019, the Bentley Services Agreement was amended to include a grant of options to Bentley Limited to purchase an additional 7,500 INX Tokens per month at the price of US\$0.01 per INX Token. Such additional option rights commenced on December 1, 2018. On October 1, 2020, the Bentley Services Agreement was further amended such that Bentley Limited’s entitlement for INX Tokens ended on October 1, 2020. The total aggregate number of INX Tokens underlying the Bentley Limited option is 265,000. As of the date hereof, Bentley Limited has exercised all options to purchase INX Tokens that have been granted pursuant to the Bentley Services Agreement.

In addition, INX will reimburse Bentley Limited for out-of-pocket expenses reasonably required in the performance of the services under the Bentley Services Agreement. The Bentley Services Agreement does not provide for benefits upon the termination of the services.



*Terms of Proprietary Rights, Confidentiality and Non-Competition.* The Bentley Services Agreement contains terms to protect the proprietary rights of INX to technology, intellectual property, and inventions to which Bentley Limited (and/or Mr. Crossley) is exposed during the course of the engagement. Bentley Limited is also subject to terms of confidentiality.

#### Mr. Alan Silbert

On June 25, 2018, Mr. Silbert and INX Services entered into an Amended and Restated Executive Employment Agreement (effective March 1, 2018) as amended effective as of November 1, 2019 (the “**Silbert Previous Employment Agreement**”), pursuant to which Mr. Silbert provided services to INX Services and INX, including Mr. Silbert’s service as a member of the INX Board and Executive Managing Director of U.S. Operations of INX Services. On January 1, 2021, The Silbert Previous Employment Agreement was terminated, and INX Digital and Mr. Silbert entered into an executive employment agreement, as amended on April 1, 2021 (the “**Silbert Employment Agreement**”), pursuant to which Mr. Silbert provides services to INX Digital and INX, including Mr. Silbert’s service as a member of the INX Board and Executive Managing Director of U.S. Operations of INX Digital.

*Term.* Mr. Silbert’s engagement with INX Digital and INX will continue until such time as either Mr. Silbert or INX Digital terminates the engagement pursuant to the terms of the Silbert Employment Agreement, including by 30 days written notice or immediately for cause.

*Compensation.* Pursuant to the Silbert Employment Agreement, Mr. Silbert receives a base salary of US\$25,000 per month. Mr. Silbert is eligible to earn an annual performance-based bonus in the amount of US\$150,000 upon the achievement of certain performance-based targets which shall be established by the Board of Directors of INX Digital.

On February 20, 2021, the date that is six months following the effectiveness of the registration statement in connection with the INX Token Offering, Mr. Silbert was granted an option to purchase 500,000 INX Tokens at a price of US\$0.01 per Token.

Following the adoption of the INX Plan, Mr. Silbert was granted with an option to purchase Ordinary Shares of INX constituting 3% of the share capital of INX on a fully diluted basis, at a price per share equal to the fair market value per share as of the effective date of the Silbert Previous Employment Agreement or US\$0.391904. 25% of the option shares will vest upon each anniversary of the Silbert Previous Employment Agreement, such that the options will be fully vested and exercisable upon the 4th anniversary of the Silbert Previous Employment Agreement. Unvested options shall be subject to accelerated vesting upon change of control of the Company.

On March 25, 2021, the Silbert Employment Agreement was amended such that, commencing as of April 1, 2021, Mr. Silbert’s title changed to CEO, North America and his monthly base salary increased to US\$25,000 per month. In addition, Mr. Silbert was granted, effective as of April 1, 2021, additional options to purchase 200,000 INX Tokens at a price of US\$0.90 per INX Token, and options to purchase 197,710 INX Shares at a price per share equal to US\$11.126. One thirty-sixth of the INX Shares and INX Tokens underlying each option shall vest following lapse of each month of Mr. Silbert’s continuous engagement with INX, such that all such Ordinary shares and INX Tokens shall become fully vested on April 1, 2024.

In addition, INX Digital will reimburse Mr. Silbert for out-of-pocket expenses reasonably required in the performance of services under the Silbert Employment Agreement.

If the Silbert Employment Agreement is terminated without cause or good reason, as such terms are defined in the Silbert Employment Agreement, INX Digital shall continue to pay Mr. Silbert a base salary for twelve months following the termination date. INX Digital shall also continue Mr. Silbert’s subsidized health and welfare benefits then in effect for the duration of the Salary Severance Period (as such term is defined in the Silbert Employment Agreement) or, if the relevant benefit plans do not permit such continuation, INX Digital shall pay out the cash equivalent in a lump sum payment to Mr. Silbert within 30 days following termination of the Silbert Employment

Agreement. Mr. Silbert is also eligible for a pro-rata annual bonus, payable by INX Digital within 30 days from the Silbert Employment Agreement termination date.

On December 30, 2021, the INX Board approved that (i) all unvested options to purchase INX Tokens that were granted to Mr. Silbert ("**Silbert's Tokens**") shall accelerate and be fully vested commencing as of the date of such resolution; (ii) the entering into a customary reverse vesting agreement with Mr. Silbert in connection with such accelerated options of Mr. Silbert pursuant to which INX would have the right to repurchase for cancellation Silbert's Tokens in the event that the Silbert Employment Agreement is terminated without cause or good reason as such terms are defined in the Silbert Employment Agreement. INX's repurchase right shall lapse in equal parts on a monthly basis over the course of two (2) years and three (3) months commencing as of January 1, 2022, such that the repurchase right will have fully lapsed on April 1, 2024, and (iii) grant of an unsecured, non-recourse loan in the amount of US\$404,129 bearing interest at a rate of 1.26% annually to Mr. Silbert ("**Silbert's Loan Amount**") by INX Digital in connection with the exercise of a portion of his options to purchase Silbert's Tokens (the "**Silbert Promissory Note**").

Pursuant to the Silbert Promissory Note, repayment of Silbert's Loan Amount shall be no later than December 30, 2026, if Mr. Silbert sells the Silbert's Tokens before such date, then Mr. Silbert must repay the Silbert's Loan Amount pro rata with the percentage of the Silbert's Tokens he has sold. In addition, Silbert's Loan Amount shall be due in full upon any future date on which Mr. Silbert is no longer employed by INX Digital. The Silbert's Loan Amount shall become due immediately if any of the following events of default occur: (i) failure to pay the Silbert's Loan Amount and accrued interest when due; (ii) INX Digital's liquidation or dissolution or Mr. Silbert's incompetency or death, as applicable; and (iii) the filing of bankruptcy proceedings involving Mr. Silbert as a debtor

*Terms of Proprietary Rights, Confidentiality and Non-Competition.* In connection with entering into the Silbert Employment Agreement, INX and Mr. Silbert entered into an Employee Invention Assignment and Confidentiality Agreement which contains terms to protect the proprietary rights of INX to technology, intellectual property and inventions to which Mr. Silbert is exposed during the course of the engagement. Mr. Silbert is also subject to terms of confidentiality.

#### Mr. Shy Datika

On June 25, 2018, INX entered into an amended and restated Consultancy Agreement with Triple-V, amended on May 1, 2018 and January 1, 2021 (the "Triple-V Consultancy Agreement") pursuant to which Triple-V provides consultancy services and has such duties, authorities and responsibilities as shall be determined by the INX Board, through the personal services of Mr. Shy Datika. On April 28, 2021, the INX Board appointed Mr. Datika as the CEO of INX, upon and subject to Closing. On December 14, 2021, Mr. Datika was appointed as a member of the INX Board.

*Term.* Pursuant to the Triple-V Consultancy Agreement, Triple-V's engagement with INX commenced as of October 1, 2017 and will continue until such time as either Triple-V or INX terminates its engagement pursuant to the terms of the Triple-V Consultancy Agreement, including by 30 days written notice.

*Compensation.* Pursuant to the Triple-V Consultancy Agreement, as of May 1, 2018, Triple-V, received a monthly fee in the amount of US\$12,000. On January 1, 2021, the Triple-V Consultancy Agreement was amended such that Triple-V's monthly fee was increased to US\$18,000. On February 20, 2021, the date that is six months following the date the registration statement in connection with the INX Token Offering is declared effective by the SEC, Triple-V received a one-time bonus of US\$250,000. In addition, INX will reimburse Triple-V for out-of-pocket expenses reasonably required in the performance of the services under the Triple-V Consultancy Agreement. The Triple-V Consultancy Agreement does not provide for benefits upon the termination of the services, other than payment of fees and other obligations owed during the required notice period.

*Terms of Proprietary Rights, Confidentiality and Non-Competition.* The Triple-V Consultancy Agreement contains terms to protect the proprietary rights of INX technology, intellectual property and inventions to which Triple-V is exposed during the course of the engagement. Triple-V is also subject to terms of confidentiality. Notwithstanding

the foregoing, nothing in the Triple-V Consultancy Agreement prevents Triple-V from further engagements in activities related to virtual coins outside the scope of the technology and confidential information owned by INX.

Mr. Douglas Borthwick

Effective September 1, 2019, Mr. Borthwick and INX Services entered into an Amended and Restated Consultancy and Employment Agreement, as amended on October 1, 2020 (the “**Borthwick Previous Employment Agreement**”, respectively), pursuant to which Mr. Borthwick will provide services to INX Services and INX, including that Mr. Borthwick shall serve as Chief Marketing and Business Development Officer of INX Services. On January 1, 2021, the Borthwick Employment Agreement was terminated by mutual consent of Mr. Borthwick and Services and INX Services and was replaced by an executive employment agreement between Mr. Borthwick and INX Digital, as amended on March 25, 2021 (the “**Borthwick Employment Agreement**”) under terms and conditions substantially identical to the terms and conditions of the Borthwick Employment Agreement.

*Term.* Pursuant to the Borthwick Employment Agreement, Mr. Borthwick’s engagement with INX Digital will continue until such time as either Mr. Borthwick or INX Digital terminates the engagement pursuant to the terms of the Borthwick Employment Agreement, including by 30 days’ written notice or immediately for cause.

*Compensation.* Pursuant to the Borthwick Employment Agreement, Mr. Borthwick receives a base monthly salary of US\$1,000. On the effective date of the Borthwick Employment Agreement, Mr. Borthwick was granted an option to purchase 103,929 INX Tokens at an exercise price of US\$0.065 per INX Token. On February 20, 2021, the date that is six months following the date the registration statement in connection with the INX Token Offering was declared effective by the SEC, Mr. Borthwick was granted with a one-time bonus in the amount of \$200,000 and with an option to purchase additional 259,821 INX Tokens at an exercise price of \$0.065 per INX Token. In addition, following the adoption the INX Share Option Plan by INX, Mr. Borthwick was granted with options to purchase 194,937 INX Shares, at a price per share equal to the fair value of the shares as of September 1, 2019. 50% of the option shares will vest on September 1, 2019. Thereafter, on each anniversary of September 1, 2019, 1/3 of the remaining unvested portion of the options shall vest, such that, subject to the continuous engagement of Mr. Borthwick with INX Digital at such time, the options will be fully vested and exercisable upon the 3rd anniversary of September 1, 2019. In addition, INX Digital will reimburse Mr. Borthwick for out-of-pocket expenses reasonable required in the performance of services under the Borthwick Employment Agreement. If the Borthwick Employment Agreement is terminated without cause or good reason, as such terms are defined in the Borthwick Employment Agreement, INX Digital shall continue to pay Mr. Borthwick a base salary for twelve months following the termination date.

On October 1, 2020, Mr. Borthwick’s monthly salary was increased to US\$15,000. Mr. Borthwick was also granted an option to purchase 50,000 INX Tokens at an exercise price is US\$0.09 per INX Token, which option vested on February 20, 2021, the date that is six months following the date the registration statement in connection with the INX Token Offering was declared effective by the SEC. Mr. Borthwick was also granted an option to purchase 200,000 INX Tokens at an exercise price is US\$0.90 per INX Token, which option vests in accordance with the following vesting schedule: 25% vested on October 1, 2020 and, subject to Mr. Borthwick’ continuous engagement by INX, an additional 25% vest on the yearly anniversary of such date during each consecutive year thereafter, such that all such 200,000 INX Tokens shall become fully vested on October 1, 2023.

Commencing as of April 1, 2021, Mr. Borthwick’s title shall change to INX’s Chief Business Officer (CBO) and Mr. Borthwick’s base salary shall increase to US\$23,000 per month. In addition, Mr. Borthwick was granted, effective as of April 1, 2021, an additional option to purchase 200,000 INX Tokens at a price of US\$0.90 per Token, and with an option to purchase 206,000 INX Shares at a price per share equal to US\$11.126. One thirty-sixth of the INX Shares and INX Tokens underlying each option shall vest following lapse of each month of Mr. Borthwick’s continuous engagement by INX, such that all such shares and INX Tokens shall become fully vested on April 1, 2024.

On December 30, 2021, the INX Board approved that (i) all unvested options to purchase INX Tokens that were granted to Mr. Borthwick (“**Borthwick’s Tokens**”) shall accelerate and be fully vested commencing as of the date of such resolution; (ii) the entering into a customary reverse vesting agreement with Mr. Borthwick in connection with

such accelerated options of Mr. Borthwick pursuant to which INX would have the right to repurchase for cancellation Borthwick's Tokens in the event that the Borthwick Employment Agreement is terminated without cause or good reason as such terms are defined in the Borthwick Employment Agreement. INX's repurchase shall lapse (A) with respect to 100,000 tokens ("**Borthwick's First Portion**") - on equal parts on a yearly basis over the course of two (2) years commencing as of October 1, 2021, such that the repurchase right with respect to Borthwick's First Portion shall have fully lapsed on October 1, 2023; and (B) with respect to the remaining 150,000 tokens ("**Borthwick's Second Portion**") - on equal parts on a monthly basis over the course of two (2) years and three (3) months commencing as of January 1, 2022, such that the repurchase right with respect to Borthwick's Second Portion shall have fully lapsed on April 1, 2024, and (iii) grant of an unsecured, non-recourse loan in the amount of US\$610,777 bearing interest at a rate of 1.26% annually to Mr. Borthwick ("**Borthwick's Loan Amount**") by INX Digital in connection with the exercise of his options to purchase Borthwick's Tokens (the "**Borthwick Promissory Note**").

Pursuant to the Borthwick Promissory Note, repayment of Borthwick's Loan Amount shall be no later than December 30, 2026, If Mr. Borthwick sells Borthwick's Tokens before such date, then Mr. Borthwick must repay the Borthwick's Loan Amount pro rata with the percentage of the Borthwick's Tokens he has sold. In addition, Borthwick's Loan Amount shall be due in full upon any future date on which Mr. Borthwick is no longer employed by INX Digital. The Borthwick's Loan Amount shall become due immediately If any of the following events of default occur: (i) failure to pay the Borthwick's Loan Amount and accrued interest when due; (ii) INX Digital's liquidation or dissolution or Mr. Borthwick's incompetency or death, as applicable; and (iii) the filing of bankruptcy proceedings involving Mr. Borthwick as a debtor.

*Terms of Confidentiality and Non-Competition.* In connection with entering into the Borthwick Employment Agreement, INX Digital and Mr. Borthwick entered into a Confidentiality and Non-Competition Agreement which contains terms to protect the proprietary rights of INX to technology, intellectual property and inventions to which Mr. Borthwick is exposed during the course of the engagement. Mr. Borthwick is also subject to terms of confidentiality.

#### Mr. Gadi Levin

In connection with the appointment of Mr. Gadi Levin as INX's Chief Financial Officer as of July 18, 2021, Mr. Levin provides services to INX pursuant to a services agreement entered into between INX and Ninety Six Capital Ltd., an Israeli company ("**Ninety Six**"), on July 18, 2021 (the "**Levin Services Agreement**").

Term. Pursuant to the Levin Services Agreement, Mr. Levin engagement with INX is for a period of at least 6 months and will continue until such time as either Mr. Levin or INX terminates the engagement pursuant to the terms of the Levin Services Agreement, including by 30 days written notice or immediately for cause.

Compensation. In consideration for the services rendered by Ninety Six, Ninety Six shall be entitled to a monthly fee in the amount of \$5,000. On the effective date of the Levin Services Agreement, Mr. Levin was granted an option to purchase 10,000 INX Tokens per month and up to total of 100,000 INX Tokens, at an exercise price equal to the fair market value of such INX Token on the date of the grant. Such grant is further subject to a vesting schedule as detailed in the Levin Services Agreement.

Terms of Proprietary Rights, Confidentiality and Non-Competition. The Levin Services Agreement contains terms to protect the proprietary rights of the Company to technology, intellectual property and inventions to which Mr. Levin is exposed during the course of the engagement.

### **14.3 The Resulting Issuer**

It is expected that compensation of directors and Named Executive Officers of The Resulting Issuer will be substantially similar to the current compensation for INX directors and Named Executive Officers, subject to the adoption of, and grants of awards under, the Resulting Issuer Equity Incentive Plan and such other compensation as is described below. See "*Summary Compensation Table*" table in Section 14.2.1 above.

### 14.3.1 Compensation of Executives

It is expected that compensation of directors and Named Executive Officers of The Resulting Issuer will be substantially similar to the current compensation for INX directors and Named Executive Officers, subject to the adoption of, and grants of awards under, the Resulting Issuer Equity Incentive Plan and such other compensation as is described below. See “*Summary Compensation Table*” table in Section 14.2.1 above.

### 14.3.2 Oversight and Description of Named Executive Officer Compensation

It is expected that the elements of NEO compensation of the Resulting Issuer will be substantially similar to those of INX. See Section 14.2.2 above.

### 14.3.3 Equity Compensation Plan Information

An omnibus equity incentive compensation plan (the “**Equity Incentive Plan**”) was approved by the Valdy Board on April 16, 2021, and Valdy received the Valdy Shareholder Approval at the Valdy special meeting of shareholders held on May 14, 2021. On December 24, 2021, certain amendments to the Equity Incentive Plan were approved by Valdy Shareholders and upon completion of the Transaction and the Resulting Issuer’s listing on the NEO Exchange, the amended Equity Incentive Plan will take effect (the “**Amended Equity Incentive Plan**”). The following is a brief description of the key provisions of the Amended Equity Incentive Plan, which is qualified in its entirety by the full text of the plan, a copy of which is attached as Schedule “K” to this Listing Statement:

- Eligible Persons. Valdy may grant Awards (as defined below) to eligible Employees, Consultants, Officers, Directors or service providers (each as defined in the Amended Equity Incentive Plan) provided that persons performing investor relations activities shall only be eligible for grants of stock options and shall not be eligible for grants of other equity awards.
- Incentive Awards. The Equity Incentive Plan includes incentive awards in addition to stock options. The available awards that may be granted under the Equity Incentive Plan include: (a) stock options, (b) restricted shares; and (c) restricted share units (collectively, the “**Awards**”).
- Fixed Plan. The Equity Incentive Plan is a “fixed” plan, such that the total number of Valdy Shares reserved and made available for grant and issuance pursuant to the Awards shall not exceed 25,352,832.
- Exercise Price. Subject to any vesting requirements described in each individual Award agreement, Awards may be exercised in whole or in part at any time prior to their lapse or termination. The exercise price shall be payable upon the exercise of the Award in a form satisfactory to the Valdy Board, including, but not limited to, cash, Shares (actually or by attestation), other securities, other Awards or other property, or any combination thereof, having a Market Value on the exercise date equal to the applicable exercise price, in which payment of the exercise price with respect thereof may be made or deemed to have been made. “Market Value” means at any date when the market value of shares of the company is to be determined, the closing price of the shares on the trading day prior to such date on the principal stock exchange on which the shares are listed, or if the shares of the Company are not listed on any stock exchange, the value as is determined solely by the Valdy Board, acting reasonably and in good faith based on the reasonable application of a reasonable valuation method not inconsistent with the *Income Tax Act* (Canada). The Valdy Board shall have the authority to postpone the date of payment on such terms as it may determine.
- Limitations on Grants.

- Awards granted to any one individual in any 12-month period cannot exceed more than 5% of the issued Valdy Shares, unless Valdy has obtained disinterested shareholder approval.
- Awards granted to any one Consultant, in aggregate, in any 12-month period cannot exceed more than 2% of the issued Valdy Shares.
- Stock options granted to all persons, in aggregate, conducting investor relations activities in any 12-month period cannot exceed more than 2% of the issued Valdy Shares.
- Term. Each Award shall, unless sooner terminated, expire on a date to be determined by the Valdy Board which will not exceed 10 years.
- Expiry and Termination. Unless otherwise determined by the Valdy Board and/or set forth in grantee's award agreement, if the engagement of a grantee is terminated or if he ceases to serve as an Officer, Consultant, Employee or Director or service provider of Valdy or of a subsidiary (as the case may be) prior to the complete exercise of an Award,
  - by reason of death or disability (as determined by the Valdy Board in its absolute discretion), the Award shall remain exercisable for a period of one year following such termination (but only to the extent exercisable at termination of engagement or appointment, as the case may be, and not beyond the scheduled expiration date);
  - by reason of retirement, pursuant to applicable law with the approval of the Valdy Board, the Award shall remain exercisable for a period of 180 days following such termination (but only to the extent exercisable at termination of engagement or appointment, as the case may be, and not beyond the scheduled expiration date);
  - for any other reason other than for cause, the Award shall remain exercisable for a period of 90 days following the earlier of such termination or notice of termination (but only to the extent exercisable at the earlier of termination or notice of termination of engagement or appointment, as the case may be, and not beyond the scheduled expiration date); or
  - for cause, as shall be determined by the Valdy Board, all Awards held by or on behalf of such grantee shall immediately expire upon the earlier of such termination or notice of termination.
- Foreign Participants. The Equity Incentive Plan is designed to enable Awards to be granted to eligible persons in various jurisdictions. The Valdy Board in its sole discretion has the authority to determine which individuals outside of Canada are eligible to participate in the Equity Incentive Plan. Any participants to the Equity Incentive Plan who are resident in either (a) Israel or (b) the United States of America will be subject to sub-plans which contain unique terms relevant to those jurisdictions. The U.S. subplan and the Israeli sub-plan are appended to the Equity Incentive Plan. For greater certainty, any issuance to participants to the sub-plans shall only be issuable provided they are in accordance with the rules of the NEO.
- Trustee. Shares issued upon the exercise of an Award are to be issued to a grantee or to a Valdy Board-appointed "trustee", who has all the rights of the grantee, including voting rights and entitlement to review notice.

#### 14.3.4 Employment Agreements, Termination, and Change of Control Benefits

Details with respect to the employment, consulting and management agreements in respect of services provided to the Resulting Issuer, or any of its subsidiaries, that were performed by a director or NEO are described in Section 14.2.6 - “*Employment Agreements, Termination, and Change of Control Benefits*” above.

#### 14.3.5 Director Compensation

Upon completion of the Transaction, the directors of the Resulting Issuer will determine how much compensation will be paid to directors for services rendered to the Resulting Issuer by them in that capacity. It is anticipated that the Resulting Issuer will pay compensation to its directors, which may be comprised of cash (including annual fees for attending meetings of the Resulting Issuer Board and additional compensation for acting as chairs of committees of the Resulting Issuer Board), stock options and other applicable awards granted in accordance with the terms of the Resulting Issuer Equity Incentive Plan and the policies of the NEO Exchange, or a combination of both.

### 15. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

AGGREGATE INDEBTEDNESS			
Name	Purpose	To the Company or its Subsidiaries	To Another Entity
Alan Silbert	Exercise of Options to acquire INX Tokens	US\$404,129	\$0
Douglas Borthwick	Exercise of Options to acquire INX Tokens	US\$610,777	\$0

Other than as disclosed above with respect to Messrs. Silbert and Borthwick, none of the proposed directors or officers of the Resulting Issuer or any associates any of such persons, are indebted to the Resulting Issuer or any of its respective subsidiaries or are indebted to another entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Resulting Issuer or any of its respective subsidiaries.

### 16. RISK FACTORS

The following are certain factors relating to the business of the Resulting Issuer. These risks and uncertainties are not the only ones facing the Resulting Issuer. Additional risks and uncertainties not presently known to the Resulting Issuer or currently deemed immaterial by the Resulting Issuer, may also impair the operations of the Resulting Issuer. Other sections of this Listing Statement include additional factors that could have an effect on the business and financial performance of the Resulting Issuer’s business following the completion of the Transaction. The market in which INX currently competes, and the Resulting Issuer will compete, is very competitive and changes rapidly. New risks may emerge from time to time and management may not be able to predict all of them or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. You should not rely upon forward-looking statements as a prediction of future results. If any such risks actually occur, shareholders of the Resulting Issuer could lose all or part of their investment and the business, financial condition, liquidity, results of operations and prospects of the Resulting Issuer could be materially adversely affected and the ability of the Resulting Issuer to implement its growth plans could be adversely affected.

**The acquisition of any of the securities of the Resulting Issuer is speculative, involving a high degree of risk and should be undertaken only by persons whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of the Resulting Issuer should not constitute a major portion of an individual’s investment portfolio and should only be**

**made by persons who can afford a total loss of their investment. Resulting Issuer Securityholders should carefully evaluate the following risk factors associated with the Resulting Issuer's securities, along with the risk factors described elsewhere in this Listing Statement.**

#### **16.1 Risk Factors Relating to Blockchain Assets**

*Blockchain is a nascent and rapidly changing technology and there remains relatively small use of blockchain networks and blockchain assets in the retail and commercial marketplace. The slowing or stopping of the development or acceptance of blockchain networks may adversely affect an investment in the Resulting Issuer.*

The development of blockchain networks is a new and rapidly evolving industry that is subject to a high degree of uncertainty. Factors affecting the further development of the blockchain industry include:

- continued worldwide growth in the adoption and use of blockchain networks and assets;
- the maintenance and development of the open-source software protocol of blockchain networks;
- changes in consumer demographics and public tastes and preferences;
- the popularity or acceptance of the Bitcoin or Ethereum networks;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- government and quasi-government regulation of blockchain networks and assets, including any restrictions on access, operation and use of blockchain networks and assets; and
- the general economic environment and conditions relating to blockchain networks and assets.

INX's business model is dependent on continued investment in and development of the blockchain industry and related technologies. If investments in the blockchain industry become less attractive to investors or innovators and developers, or if blockchain networks and assets do not gain public acceptance or are not adopted and used by a substantial number of individuals, companies, and other entities, it could have a material adverse impact on the prospects and operations of INX and the Resulting Issuer.

*There is no assurance that blockchain technology and the assets built on that technology will continue its adoption rate or that other technologies will not arise and overtake blockchain technology and assets.*

Blockchain is an emerging technology that offers new capabilities that are not fully proven in use. There are limited examples of the application of distributed ledger technology. In most cases, software used by blockchain asset issuing entities will be in an early development stage and still unproven. As with other novel software products, the computer code underpinning the INX Tokens and Ethereum blockchain may contain errors, or function in unexpected ways. Insufficient testing of smart contract code, as well as the use of external code libraries, may cause the software to break or function incorrectly.

The creation and operation of digital platforms for the public trading of blockchain assets will be subject to potential technical, legal, and regulatory constraints. There is no warranty that the process for receiving, use and ownership of blockchain assets will be uninterrupted or error-free and there is an inherent risk that the software, network, blockchain assets and related technologies and theories could contain undiscovered technical flaws or weaknesses, the cryptographic security measures that authenticate transactions and the distributed ledger could be compromised, and breakdowns and trading halts could cause the partial or complete inability to use or loss of blockchain assets.

Risks associated with the distributed ledger technology could affect INX's business directly or the market for blockchain assets generally. In either case, the occurrence of these events could have a materially adverse effect on an investment in the Resulting Issuer.



*The open-source structure of blockchain software means that blockchain networks may be susceptible to malicious cyber-attacks or may contain exploitable flaws, which may result in security breaches and the loss or theft of blockchain assets.*

Most blockchain networks operate based on some form of open-source software. An open-source project is not represented, maintained, or monitored by an official organization or authority. Because of the nature of open-source software projects, it may be easier for third parties not affiliated with the issuer to introduce weaknesses or bugs into the core infrastructure elements of the blockchain network. This could result in the corruption of the open-source code that may result in the loss or theft of blockchain assets.

Blockchain networks may be the target of malicious attacks seeking to identify and exploit weaknesses in the software. Such events may result in a loss of trust in the security and operation of blockchain networks and a decline in user activity, which could have a negative impact on INX and the Resulting Issuer.

*Each blockchain network, including the Ethereum network, is dependent upon its users and contributors, and actions taken, or not taken, by the users or contributors of a blockchain network could damage its reputation and the reputation of blockchain networks generally.*

Developers and other contributors to blockchain network protocols generally maintain or develop those blockchain networks, including the verification of transactions on such networks. Because the networks are decentralized, these contributors are generally not directly compensated for their actions. Therefore, most blockchain networks provide that such contributors receive awards and transfer fees for recording transactions and otherwise maintaining the blockchain network. Such fees are generally paid in the blockchain asset of that network.

The security and integrity of blockchain assets, including the value ascribed to blockchain assets, rely on the integrity of the underlying blockchain networks. If the awards and fees paid for maintenance of a network are not sufficiently high to incentivize miners, miners may respond in a way that reduces confidence in the blockchain network. To the extent that any miners cease to record transactions in solved blocks, transactions that do not include the payment of a transfer fee will not be recorded on the blockchain until a block is solved by a miner who does not require the payment of transfer fees. Any widespread delays in the recording of transactions could result in a loss of confidence in the blockchain network and its assets. To the extent that this occurs with regard to blockchain networks that underlie the blockchain assets traded on the INX platforms, including the Ethereum network, it could have a materially adverse effect on an investment in the Resulting Issuer. To the extent that this occurs with regard to the Ethereum network, it could have a materially adverse effect on an investment in the Resulting Issuer.

*The prices of blockchain assets are extremely volatile. Fluctuations cryptocurrencies' or other blockchain assets' prices could materially and adversely affect the Resulting Issuer.*

The prices of blockchain assets such as Bitcoin and Ether have historically been subject to dramatic fluctuations and are highly volatile. As relatively new products and technologies, blockchain assets have only recently become accepted as a means of payment for goods and services, and such acceptance and use remain limited. Conversely, a significant portion of demand for blockchain assets is generated by speculators and investors seeking to profit from the short- or long-term holding of blockchain assets.

In addition, some blockchain industry participants have reported that a significant percentage of blockchain asset trading activity is artificial or non-economic in nature and may represent attempts to manipulate the price of certain blockchain assets. For example, in a report published by Bitwise Asset Management,<sup>19</sup> Bitwise claimed that 95% of bitcoin trading activity appearing on 81 blockchain asset trading platforms is fake. Bitwise's report further stated that trading platforms and blockchain asset developers are incentivized to artificially inflate trading volumes so that their platform or asset rises in league tables and gains prominence in the industry. As a result, trading platforms or

---

<sup>19</sup> <https://www.sec.gov/comments/sr-nysearca-2019-01/srnysearca201901-5164833-183434.pdf>.

blockchain assets may seek to inflate demand for a specific blockchain assets, or blockchain assets generally, which could increase the volatility of that asset or blockchain asset trading prices generally.

The market price of these blockchain assets, as well as other blockchain assets that may be developed in the future, may continue to be highly volatile. A lack of expansion, or a contraction of adoption and use of blockchain assets, may result in increased volatility or a reduction in the price of blockchain assets.

Several additional factors may influence blockchain assets' market price, including, but not limited to:

- Global blockchain asset supply;
- Global blockchain asset demand, which can be influenced by the growth of retail merchants' and commercial businesses' acceptance of blockchain assets like cryptocurrencies as payment for goods and services, the security of online blockchain asset trading platforms and digital wallets that hold blockchain assets, the perception that the use and holding of blockchain assets is safe and secure, and the regulatory restrictions on their use;
- Changes in the software, software requirements or hardware requirements underlying the blockchain networks;
- Changes in the rights, obligations, incentives, or rewards for the various participants in blockchain networks;
- The cost of trading and transacting in blockchain assets, and whether such costs may become fixed or standardized;
- Investors' expectations with respect to the rate of inflation;
- Interest rates;
- Currency exchange rates, including the rates at which blockchain assets may be exchanged for fiat currencies;
- Fiat currency withdrawal and deposit policies of blockchain asset trading platforms and liquidity on such platforms;
- Interruptions in service or other failures of major blockchain asset trading platforms;
- Investment and trading activities of large investors, including private and registered funds, that may directly or indirectly invest in blockchain networks or blockchain assets;
- Monetary policies of governments, trade restrictions, currency devaluations and revaluations;
- Regulatory measures, if any, that affect the use of blockchain assets;
- The maintenance and development of the open-source software utilized in blockchain networks;
- Global or regional political, economic, or financial events and situations; or
- Expectations among blockchain network participants that the value of such blockchain assets will soon change.

A decrease in the price of a single blockchain asset may cause volatility in the entire blockchain industry and may affect other blockchain assets. For example, a security breach that affects investor or user confidence in Ether or Bitcoin may affect the industry as a whole and may also cause the price of other blockchain assets to fluctuate.

The value of blockchain assets and fluctuations in the price of blockchain assets could materially and adversely affect INX business and investment in the Resulting Issuer.

*The regulatory regimes governing blockchain technologies, blockchain assets and the purchase and sale of blockchain assets are uncertain, and new regulations or policies may materially adversely affect the development of blockchain networks and the use of blockchain assets.*

Initially, it was unclear how distributed ledger technologies, blockchain assets and the businesses and activities utilizing such technologies and assets would fit into the current web of government regulation. As blockchain networks and blockchain assets have grown in popularity and in market size, international, federal, state, and local

regulatory agencies have begun to clarify their position regarding the sale, purchase, ownership, and trading of blockchain assets.

Regulation of the trading of blockchain assets has evolved significantly over the past several years. On November 16, 2018, the Division of Corporation Finance, Division of Investment Management, and Division of Trading and Markets issued the Statement on Digital Asset Securities Issuance and Trading, confirming the applicability of the U.S. federal securities law framework to new and emerging technologies, such as blockchain assets. The Statement summarized the Commission's stance with regard to actors and institutions that sell digital securities in initial offerings or develop and facilitate the secondary market for digital securities. Although the Statement provides additional guidance to participants in the blockchain asset marketplace, in general the regulation of blockchain assets under the current regulatory framework applicable to currencies or securities remains in its early stages and is subject to uncertainty.

Various legislative and executive bodies in the United States and in other countries have also shown that they intend to adopt legislation to regulate the sale and use of blockchain assets. Such legislation may vary significantly among jurisdictions, which may subject participants in the blockchain trading marketplace to different and perhaps contradictory requirements.

New or changing laws and regulations or interpretations of existing laws and regulations, in the United States and elsewhere, may materially and adversely impact the development and growth of blockchain networks and the adoption and use of blockchain assets. The imposition of restrictions on all blockchain assets, or certain blockchain assets, could affect the value, liquidity, and market price of blockchain assets subject to heightened regulation, by limiting access to marketplaces or exchanges on which to trade such blockchain assets, or imposing restrictions on the structure, rights and transferability of such blockchain assets. Some governments may seek to ban transactions in blockchain assets altogether.

INX or the Resulting Issuer may be prevented from entering, or it may be required to cease operations in, a jurisdiction that makes it illegal or commercially unviable or undesirable to operate in such jurisdiction. Enforcement, or the threat of enforcement, may also drive a critical mass of participants and trading activity away from regulated markets, such as those provided by INX Trading Solutions, and toward unregulated exchanges. Although it is impossible to predict the positions that will be taken by certain governments, any regulatory changes affecting blockchain assets could be substantial and materially adverse to the development and growth of the INX business and investment in the Resulting Issuer.

## **16.2 Risk Factors Related to INX's Operations**

*INX developed and launched a digital asset trading platform on April 29, 2021, which is operated by INX Digital, INX's wholly owned subsidiary, and acquired OFN Securities (n/k/a INX Securities, LLC), a registered broker-dealer in the United States, and a member of FINRA, that operates and is recognized as an Alternative Trading System by the SEC. INX may face operational, technological, and regulatory challenges that could materially impact the INX business.*

A number of factors could materially adversely affect INX's ability to commercialize and generate any revenue from its platforms.

The maintenance and further development of INX trading platforms could lead to unanticipated and substantial costs, delays or other operational or financial difficulties. The INX trading platforms are complex, and their maintenance and further development requires the integration of multiple technologies and the development of new software. There can be no assurance that the INX trading platforms will gain the acceptance of customers or other market participants. Because blockchain asset trading is in its early stages, it is difficult to predict the preferences and requirements of blockchain asset traders and INX's platform design and technology may be incompatible with new or emerging forms of blockchain assets or related technologies. Failure to achieve acceptance would impede INX's ability to develop and sustain a commercial business.

The INX Securities Trading Platform is a registered broker-dealer and FINRA member that operates an SEC-recognized alternative trading system. The INX Digital Trading Platform is licensed as a money transmitter in certain states. INX is seeking further registrations and licenses with various other regulatory bodies in the U.S. and in other countries. In addition, if in the future INX determines to proceed with the establishment of a platform for the trading of cryptocurrency-based derivatives, the INX Group would be required to seek registrations with other regulatory bodies, such as the CFTC.

INX may fail to qualify for registrations under any of these authorities or may be required to alter its business model as currently contemplated to meet the requirements of these regulatory authorities. Either of these results would have a broad impact on INX and could have a material adverse effect on INX's businesses, financial condition, results of operations and prospects and, as a result, investors in the Resulting Issuer could lose all or most of their investment.

*INX expects to face intense competition from other companies and, if INX is not able to successfully compete, its business, financial condition and operating results will be materially harmed.*

INX expects to encounter competition in all aspects of its business, including from entities having substantially greater capital and resources, offering a wide range of products and services and in some cases operating under a different and possibly less stringent regulatory regime.

INX will face competition from other securities, futures, and securities option exchanges; OTC markets; clearing organizations; large industry participants; swap execution facilities; alternative trade execution facilities; technology firms, including electronic trading system developers; and others. New entrants may enter the market with alternative methods of providing trade execution and related services, and existing competitors may launch new initiatives.

Many of these competitors have greater financial, marketing, technological and personnel resources than INX. In addition, many of INX's competitors may offer a wider range of bundled services, have broader name recognition, and have larger customer bases than INX does.

INX's ability to develop competitive advantages will require continued enhancements to its products, investment in the development of its services, additional marketing activities and enhanced customer support services. There can be no assurance that INX will have resources to make sufficient investments in the development of its services, that its competitors will not devote significantly more resources to competing services or that INX will otherwise be successful in developing market share. If competitors offer superior services, INX's market share could be affected and this would adversely impact INX's business and results of operations.

*Failure to keep up with rapid changes in industry-leading technology, products and services could negatively impact INX's results of operations.*

The financial services industry is subject to rapid technological change and evolving industry standards. User demands become greater and more sophisticated as the dissemination of products and information to customers increases. If INX is unable to anticipate and respond to the demand for new services, products, and technologies, innovate in a timely and cost-effective manner and adapt to technological advancements and changing standards, INX may be unable to compete effectively, which could have a material adverse effect on its business. Many of INX's competitors have significantly greater resources than INX does to fund research and development initiatives. Moreover, the development of technology-based services is a complex and time-consuming process. New products and enhancements to existing products can require long development and testing periods. Significant delays in new product releases, failure to meet key deadlines, or significant problems in creating new products could negatively impact INX's revenues and profits.

*INX may not receive regulatory approval in the various jurisdictions in which INX plans to operate its businesses out of US.*

Firms in the financial services industry have experienced increased scrutiny in recent years. Such regulatory or other actions may lead to penalties, fines, disbarment, and other sanctions which could place restrictions or limitations on INX's operations and otherwise have a material adverse effect on INX's businesses.

*The securities markets and the brokerage industry in which INX operates are subject to extensive, evolving regulation that imposes significant costs and competitive burdens that could materially impact INX's business.*

Most aspects of INX's broker-dealer operations are highly regulated, including regulated oversight over sales and reporting practices, operational compliance, capital requirements and licensing of employees. Accordingly, INX faces the risk of significant intervention by regulatory authorities such as the SEC and FINRA in the U.S. and their equivalents in other countries.

Compliance with regulations may require INX and its customers to dedicate significant financial and operational resources that could result in some participants leaving INX's markets or decreasing their trading activity, which would negatively affect INX's profitability. INX expects to continue to incur significant costs to comply with the extensive regulations that apply to INX's business.

As INX expands its business, INX may be exposed to increased and different types of regulatory requirements. INX may become subject to new regulations or changes in the interpretation or enforcement of existing regulations, which may adversely affect INX's business. Also, regulatory changes that impact how INX's customers conduct their business may impact INX's business and results of operations. The U.S. federal government and other governments outside of the United States may implement new or revised regulatory requirements for the financial services industry. Any changes to the regulatory rules could cause INX to expend more significant compliance, business, and technology resources, incur additional operational costs and create additional regulatory exposure.

If INX fails to comply with applicable laws, rules or regulations, INX may be subject to censure, fines, cease-and-desist orders, suspension of its business, removal of personnel or other sanctions, including revocation of its broker-dealer registrations.

*The extent to which blockchain assets are used to fund criminal or terrorist enterprises or launder the proceeds of illegal activities could materially impact INX's business.*

The potential, or perceived potential, for anonymity in transfers of bitcoin and similar blockchain assets, as well as the decentralized nature of blockchain networks, has led some terrorist groups and other criminals to solicit bitcoins and other blockchain assets for capital raising purposes. As blockchain assets have grown in both popularity and market size, the U.S. Congress and a number of U.S. federal and state agencies have been examining the operations of blockchain assets, their users and exchanges, concerning the use of blockchain assets for the purpose of laundering the proceeds of illegal activities or funding criminal or terrorist enterprises.

In addition to the current market, new blockchain networks or similar technologies may be developed to provide more anonymity and less traceability. There is also the potential that other blockchain asset trading platforms may court such illicit activity by not adhering to know-your-customer and anti-money laundering practices.

INX may not be able to prevent illegal activity from occurring over its platforms. INX may be unable to detect the unauthorized use of a KYC/AML vetted account on one of its platforms. Although INX has implemented procedures that will ensure that INX remains in compliance with its KYC/AML obligations, INX may not be successful in deterring or identifying illegal activity.

The use of blockchain assets for illegal purposes, or the perception of such use, over INX's platforms or on other trading platforms could result in significant legal and financial exposure, damage to INX's or the Resulting Issuer's

reputation, damage to the reputation of blockchain assets and a loss of confidence in the services provided by INX's platforms and the blockchain asset community as a whole. INX's failure to meet its KYC/AML requirements could result in regulatory penalties which could have a materially adverse effect on INX's business.

*As of September 30, 2021, INX had cash US \$24.71 million (excluding the Cash Fund), this cash may not be sufficient for operating activities, cash on hand and the ability to obtain borrowing capacity to finance required capital expenditures, fund strategic initiatives and meet the Resulting Issuer's and INX's other cash needs. These obligations require a significant amount of cash, and the Resulting Issuer and INX may need additional funds, which may not be readily available.*

The viability of INX's business is dependent on the availability of adequate capital to develop and maintain the business and meet regulatory capital requirements. INX needs to continue to invest in its operations for the foreseeable future to carry out its business plan. If INX Trading Solutions does not attract clients and does not achieve the expected operating results, INX will need to seek additional financing or revise the business plan. INX's and the Resulting Issuer's ability to borrow additional funds may be impacted by financial lending institutions' ability or willingness to lend to INX or the Resulting Issuer on commercially acceptable terms.

Low levels of operating cash flow together with limited access to capital or credit in the future could have an impact on INX's and the Resulting Issuer's ability to meet regulatory capital requirements, invest in INX software and infrastructure, engage in strategic initiatives, make acquisitions or strategic investments in other companies, react to changing economic and business conditions, repay outstanding debt, or make dividend payments. Such outcomes could have an adverse effect on INX's and the Resulting Issuer's business, financial condition and operating results.

*There can be no assurance that INX will have sufficient assets or be able to maintain liability insurance with adequate coverage to cover its liabilities.*

If INX's platform is alleged to have a flaw or is hacked such that INX's customers suffer significant losses, INX may be subject to significant liability claims or regulatory action. INX has reserved the Cash Fund to be available to cover customer and Company losses, if any, that result from cybersecurity breaches or theft, errors in execution of the trading platform or its technology, and counterparty defaults, including instances where counterparties lack sufficient collateral to cover losses. INX will utilize the Cash Fund only in response to these events. However, the Cash Fund may be insufficient to cover all losses associated with significant liability claims.

Further, INX has only limited liability insurance coverage to cover potential losses that may occur on its platform. INX insurance coverage may not be sufficient to cover all losses in the case of a claim. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential liability claims could result in INX becoming subject to significant liabilities that are uninsured.

*INX may experience system failures or capacity constraints that could materially harm its ability to conduct its operations and execute its business strategy.*

INX is heavily dependent on the capacity, reliability and security of the computer and communications systems and software supporting its operations. INX receives and/or processes a large portion of its trade orders through electronic means, such as through public and private communications networks. INX's systems, or those of its third-party providers, may fail or be shut down or, due to capacity constraints, may operate slowly, causing one or more of the following to occur:

- unanticipated disruptions in service to our customers;
- slower response times and delays in our customers' trade execution and processing;
- failed settlement of trades;
- incomplete or inaccurate accounting, recording or processing of trades;
- financial losses;

- security breaches;
- litigation or other customer claims;
- loss of customers; and
- regulatory sanctions.

If any of INX's systems do not operate properly, are compromised, or are disabled, including as a result of system failure, employee or customer error or misuse of its systems, INX could suffer financial loss, liability to customers, regulatory intervention or reputational damage that could affect demand by current and potential users of INX's market.

INX will need to continue to upgrade, expand and increase the capacity of its systems as its business grows and as it executes its business strategy. Although many of INX's systems are designed to accommodate additional volume and products and services without redesign or replacement, INX will need to continue to make significant investments in additional hardware and software to accommodate the increases in volume of transactions and order transaction traffic and to provide processing services to third parties. If INX cannot increase the capacity and capabilities of its systems to accommodate an increasing volume of transactions and to execute its business strategy, INX's ability to maintain or expand its businesses would be adversely affected.

*INX may face cyber-attacks and other cyber security risks.*

INX regards the secure transmission of confidential information and the ability to continuously transact and clear on its electronic trading platforms as critical elements of its operations. INX's technology, its people and those of its third-party service providers and its customers may be vulnerable to targeted attacks, unauthorized access, fraud, computer viruses, denial of service attacks, terrorism, firewall or encryption failures and other security problems. Attackers may seek to steal information about INX's technology, financial data or user information or take other actions that would be damaging to INX.

In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to INX's business, compliance with those requirements could also result in additional costs.

*Security attacks against INX could result in a loss of INX's blockchain assets, theft of personal information of INX customers or damage to INX's reputation and brand, each of which could adversely affect an investment in INX and the Resulting Issuer. INX could be required to incur significant expense to protect its systems or investigate any alleged attack.*

Security breaches, computer malware and computer hacking attacks have been a prevalent concern since the launch of blockchain networks. Since 2011, more than US\$1.7 billion has been publicly reported stolen from cryptocurrency exchanges and investors. For example, in January 2018, about US\$500 million worth of blockchain assets were stolen from a major Japanese trading platform.<sup>20</sup> INX's security systems and operational infrastructure may be breached due to the actions of outside parties, error, or malfeasance of an employee, or otherwise. Techniques used to obtain unauthorized access, disable, or degrade service, or sabotage systems change frequently and may be designed to remain dormant until a predetermined event. Outside parties may also attempt to fraudulently induce INX employees to disclose sensitive information to gain access to INX's infrastructure. INX also believes that, as its assets grow, INX may become a more appealing target for security threats such as hackers and malware.

INX's security measures may prove insufficient depending upon the attack or threat posed. INX may be unable to anticipate these techniques or implement adequate preventative measures. As a result, an unauthorized party may obtain access to INX's private keys, company, and customer data or blockchain assets.

---

<sup>20</sup> <https://www.cnn.com/2018/01/26/japanese-cryptocurrency-exchange-loses-more-than-500-million-to-hackers.html>; See also <http://blockgeeks.com/guides/cryptocurrency-hacks>.

Any such breach or unauthorized access could result in significant legal and financial exposure, damage to INX's reputation, and a loss of confidence in the services INX provides that could potentially have an adverse effect on INX's business, while resulting in regulatory penalties or the imposition of burdensome obligations by regulators. In the event of a security breach, INX may be forced to cease operations, or suffer a reduction in assets, the occurrence of each of which could adversely affect an investment in INX.

*The loss of key personnel could have a material adverse effect on INX and the Resulting Issuer.*

INX's success depends solely on the continued services of key personnel, particularly its senior management, who have extensive market knowledge and long-standing industry relationships. In particular, INX's reputation among and its relationships with key blockchain industry leaders are the direct result of a significant investment of time and effort by INX's senior management to build credibility in a highly specialized industry. INX's business will be adversely affected if INX is unable to attract and retain talented employees, including sales, technology, operations, and development professionals.

INX's business operations require highly specialized knowledge of the financial industry and of technological innovation as it applies to the financial industry. If INX is unable to hire or retain the services of talented employees, including executive officers, other key management and sales, technology, operations and development professionals, INX would be at a competitive disadvantage. In addition, recruitment and retention of qualified staff could result in substantial additional costs. The loss of the services of one or more of INX's executive officers or other key professionals or INX's inability to attract, retain and motivate qualified personnel, could have a material adverse effect on INX's ability to operate its business.

*INX has not identified all the persons that it will need to hire to provide services and functions critical to the development of the business and no assurance can be given that INX will be able to hire the necessary persons on acceptable terms, if at all.*

INX's business has not identified all the persons that it will need to hire to provide services and functions critical to the development of the business. If INX is unable to hire persons with the necessary expertise on terms acceptable to it then it will not be able to maintain and further develop the INX Trading Solutions. Further, even if INX can hire such service providers, they might be unable to meet INX's specifications and requirements, which could have a material adverse effect on INX's ability to develop and launch its business plan.

*As a financial services provider, INX is subject to significant litigation risk and potential securities law liability.*

Many aspects of INX's business involve substantial litigation risks. INX could be exposed to substantial liability under federal and state laws and court decisions, as well as rules and regulations promulgated and/or direct actions brought by the SEC, state securities regulators, and other U.S. regulatory agencies.

These risks include, among others, potential liability from disputes over terms of a trade, the claim that a system failure or delay caused monetary losses to a customer, that INX entered into an unauthorized transaction, that INX provided materially false or misleading statements in connection with a transaction or that INX failed to effectively fulfill its regulatory oversight responsibilities. INX may be deemed an underwriter under the Securities Act with regard to its role and involvement with respect to any initial offerings of securities on the INX Securities Trading Platform, and its failure to comply with applicable federal securities laws may expose INX to legal liability. INX may be subject to disputes regarding the quality of trade execution, the settlement of trades or other matters relating to its services. INX may become subject to these claims as a result of failures or malfunctions of its systems and services it provides.

INX could incur significant legal expenses defending claims, even those without merit. An adverse resolution of any future lawsuit or claim against INX could have a material adverse effect on INX's business and its reputation. To the extent INX is found to have failed to fulfill its regulatory obligations, INX could lose its authorizations or licenses or become subject to conditions that could make future operations more costly and impairing INX's profitability.



*INX's compliance and risk management programs might not be effective and may result in outcomes that could adversely affect INX's reputation, financial condition, and operating results.*

INX's ability to comply with applicable laws and rules is largely dependent on its establishment and maintenance of compliance, review and reporting systems, as well as its ability to attract and retain qualified compliance and other risk management personnel. INX faces the risk of significant intervention by regulatory authorities, including extensive examination and surveillance activity.

INX cannot assure that its compliance policies and procedures will always be effective or that INX will always be successful in monitoring or evaluating its risks. In the case of alleged non-compliance with applicable laws or regulations, INX could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits, including by customers, for damages, which could be significant. Any of these outcomes may adversely affect INX's reputation, financial condition, and operating results.

*Operational risks, such as misconduct and errors of INX's employees or entities with which INX does business, are difficult to detect and deter and could cause INX reputational and financial harm.*

INX's employees and agents could engage in misconduct which may include conducting in and concealing unauthorized activities, improper use, or unauthorized disclosure of confidential information. INX is at risk that its employees may engage in insider trading of the digital assets listed on one of its platforms which may lead to corporate actions, such as a suspension of trading, and legal actions that could have an adverse effect on INX.

Further, INX's employees could make errors in recording or executing transactions for customers which would cause INX to enter into transactions that customers may disavow and refuse to settle.

It is not always possible to deter misconduct by INX's employees, and the precautions INX takes to prevent and detect this activity may not be effective in all cases. INX's ability to detect and prevent errors or misconduct by entities with which INX does business may be even more limited. Such misconduct could subject INX to financial losses or regulatory sanctions and materially harm INX's reputation, financial condition, and operating results.

*INX's operations of businesses outside of the United States and its acceptance of currencies other than the U.S. Dollar will subject INX to currency fluctuation risk.*

INX intends to expand globally, and portions of INX's revenues and expenses will be denominated in currencies other than the U.S. dollar. Because INX's financial statements are presented in U.S. dollars, INX must translate non-U.S. dollar denominated revenues, income, and expenses, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. These fluctuations may materially impact the translation of INX's non-U.S. results of operations and financial condition.

Increases or decreases in the value of the U.S. dollar against these other currencies may affect INX's operating results and the value of assets and liabilities denominated in foreign currencies.

*INX may not be able to successfully execute its business strategy if it is deemed to be an investment company under the Investment Company Act of 1940.*

In general, under the U.S. Investment Company Act, a U.S. company that does not qualify to use one of the "private investment company" (or other specialized) exemptions from investment company status, that has made (or proposes to make) a public offering of its securities and that is, or holds itself out as being, engaged primarily in the business of investing, reinvesting or trading in securities must register, and is subject to regulation, as an investment company under that Act. In addition, in general, investment company status may apply (again, unless a specialized exemption is available) because a company owns "investment securities" (essentially, non-controlling interests in other companies' securities or controlling interests in companies that have the characteristics of an investment company) constituting more than 40% of the value of the investing company's unconsolidated assets (disregarding

U.S. government securities and “**cash items**”). INX intends that its future activities will not cause it to be considered an investment company.

INX may accept certain cryptocurrencies (Bitcoin or Ether) as payment for the purchase of INX Tokens and hold these cryptocurrencies until sold. INX subsidiaries, INX Digital and INX Securities, are engaged in the trading of cryptocurrencies and security tokens, respectively. During the initial operations of INX, it intends that INX Digital will trade only cryptocurrencies, such as Bitcoin and Ether, that it has determined, after investigation, not to be securities, and INX Securities engages in trading security tokens that constitute securities. INX believes that INX Securities is qualified to utilize an exemption from investment company status under Section 3(c)(2) of the Investment Company Act that applies to entities “primarily engaged in the business of underwriting and distributing securities issued by other persons, selling securities to customers, acting as broker, and acting as market intermediary, or any one or more of such activities, whose gross income normally is derived principally from such business and related activities.”

Accordingly, INX believes that the cryptocurrencies that INX or its subsidiaries will own and trade in will not be securities. In the case of trading in security tokens by a subsidiary that qualifies to use the Section 3(c)(2) exemption from investment company status, INX's ownership interest in that subsidiary will not constitute an “investment security” (as a result of the availability of the exemption). As a result, INX believes it will not be primarily engaged in the business of investing, reinvesting or trading in securities and that investment securities will not constitute more than 40% of the unconsolidated value of its total assets after eliminating holdings in U.S. government securities and cash items.

While INX believes that its business activities will not cause it to be an investment company, if it was deemed to be, and was required to register as, an investment company, INX would be forced to comply with substantive requirements under the Investment Company Act, including limitations on its ability to borrow, limitations on its capital structure, limitations on its ability to issue additional common stock, restrictions on acquisitions of interests in associated companies, prohibitions on transactions with affiliates, restrictions on specific investments, and compliance with governance, reporting, record keeping, voting, proxy disclosure and other statutory requirements and related rules and regulations. If INX was forced to comply with those requirements, it would be required to change its structure and future operations from its current plans, could be prevented from successfully executing its business strategy and could be required to cease business.

*INX needs to implement strict finance and accounting systems, procedures, and controls to operate its business.*

INX is required to comply with a variety of reporting, accounting and other rules and regulations. Compliance with these requirements is expensive. INX needs to implement strict finance and accounting systems, procedures, and controls to satisfy its reporting requirements and these requirements may increase its costs and require additional management time and resources. However, as an “emerging growth company” as defined in the JOBS Act, INX may not be required to, among other things, provide an auditor’s attestation report on its system of internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act or comply with any requirement that may be adopted by the PCAOB regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (auditor discussion and analysis). INX has not completed an assessment, nor have its auditors tested INX's systems of internal controls. For as long as INX is an “emerging growth company” under the JOBS Act, its independent registered public accounting firm will not be required to attest to the effectiveness of INX's internal controls over financial reporting pursuant to Section 404. If INX's internal controls have undetected weaknesses or its internal control over financial reporting is determined to be ineffective, such failure could cause investors to lose confidence in INX's reported financial information and adversely impact INX's business and financial condition.

*Negative publicity could damage INX's business.*

Developing and maintaining INX's reputation is critical to attracting and retaining customers and investors and for maintaining INX's relationships with its regulators. INX's success depends on its ability to complete development of,

successfully implement and maintain the electronic trading systems that have the functionality, performance, reliability, and speed required by INX's customers. INX must swiftly and effectively construct the INX Digital and the INX Securities trading platforms to remain competitive.

Negative publicity regarding INX, INX Subsidiaries, INX Tokens, INX's key personnel or blockchain assets generally, whether based upon fact, allegation, or perception and whether justified or not, could give rise to reputational risk which could significantly harm INX's business prospects.

*INX, as well as many of its potential customers, engage with third party suppliers and service providers for certain important services. An interruption or cessation of an important supply or service by any third party could have a material adverse effect on INX's business, including revenues derived from its customers' trading activity.*

INX is engaged with a number of suppliers, such as banking, clearing and settlement organizations, online service providers, data processors, and software and hardware vendors, for elements of its trading, clearing and other systems, as well as communications and networking equipment, computer hardware and software and related support and maintenance. INX also engaged with third parties to provide internet, telecommunication, and fiber optic network connectivity to its data centers. Many of its customers rely on third parties, such as independent software vendors, to provide them with front-end systems to access its platform and other back-office systems for their trade processing and risk management needs.

INX cannot guarantee that these service providers will make the necessary monetary and time investments to provide services for the INX Trading Solutions model and changes to INX's interfaces and functionality that occur as INX develops its business. To the extent any of INX's service providers or the organizations that provide services to its customers in connection with their trading activities cease to provide these services in an efficient, cost-effective manner or fail to adequately expand their services to meet INX's needs and the needs of its customers, INX could experience decreased trading volume, lower revenues and higher costs which could adversely affect an investment in the Resulting Issuer.

*INX's revenues and profits will be substantially dependent on the trading volume in its markets. INX's revenues and profits would be adversely affected if INX is unable to develop and continually increase its trading volume on either of its trading platforms.*

The success of INX's business depends, in part, on its ability to develop then continually increase its trading volume; develop and expand its product offerings or execution facilities; and attract new customers. INX's success also depends on its ability to offer competitive prices and services in an increasingly price-sensitive business.

INX cannot provide assurances that it will be able to develop and expand product lines, that it will be able to attract and retain customers or that it will be able to modify its pricing structure to compete effectively.

Trading volumes on blockchain asset trading platforms have historically been volatile. Such volatility may be the result of various factors, including fluctuations in the price of blockchain assets or periods of rapid expansion and contraction of adoption and use of blockchain assets. Trading volume will also be directly affected by domestic and international factors that are beyond INX's control, including:

- economic, political, and geopolitical market conditions;
- legislative and regulatory changes, including any direct or indirect restrictions on or increased costs associated with trading in INX's markets;
- broad trends in the industry and financial markets;
- shifts in global or regional demand or supply in commodities underlying INX's products;
- competition;
- changes in government monetary policies, especially the regulation of tokens and the number of registered token offerings;

- availability of capital to INX's market participants and their appetite for risk-taking;
- levels of assets under management;
- pandemics affecting our customer base or INX's ability to operate its markets; and
- consolidation in INX's customer base and within its industry.

Any one or more of these factors may contribute to reduced activity in INX's markets.

Declines in trading volume may negatively impact market liquidity, which could lead to further loss of trading volume. Material decreases in trading volume would have a material adverse effect on INX's financial condition and operating results.

*INX has an evolving business model that may not ultimately provide a successful roadmap.*

As blockchain assets and blockchain technologies become more widely available, INX expects the services and products associated with them to evolve. As a result, to stay current with the industry, INX's business model may need to evolve as well. From time to time, INX may modify aspects of its business model relating to its product mix and service offerings. INX cannot offer any assurance that these or any other modifications will be successful or will not result in harm to the business. INX may not be able to manage growth effectively, which could damage its reputation, limit its growth, and negatively affect its operating results.

INX may have difficulty executing its growth strategy and maintaining its growth effectively.

INX's growth requires additional investment in personnel, facilities, information technology infrastructure, and financial and management systems and controls and may place a significant strain on its management and resources. INX's growth strategy also may subject INX to increased legal, compliance, and regulatory obligations.

There is no guarantee that INX's efforts will be successful. INX may not be able to implement important strategic initiatives in accordance with its expectations, including that the strategic initiatives could result in additional unanticipated costs, which may result in an adverse impact on INX's business and financial results. Unless INX's growth results in an increase in its revenues that is proportionate to the increase in its costs associated with its growth, INX's future profitability could be adversely affected.

*INX's senior management may be reimbursed for costs and expenses that exceed what is necessary to achieve its proposed development goals.*

INX reimburses reasonable expenses of its employees, senior management and directors that are incurred in the performance of their respective duties. Expenses incurred by employees on behalf of INX are approved by INX's senior officers prior to their reimbursement. Expenses that are greater than US\$50,000 require the approval of two INX Board members and expenses that are less than US\$50,000 but greater than US\$10,000 require the approval of two INX Board members or one INX Board member and one officer. Expenses under \$10,000 require the approval of, among others, at least one Board member or officer.

INX does not currently have a policy that defines what expenses would be "reasonable" or that sets a cap or ceiling on the reimbursement of out-of-pocket expenses incurred on behalf of INX. The lack of such a policy may result in its senior management submitting costs and expenses for reimbursement that exceed what is necessary to achieve the company's proposed development goals. The lack of such a policy, guidelines for determining whether an expense is "reasonable" or a cap on reimbursements may also delay INX from preventing a conflict of interest between the senior management and the company for substantial outstanding expenses.

Continued reimbursement of substantial out-of-pocket expenses that exceed what is required to achieve its development plan could subject INX to financial losses or materially harm its reputation, financial condition, and operating results.

*INX intends to explore acquisitions, other investments, and strategic alliances. INX may not be successful in identifying opportunities or in integrating the acquired businesses. Any such transaction may not produce the results INX anticipates, which could adversely affect INX's business and the price of INX Tokens.*

INX intends to explore and pursue acquisitions, strategic partnerships, joint ventures, and other alliances to strengthen its business and grow the company.

The market for acquisitions and strategic opportunities is highly competitive, especially in light of recent merger and acquisition activity in INX's industry. In addition, these transactions entail numerous operational and financial risks, including but not limited to difficulties in valuing acquired businesses, combining personnel and firm cultures, integrating acquired products, services and operations, achieving anticipated synergies that were inherent in its valuation assumptions, exposure to unknown material liabilities, the potential loss of key vendors, clients or employees of acquired companies, incurrence of substantial debt or dilutive issuance of equity securities to pay for acquisitions, higher-than expected acquisition or integration costs, write-downs of assets or impairment charges, increased amortization expenses and decreased earnings, revenue or cash flow from dispositions.

INX may be unable to identify strategic opportunities or may be unable to negotiate or finance future transactions on terms favorable to it. To the extent INX enters into joint ventures and alliances, it may experience difficulties in the development and expansion of the business of any newly formed ventures, in the exercise of influence over the activities of any ventures in which it does not have a controlling interest, as well as encounter potential conflicts with its joint venture or alliance partners.

INX may not realize the anticipated growth and other benefits from its growth initiatives and investments, which may have an adverse impact on INX's financial condition and operating results.

*INX may in the future be dependent in part on the data center facilities of third parties.*

INX's future infrastructure network may be established in whole or in part through servers which it owns and/or houses at the location facilities of third parties, and/or servers that it rents at data center facilities of third parties. If INX is unable to secure or renew its data facility leases on commercially reasonable terms or at all, the company may be required to transfer its servers to a new data center facility and may incur significant costs and possible service interruption in connection with the relocation. These facilities are also vulnerable to damage or interruption from, among others, natural disasters, arson, terrorist attacks, power losses, and telecommunication failures. Additionally, the third-party providers of such facilities may suffer a breach of security as a result of third-party action, employee error, malfeasance or otherwise, and a third party may obtain unauthorized access to the data in such servers. INX and the providers of such facilities may be unable to anticipate these techniques or to implement adequate preventive measures.

*INX's business may be adversely affected by the impact of coronavirus, other epidemics or pandemics, acts of God, wars, insurrections, riots, infrastructure failures, and other force majeure events.*

Public health epidemics or outbreaks could adversely impact INX's business. In early 2020, an outbreak of the novel strain of a coronavirus, which causes a disease named COVID-19, spread worldwide, including to Israel and the United States. As a result of the coronavirus pandemic, governments and industries have instituted drastic actions to contain the coronavirus or treat its impact. Such actions, including bans on international and domestic travel, quarantines, and prohibitions on accessing work sites, have caused significant disruptions to global and local economies, and have led to dramatic volatility in the capital markets.

The extent to which the coronavirus pandemic impacts INX's operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Factors that may result in material delays and complications with respect to INX's business, financial condition and results of operation include the duration and severity of the outbreak, and the actions that may be required to contain the coronavirus or treat its impact. In particular, the continued spread of the coronavirus globally could adversely impact INX's operations, including the

development of its platforms within its expected timeframes, its workforce, including the health and safety of its employees and its ability to complete recruitment for open positions on its team, and its ability to raise capital. In addition, the coronavirus pandemic could affect the operations of key governmental agencies, such as the SEC and CFTC, which may delay the development and regulatory approval necessary to operate INX's platforms. Each of these factors could have an adverse impact on INX's business, financial condition, and results of operation.

*General global market and economic conditions may have an adverse impact on INX's operating performance, results of operations or cash flow.*

INX may be affected by general global economic and market conditions. Challenging economic conditions worldwide have from time to time contributed, and may continue to contribute, to slowdowns in the information technology industry at large. Weakness in the economy could have a negative effect on INX's business, operations, and financial condition, including decreases in revenue and operating cash flow, and inability to attract future equity and/or debt financing on commercially reasonable terms. Additionally, in a down-cycle economic environment, INX may experience the negative effects of a slowdown in trading and usage of INX's business platform and may delay or cancel the development, structuring, licensing and/or launch of the anticipated token functionality. Suppliers which INX engages with for servers, bandwidth, location, and other services could also be negatively impacted by economic conditions that, in turn, could have a negative impact on INX's operations or expenses. There can be no assurance, therefore, that current economic conditions or worsening economic conditions or a prolonged or recurring recession will not have a significant, adverse impact on INX's business, financial condition, and results of operations, and hence, INX's business platform that is yet to be developed and/or the ability to develop, structure, license and/or launch any token functionality.

*In the event that INX enters into insolvency, liquidation, dissolution, reorganization, or bankruptcy, the Resulting Issuer's claims may be subordinate to the rights of INX Token Holders. INX may incur debt that ranks equally with, or senior to, the rights of the Resulting Issuer.*

Pursuant to the INX Token Purchase Agreement, if (i) INX permanently discontinues all the activities of INX Trading Solutions and there is no successor conducting a substantially similar business that assumes the obligations of INX with regard to the INX Tokens, and (ii) an "Insolvency Event" (as defined in the INX Token Purchase Agreement) occurs, then INX shall be deemed to be in default of its obligations under the INX Token Purchase Agreement, which breach shall create a claim in favor of INX Token holders that may be asserted by INX Token holders against INX in any proceeding arising from such Insolvency Event. The claim amount will be determined by the liquidator, a court of competent jurisdiction overseeing the liquidation, or some other authority pursuant to applicable insolvency law.

INX Token holders will be unsecured creditors of INX and would therefore rank pari passu with all the other unsecured creditors of INX and senior to the claims of holders of INX's shares. Further, INX has caused shareholders who hold approximately 84% of its issued share capital as of the date of this Listing Statement, and shall cause the Resulting Issuer as its future sole shareholder, to enter an agreement, pursuant to which such shareholder (a) irrevocably subordinates its rights to receive any distributions and payments from INX prior to the payment in full by INX of all distributions owed to INX Token holders, and (b) irrevocably waives and subordinates its rights, in the event of an Insolvency Event, to any cash held in the Cash Fund.

INX may also incur debt (including secured debt) that ranks equally with, or senior to, the rights of INX's sole shareholder, the Resulting Issuer. In the case of an Insolvency Event, holders of debt instruments ranking senior to the Resulting Issuer, may be entitled to receive payment in full before the Resulting Issuer receives any distribution.

### **16.3 Risk Factors Relating to Intellectual Property Rights and Disputes**

*INX engages with third-party contractors for the design, development, and implementation of INX Trading Solutions.*

INX engages with third-party contractors for key elements of its technology infrastructure. Such infrastructure and related technology under development may not be sufficient to meet the needs of INX's business. Further, these

technologies may have material defects that may be vulnerable to damage or interruption or may compromise the confidentiality or integrity of the transmitted data. Any imposition of liability, particularly liability that is not covered by insurance or is in excess of insurance coverage, could harm INX's reputation, business and operating results. INX might be required to expend significant capital and other resources to further develop and maintain the INX Trading Solutions infrastructure. This, in turn could divert funds available for corporate growth, expansion or future acquisitions. It could also reduce the amount of cash paid to INX Token holders.

*INX may be unable to protect its proprietary technology and to obtain trademark protection for its marks.*

INX's success depends to a significant degree upon the protection of its software and other proprietary intellectual property rights. INX may be unable to bring enforcement actions under the laws of the US or other countries to protect its intellectual property rights, which could have a material adverse effect on INX's business. Further, INX may not be able to secure protection for its service marks or trademarks in the United States or elsewhere as the company expands internationally. INX's competitors might adopt service marks or trademarks similar to INX's marks or might try to prevent INX from using its marks. Any claim by another party against INX or customer confusion related to INX's trademarks, or INX's failure to obtain trademark registration, could have a material adverse effect on INX's business.

*INX may not be able to enforce protection of its intellectual property rights under the laws of other countries.*

INX does business internationally and consequently is subject to risks of doing business internationally, including uncertainty regarding liability for the listings and other content provided by its users, and differing intellectual property laws, which may provide insufficient protection for INX's intellectual property. Any such difficulties could have a material adverse effect on INX's business.

#### **16.4 Risk Factors Related to Incorporation in Gibraltar**

*It may be difficult to enforce a Canadian judgment against INX, its officers and directors, and the experts named in this Listing Statement, or to assert Canadian securities laws claims or serve process on INX's officers and directors and these experts.*

INX was incorporated in Gibraltar, and most of its operations are currently located in the United States and in the State of Israel. All INX's assets are located outside Canada. Therefore, it may be difficult to enforce a Canadian court judgment based upon the civil liability provisions of Canadian securities laws against INX or any of these persons in a Canadian or Gibraltar court, or to affect service of process upon these persons in Canada.

Additionally, it may be difficult for an investor, or any other person or entity, to assert Canadian securities law claims in original actions instituted in Gibraltar. This is for two principal reasons: 1) because the Gibraltar courts may regard the Canadian law in question to be a penal, revenue or public law and therefore, under Gibraltar law, not capable of direct or indirect enforcement in the Gibraltar courts, or 2) because the Gibraltar court may stay the claim on the grounds that Gibraltar is not an appropriate forum ("**forum non conveniens**"). If Canadian law is found to be applicable to a claim which the Gibraltar court can and is prepared to hear, the content of applicable Canadian law must be proved as a fact by expert witnesses, which can be a time-consuming and costly process. If proceedings were to be brought in Gibraltar, all procedural matters would be governed by Gibraltar law. There is little case law addressing the matters described above that would be binding case law in a Gibraltar court.

*Risks related to potential changes to INX's Foreign Private Issuer status in the United States.*

INX is currently a Foreign Private Issuer as defined in Rule 405 under the U.S. Securities Act and Rule 3b-4 under the U.S. Exchange Act. The term Foreign Private Issuer is defined as any non-U.S. corporation, other than a foreign government, except any issuer meeting the following conditions:

- (a) more than 50 percent of the outstanding voting securities of such issuer are, directly or indirectly, held of record by residents of the United States; and
- (b) any one of the following:
  - (i) the majority of the executive officers or directors are United States citizens or residents, or
  - (ii) more than 50 percent of the assets of the issuer are located in the United States, or
  - (iii) the business of the issuer is administered principally in the United States.

INX is currently a Foreign Private Issuer. If, as of the last business day of INX's second fiscal quarter for any year, more than 50% of the INX's outstanding voting securities (as determined under Rule 405) are directly or indirectly held of record by residents of the United States, subject to certain exceptions, INX may no longer meet the definition of a Foreign Private Issuer, which may have adverse consequences on its ability to raise capital in private placements or Canadian prospectus offerings. In addition, the loss of the Company's Foreign Private Issuer status may likely result in increased reporting requirements and increased audit, legal and administration costs. These increased costs may significantly affect INX's results of operations and profitability.

#### **16.5 Risk Factors Related to Doing Business in Israel**

*Potential political, economic, and military instability in the State of Israel, where some of INX's senior management and its research and development facilities are located, may adversely impact INX's results of operations.*

INX's offices and operations are currently located in the State of Israel and in the United States. In addition, certain of INX's employees, officers, and directors are residents of Israel. Accordingly, political, economic, and military conditions in Israel directly affect INX's business. Since the State of Israel was established in 1948, a number of armed conflicts have occurred between Israel and its neighboring countries. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners, or a significant downturn in the economic or financial condition of Israel, could adversely impact INX's operations.

*INX's operations may be disrupted by the obligations of personnel to perform military service.*

Certain of INX's employees, officers and directors are based in Israel. Some of INX's employees and consultants may be called upon to perform up to 36 days (and in some cases more) of annual military reserve duty until they reach the age of 40 (and in some cases, up to 45 or older) and, in emergency circumstances, could be called to immediate and unlimited active duty. In the event of severe unrest or other conflict, individuals could be required to serve in the military for extended periods of time. INX's operations could be disrupted by the absence of a significant number of its employees related to military service or the absence for extended periods of one or more of its key employees for military service. Such disruption could materially adversely affect INX's business and results of operations.

*INX may be deemed an Israeli tax resident for tax purposes and may incur additional tax liabilities in Israel.*

Under Israeli tax law, a company not incorporated in Israel will be considered an Israeli resident for tax purposes if its business and management are controlled from Israel. There is no definition of "control and management" in the Israeli tax code, however the Israeli tax authority ("ITO") issued a Circular in 2002 which listed factors to be taken into account. These included factors such as details of shareholders and directors; protocols of board meetings; agreements with service providers; details of bank accounts, signatory rights; bookkeeping and accounts; and employees. The ITO has recently published a new draft Circular, in light of recent court decisions, which revisits the issue of control and management. The draft Circular states that it is not sufficient to rely solely on a formal (technical) analysis of the facts, but rather a full substantive analysis of all the facts and circumstances must be undertaken.



In the current technological era, the appointment of directors and physical location of board meetings are less important, rather the emphasis is on the substantive analysis of who actually makes strategic policy and day to day decisions, and from where. The draft Circular provides a list of tests (in addition to the factors listed in the 2002 Circular) which should be examined, for example: who actually controls the company, who are the managers of the company, who takes the decisions in the company, how the directors and managers were chosen and whether they have relevant experience in the company's field of activity.

If INX is determined to be an Israeli tax resident for tax purposes, INX may incur additional tax liabilities in Israel.

## **16.6 Risk Factors Relating to the Resulting Issuer's Securities**

### *Share price fluctuations*

The market price for Resulting Issuer Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Resulting Issuer's control, including, but not limited to, the following: (a) actual or anticipated fluctuations in the Resulting Issuer's quarterly results of operations; (b) recommendations by securities research analysts; (c) changes in the economic performance or market valuations of other issuers that investors deem comparable to the Resulting Issuer; (d) addition or departure of the Resulting Issuer's executive officers and other key personnel; (e) sales or anticipated sales of additional Resulting Issuer Shares; (f) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Resulting Issuer or its competitors; and (g) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Resulting Issuer's industry or target markets.

Financial markets have historically experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Resulting Issuer Shares may decline even if the Resulting Issuer's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period, the trading price of the Resulting Issuer Shares may be materially adversely affected.

### *Limited market for securities*

Upon completion of the Transaction and provided that the Resulting Issuer satisfies the NEO Exchange's listing conditions, the Resulting Issuer Shares will be listed on the NEO Exchange, however, there can be no assurance that an active and liquid market for the Resulting Issuer Shares will develop or be maintained. The majority of INX Shareholders are subject to the Lock-Up Terms pursuant to the Securities Exchange Agreement, which restricts such shareholders' ability to trade their securities of the Resulting Issuer.

If an active public market does not develop or is not maintained, shareholders of the Resulting Issuer may have difficulty selling the Resulting Issuer Shares that such shareholders will acquire as a result of the Transaction. The INX Concurrent Financing price for the INX Concurrent Financing was determined by negotiation between INX and the Agents based on several factors and may bear no relationship to the price at which the Resulting Issuer Shares will trade in the public market subsequent to the Transaction. The market price of the Resulting Issuer Shares may materially decline below the INX Concurrent Financing price of the INX Concurrent Financing.

*The market price of the Resulting Issuer's common shares may decline due to the large number of outstanding common shares eligible for future sale*

Sales of substantial amounts of the Resulting Issuer Shares in the public market, or the perception that these sales could occur, could cause the market price of the Resulting Issuer Shares to decline. These sales could also make it more difficult for the Resulting Issuer to sell equity or equity-related securities in the future at a time and price that it deems appropriate.

Certain shares of the Resulting Issuer, such as those subject to escrow agreements and the Lock-Up Terms, will have restrictions on trading.

*The Resulting Issuer may issue additional equity securities*

The Resulting Issuer Board may determine from time to time that it needs to raise additional capital by issuing additional Resulting Issuer Shares or other securities. Except as otherwise described in this Listing Statement, the Resulting Issuer will not be restricted from issuing additional Resulting Issuer Shares, including securities that are convertible into or exchangeable for, or that represent the right to receive, Resulting Issuer Shares. Because the Resulting Issuer's decisions to issue securities in any future offering will depend on market conditions and other factors beyond the Resulting Issuer's control, it cannot predict or estimate the amount, timing, or nature of any future offerings, or the prices at which such offerings may be affected. Additional equity offerings may dilute the holdings of its existing shareholders or reduce the market price of its common stock, or both. Holders of the Resulting Issuer Shares are not entitled to pre-emptive rights or other protections against dilution. New investors also may have rights, preferences, and privileges that are senior to, and that adversely affect the Resulting Issuer's then-current holders of the Resulting Issuer Shares. Additionally, if the Resulting Issuer raises additional capital by making offerings of debt or preference shares, upon liquidation of the Resulting Issuer, holders of its debt securities and preference shares, and lenders with respect to other borrowings, may receive distributions of its available assets before the holders of the Resulting Issuer Shares.

*No Dividends*

Neither INX nor the Resulting Issuer currently has plans to pay regular dividends on the Resulting Issuer Shares. Any declaration and payment of future dividends to holders of Resulting Issuer Shares will be at the sole discretion of the Resulting Issuer Board and will depend on many factors, including the financial condition, earnings, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations of the Resulting Issuer that the Resulting Issuer Board deems relevant.

*Global Financial Conditions*

Global financial conditions have always been subject to volatility. This volatility may impact the ability of the Resulting Issuer to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Resulting Issuer. Increased levels of volatility and market turmoil can adversely impact the Resulting Issuer's operations and the value, and the price of the Resulting Issuer Shares could be adversely affected.

*Future Sales of Resulting Issuer Shares by Existing Shareholders*

Sales of a substantial number of Resulting Issuer Shares in the public market could occur at any time following, or in connection with, the completion of the Transaction. These sales, or the market perception that the holders of a large number of Resulting Issuer Shares intend to sell Resulting Issuer Shares, could reduce the market price of the Resulting Issuer Shares. Although the Resulting Issuer Shares of certain of the shareholders of INX will be subject to the Lock-Up Terms imposed by the INX Agents pursuant to the Securities Exchange Agreement, the INX Agents may waive these restrictions and allow these shareholders to sell their Resulting Issuer Shares at any time. There are no pre-established conditions for the grant of such a waiver by the INX Agents, and any decision by them to waive those restrictions would depend on a number of factors, which may include market conditions, the performance of the

Resulting Issuer Shares in the market and the Resulting Issuer's financial condition at that time. If the restrictions imposed by the Lock-Up Terms are waived, additional Resulting Issuer Shares will be available for sale into the public market, subject to applicable Securities Laws and stock exchange requirements, which could reduce the market price for the Resulting Issuer Shares.

#### *Use of Proceeds from the INX Concurrent Financing*

INX cannot specify with certainty the particular uses of the net proceeds it will receive from the INX Concurrent Financing. The Resulting Issuer's management will have broad discretion in the application of the net proceeds. Accordingly, a holder of Resulting Issuer Shares will have to rely upon the judgment of the Resulting Issuer's management with respect to the use of the proceeds, with only limited information concerning management's specific intentions. The Resulting Issuer's management may spend a portion or all the net proceeds from the INX Concurrent Financing in ways that the Resulting Issuer's shareholders may not desire, that may not yield a favourable return or that may not increase the value of the Resulting Issuer Shares. The failure by the Resulting Issuer's management to apply such funds effectively could harm the Resulting Issuer's business, financial condition and operations. Pending their use, the Resulting Issuer may invest the net proceeds from the INX Concurrent Financing in a manner that does not produce income or that loses value.

#### *Publication of Inaccurate or Unfavourable Research and Reports*

Following the listing of the Resulting Issuer Shares, the trading market for the Resulting Issuer Shares will rely in part on the research and reports that securities analysts and other third parties choose to publish about the Resulting Issuer. The Resulting Issuer will not control these analysts or other third parties. The price of the Resulting Issuer Shares could decline if one or more securities analysts downgrade the Resulting Issuer Shares or if one or more securities analysts or other third parties publish inaccurate or unfavourable research about the Resulting Issuer or cease publishing reports about the Resulting Issuer. If one or more analysts cease coverage of the Resulting Issuer or fail to regularly publish reports on the Resulting Issuer, the Resulting Issuer could lose visibility in the financial markets, which in turn could cause the Resulting Issuer's share price or trading volume to decline.

#### *Tax considerations applicable to an investment in the Resulting Issuer Shares*

Each prospective investor should consult with their own tax advisor with respect to the Canadian and non-Canadian income tax consequences of acquiring, holding, and disposing of the Resulting Issuer Shares, based on each prospective investor's particular circumstances.

## **17. PROMOTERS**

### **17.1 Promoter Consideration**

The Resulting Issuer will enter into a non-binding MOU with Creative Direct Marketing Group Inc., in connection with market awareness services in consideration for up to US\$2 million. The Resulting Issuer is expected to enter into a binding agreement following the Closing Date. Other than such non-binding MOU, there are no persons performing investor relations activities for the Resulting Issuer and there have been no persons performing such services within the last two years.

Mr. Shy Datika, who is expected to be the President, Chief Executive Officer and a Director of the Resulting Issuer, will be considered a promoter of the Resulting Issuer within the meaning of applicable securities laws. Mr. Shy Datika is expected to beneficially own or control 40,540,013 Resulting Issuer Shares (15.91%, on an undiluted basis, assuming an aggregate of 204,136,150 Resulting Issuer Shares issued and outstanding on completion of the Transaction).

## **18. LEGAL PROCEEDINGS**

### **18.1 Legal Proceedings**

To the knowledge of the Resulting Issuer, there are no legal proceedings or regulatory actions material to the Resulting Issuer to which it is a party, or has been a party to, or of which any of its property is or was the subject matter of, and no such proceedings or actions are known by the management of the Resulting Issuer to be contemplated.

### **18.2 Regulatory Actions**

The Resulting Issuer is not subject to any penalties or sanctions imposed by any court or regulatory authority relating to securities legislation or by a securities regulatory authority, nor has the Resulting Issuer entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that are necessary to provide full, true and plain disclosure of all material facts relating to the Resulting Issuer's or its securities or would be likely to be considered important to a reasonable investor making an investment decision.

## **19. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as disclosed elsewhere in this Listing Statement, no director, executive officer or unitholder or shareholder that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the issued Resulting Issuer Shares, or any of their respective associates or affiliates, has any material interest, direct or indirect, in any transaction within the three years before the date of this Listing Statement which has materially affected or is reasonably expected to materially affect the Resulting Issuer or a subsidiary of the Resulting Issuer.

## **20. AUDITORS, TRANSFER AGENTS AND REGISTRARS**

### **20.1 Auditor**

The auditor of the Resulting Issuer is expected to be Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, at its office at 144 Begin Menachem Rd, Entrance A, TEL AVIV-JAFFA, 6492102, Israel.

The auditor of Valdy is Davidson & Company LLP, at its Vancouver office at 1200 - 609 Granville Street, Vancouver, British Columbia V7Y 1G6.

The auditor of INX is Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global.

### **20.2 Transfer agent**

The transfer agent of the Resulting Issuer is expected to be Odyssey Trust Company, at its Vancouver office at 835 – 409 Granville Street, Vancouver, British Columbia V6C 1T2.

## **21. MATERIAL CONTRACTS**

### **21.1 Material Contracts**

The Resulting Issuer has not entered into any material contracts that remain in effect, other than contracts entered into in the ordinary course of business, except as follows:

- (a) the Securities Exchange Agreement (See Section 3.1.3 - "*General Development of the Business – The Securities Exchange Agreement*");

- (b) the Warrant Indenture (See Section 3.1.4 - *“General Development of the Business – INX Concurrent Financing”*);
- (c) The Subscription Receipt Agreement (See Section 3.1.4 - *“General Development of the Business – INX Concurrent Financing”*);
- (d) the Agency Agreement (See Section 3.1.4 - *“General Development of the Business – INX Concurrent Financing”*);
- (e) the Advisory Agreements between INX and James Decker and Johnny Ciampi (See Section 3.1.6 - *“Advisory Agreements and Finder’s Fees”*);
- (f) the OFN Asset Purchase Agreement (See Section 3.2- *“Recent Acquisitions and Disposition”*);
- (g) Agreement between INX and the shareholders of I.L.S. Brokers Ltd., dated June 9, 2021 which determined the terms and conditions of the ILSB Acquisition (See Section 3.2- *“Recent Acquisitions and Disposition”*);
- (h) Custodial Services Agreement dated August 21, 2020, as amended on January 8, 2021 and March 1, 2021 (See Section 4.1.3 – *“Narrative Description of the Business – General – INX Digital Trading Platform”*);
- (i) Electronic Trading Agreement (See Section 4.1.3 – *“Narrative Description of the Business – General – INX Digital Trading Platform”*); and
- (j) The Waiver and Subordination Undertaking (see Section 4.1.5 – *“Narrative Description of the Business – General – The INX Token”*).

Copies of these agreements may be inspected without charge during regular business hours at Suite 900, 885 West Georgia Street, Vancouver, British Columbia V6C 3H1.

## **22. INTERESTS OF EXPERTS**

Davidson & Company LLP, the auditors of Valdy, are independent of Valdy in accordance with the Code of Professional Conduct for B.C. Chartered Professional Accountants

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, auditors to INX, are independent of INX in accordance with the Code of Professional Conduct for B.C. Chartered Professional Accountants.

To the knowledge of Valdy and INX, neither Davidson & Company LLP, Kost Forer Gabbay & Kasierer or any other Person whose profession or business gives authority to a statement made by the Person and who is named as having prepared or certified a part of this Listing Statement or prepared or certified a report or valuation described or included in this Listing Statement has a direct or indirect material interest in the property of Valdy or INX, or in any Associate or Affiliate thereof.

## **23. OTHER MATERIAL FACTS**

Other than as set out elsewhere in this Listing Statement, there are no other material facts about the Resulting Issuer or its securities which are necessary for this Listing Statement to contain full, true, and plain disclosure of all material facts relating to the Resulting Issuer and its respective securities.

## **24. FINANCIAL STATEMENTS**

### **24.1 Financial Statements of INX and Valdy.**

Schedule "A" contains the audited financial statements of INX for the years ended 2020, 2019, and 2018.

Schedule "C" contains the interim financial statements of INX for the three month period ended September 30, 2021.

Schedule "E" contains the audited financial statements of Valdy for the years ended 2020, 2019.

Schedule "G" contains the interim financial statements of Valdy for the nine months ended September 30, 2021.

Schedule "J" contains a pro forma financial statement of the Resulting Issuer as at September 30, 2021 after giving effect to the Transaction as if it had been completed on that date.

**CERTIFICATE OF RESULTING ISSUER**

The foregoing contains full, true, and plain disclosure of all material information relating to The INX Digital Company Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto, Ontario this 17<sup>th</sup> day of January, 2022.

\_\_\_\_\_  
(signed) *"Shy Datika"*

Shy Datika, President, Chief Executive Officer  
and non-independent Director

\_\_\_\_\_  
(signed) *"Gadi Levin"*

Gadi Levin, Chief Financial Officer

\_\_\_\_\_  
(signed) *"Nicholas Thadaney"*

Nicholas Thadaney, Director

\_\_\_\_\_  
(signed) *"David Weild"*

David Weild, Chairman of the board of  
directors

**SCHEDULE "A"**  
**ANNUAL FINANCIAL STATEMENTS OF INX LIMITED**

(See attached)



**INX LIMITED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2020**

**U.S. DOLLARS IN THOUSANDS**

**INDEX**

	<u>Page</u>
<a href="#"><u>Report of Independent Registered Public Accounting Firm</u></a>	F-2
<a href="#"><u>Consolidated Balance Sheets</u></a>	F-3
<a href="#"><u>Consolidated Statements of Comprehensive Loss</u></a>	F-4
<a href="#"><u>Consolidated Statements of Changes in Equity</u></a>	F-5
<a href="#"><u>Consolidated Statements of Cash Flows</u></a>	F-6
<a href="#"><u>Notes to Consolidated Financial Statements</u></a>	F-7 - F-38

-----



**Kost Forer Gabbay & Kasierer**

144 Menachem Begin Road,  
Building A  
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525  
Fax: +972-3-5622555  
ey.com

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**To the Board of Directors and Shareholders of**

**INX LIMITED**

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of INX Limited (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended (collectively referred to as the "financial statements"), and the related notes. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with International Financial Reporting Standards, as issued by the International Accounting Standard Board.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

  
KOST FORER GABBAY & KASIERER  
A Member of Ernst & Young Global

We have served as the Company's auditor since its incorporation in 2017.

Tel-Aviv, Israel  
March 30, 2021

**CONSOLIDATED BALANCE SHEETS**

U.S. dollars in thousands (except share and per share data)

	<u>Note</u>	<u>December 31,</u>	
		<u>2020</u>	<u>2019</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents		7,581	79
Related parties		33	14
Prepaid expenses and other receivables		<u>439</u>	<u>294</u>
Total current assets		<u>8,053</u>	<u>387</u>
EQUIPMENT, NET	7	<u>32</u>	<u>-</u>
Total assets		<u><u>8,085</u></u>	<u><u>387</u></u>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Account payables		423	496
Accrued bonuses		905	-
INX Token liability	3	24,106	1,179
INX Token warrant liability	4	4,249	113
Convertible loans	6	<u>148</u>	<u>145</u>
Total liabilities		<u>29,831</u>	<u>1,933</u>
<b>EQUITY:</b>	8		
Ordinary shares of GBP 0.001 par value - Authorized: 100,000,000 shares at December 31, 2020 and 2019; Issued and Outstanding: 13,639,451 and 11,412,930 at December 31, 2020 and 2019, respectively		18	15
Share premium		10,866	6,805
Receivable on account of shares		(9)	(76)
Conversion option of convertible loans		46	46
Accumulated deficit		<u>(32,667)</u>	<u>(8,336)</u>
Total equity		<u>(21,746)</u>	<u>(1,546)</u>
Total equity and liabilities		<u><u>8,085</u></u>	<u><u>387</u></u>

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

U.S. dollars in thousands (except share and per share data)

	Note	Year ended December 31,	
		2020	2019
Operating expenses:			
Research and development		1,581	468
Sales and marketing		2,153	108
General and administrative		7,847	2,324
Loss from operations		11,581	2,900
Fair value adjustment of INX Token liability	3	12,518	762
Fair value adjustment of INX Token warrants liability	4	209	92
Finance expense		23	70
Finance income		-	(135)
Loss and total comprehensive loss		24,331	3,689
Loss per share, basic and diluted		2.00	0.32
Weighted average number of shares outstanding, basic and diluted		12,152,006	11,395,273

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

U.S. dollars in thousands (except share and per share data)

	<u>Ordinary shares</u>		<u>Share premium</u>	<u>Receivable on account of shares</u>	<u>Conversion option of convertible loans</u>	<u>Accumulated deficit</u>	<u>Total equity</u>
	<u>Shares</u>	<u>Amount</u>					
Balance as of January 1, 2019	10,987,747	14	4,717	(76)	46	(4,647)	54
Loss and total comprehensive loss	-	-	-	-	-	(3,689)	(3,689)
Issuance of Ordinary shares	425,183	1	441	-	-	-	442
Consideration for warrants exercised in 2018	-	-	39	-	-	-	39
Share-based payment	-	-	202	-	-	-	202
Issuance of SAFE	-	-	1,406	-	-	-	1,406
Balance as of December 31, 2019	<u>11,412,930</u>	<u>15</u>	<u>6,805</u>	<u>(76)</u>	<u>46</u>	<u>(8,336)</u>	<u>(1,546)</u>
Loss and total comprehensive loss	-	-	-	-	-	(24,331)	(24,331)
Issuance of SAFE and warrants	-	-	879	-	-	-	879
Issuance of Ordinary shares and warrants (**)	885,576	1	2,328	-	-	-	2,329
Consideration for shares issued in 2017	-	-	-	75	-	-	75
Conversion of SAFE	1,194,639	2	(2)	-	-	-	-
Exercise of warrants	146,306	*)	286	(8)	-	-	278
Share-based payment	-	-	570	-	-	-	570
Balance as of December 31, 2020	<u>13,639,451</u>	<u>18</u>	<u>10,866</u>	<u>(9)</u>	<u>46</u>	<u>(32,667)</u>	<u>(21,746)</u>

\*) Less than \$1

\*\*) See Note 8c.

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

U.S. dollars in thousands

	<b>Year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<u>Net cash flows from operating activities:</u>		
Loss	(24,331)	(3,689)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based payment	570	202
Depreciation	3	-
INX Token-based compensation	3,933	9
Fair value adjustment of INX Token liability	12,518	762
Fair value adjustment of INX Token warrant liability	209	92
Fair value adjustment of warrant liability	-	(135)
Accrued finance expense	3	39
Changes in operating assets and liabilities:		
Decrease (increase) in prepaid expenses	(145)	7
Increase in accounts and other payables	280	199
Increase in accrued bonuses	905	0
Net cash used in operating activities	<u>(6,055)</u>	<u>(2,514)</u>
<u>Net cash flows from investing activities:</u>		
Purchase of equipment	(35)	-
Decrease (increase) in funds held by a related party, net	(19)	57
Net cash provided by (used in) investing activities	<u>(54)</u>	<u>57</u>
<u>Net cash flows from financing activities:</u>		
Proceeds from issuance of Ordinary shares	2,329	442
Proceeds from issuance of SAFE and warrants	879	1,406
Proceeds from warrants issued in 2018	-	39
Proceeds from issuance of INX Tokens	10,403	-
Net cash provided by financing activities	<u>13,611</u>	<u>1,887</u>
Change in cash and cash equivalents	7,502	(570)
Cash and cash equivalents at beginning of year	79	649
Cash and cash equivalents at end of year	<u>7,581</u>	<u>79</u>
<u>Significant non-cash transactions:</u>		
Payment of shares receivable by related party	75	-
Proceeds from Exercise of SAFE warrant by related party	278	-

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 1:- GENERAL**

## a. Business description:

INX Limited (the “Company”) was incorporated for the purpose of the development and operation of an integrated, regulated solution for trading blockchain assets (“INX Trading Solutions”) that will include a cryptocurrency trading platform, a security token trading platform and other services and products related to the trading of blockchain assets.

The Company’s goal in the development of INX Trading Solutions is to offer professionals in the financial services community a comprehensive, interactive platform that allows for seamless integrated trading, real-time risk management and reporting and administration tools. INX Trading Solutions will permit trading of various blockchain assets, including cryptocurrencies and security tokens, as it expands into different forms of trading products, including futures and derivative products. The Company plans to develop INX Trading Solutions as a series of centralized platforms that facilitates peer-to-peer professional trading services. This trading platform will help customers automate and coordinate front-office trading functions, middle-office risk management and reporting functions, and back-office accounting functions.

INX Trading Solutions will utilize established practices common in other regulated financial services markets, such as customary trading, clearing, and settlement procedures, regulatory compliance, capital and liquidity reserves and operational transparency.

As part of the INX decentralized blockchain ecosystem, the Company created 200 million INX Tokens (the “INX Token”).

On August 20, 2020, the SEC declared as effective the Company’s registration statement on Form F-1 filed in connection with the offering of INX Tokens (the “Offering”). The Company is offering up to 130 million INX Tokens at price of \$0.90 per INX Token. The Company has met the minimum offering requirement of \$7,500 and conducted closings of committed purchases of INX Tokens. In the year ended December 31, 2020, the Company issued 10,256,128 INX Tokens in the Offering for a total consideration of \$9,232 and an additional 1,481,481 INX Tokens in an Ordinary Share and INX Token financing agreement, in which the consideration for the INX Tokens amounted to \$1,171 (see Note (4)(d)). The Company will continue its public offering until its termination.

After the INX Securities trading platform is operational, the INX Token can be used to pay INX Securities trading platform transaction fees at a minimum discount of 10% as compared to the use of other currencies.

The Company does not intend to issue 35 million of the 200 million INX Tokens that have been created. In addition, the Company will reserve an additional 20% of INX Tokens received as payment of transaction fees, as long as the total amount of INX Tokens reserved does not exceed 35 million plus 50% of the number of INX Tokens sold by the Company to the public pursuant to the Offering and subsequent offerings of INX Tokens (excluding re-issuances of reacquired INX Tokens), up to a maximum of 100 million INX Tokens. The Company does not intend to issue these reserved INX Tokens for general fundraising purposes; these INX Tokens may be issued to finance extraordinary expenditures, as determined by the Board.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 1:- GENERAL (Cont.)**

In addition, as of December 31, 2020, a total of 17,373,438 INX Tokens are reserved for issuance to employees, directors, advisors and early investors. See Note 4.

Following an amendment to the INX Token rights which was approved by the Board of Directors of the Company on May 17, 2019 (the "Token Rights Amendment"), the Holders of INX Tokens (other than the Company) will be entitled to receive a pro rata distribution of 40% (20% prior to the Token Rights Amendment) of the Company's net cash flow from operating activities, excluding any cash proceeds from an initial sale by the Company of an INX Token (the "Adjusted Operating Cash Flow"). The distribution will be based on the Company's cumulative Adjusted Operating Cash Flow, net of cash flows which have already formed a basis for a prior distribution, calculated as of December 31 of each year. The distribution will be paid to parties (other than the Company) holding INX Tokens as of March 31 of the following year. Distributions will be paid on April 30, commencing with the first distribution to be paid, if at all, on April 30, 2021, based on the Company's cumulative Adjusted Operating Cash Flow calculated as of December 31, 2020.

b. Organizational information:

The Company was incorporated in Gibraltar on November 27, 2017. Its registered office is located at 6 Bayside Road, Gibraltar. After the INX Securities Trading platform becomes fully operational, the Company intends to relocate its principal office to New York, NY.

The Company's founding shareholders are Triple-V (1999) Ltd. ("Triple-V"), and A-Labs Finance and Advisory Ltd. ("A-Labs"), which as of December 31, 2020 own 27.83% and 9.10%, respectively, of the Company's outstanding Ordinary shares.

The Company has incorporated in Delaware two wholly-owned US subsidiaries, INX Services, Inc., which commenced operations in March 2018, and is intended to be registered as a licensed broker-dealer; and INX Digital, Inc. which was incorporated in April 2019 and is intended to be registered as a money transmitter to operate a trading platform for cryptocurrencies.

In addition, the Company has a wholly owned subsidiary, INX Solutions Limited., incorporated in Gibraltar, through which it intends to offer its services and products to the European market. INX Solutions Limited has not yet commenced operations.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 1:- GENERAL (Cont.)**

## c. COVID-19:

In early 2020, an outbreak of the novel strain of a coronavirus, which causes a disease named COVID-19, spread worldwide. As a result of the coronavirus pandemic, governments and industries have instituted drastic actions to contain the coronavirus or treat its impact. Such actions, including bans on international and domestic travel, quarantines, and prohibitions on accessing work sites, have caused significant disruptions to global and local economies and have led to dramatic volatility in the capital markets.

The extent to which the coronavirus pandemic impacts the Company's operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Factors that may result in material delays and complications with respect to the Company's business, financial condition and results of operation include the duration and severity of the outbreak, and the actions that may be required to contain the coronavirus or treat its impact.

In particular, the continued spread of the coronavirus globally could adversely impact the Company's operations, including the development of the Company's platforms within the expected timeframes, the health and safety of the employees, the ability to complete recruitment for open employment positions, and the ability to raise capital. In addition, the coronavirus pandemic could affect the operations of key governmental agencies, such as the SEC and CFTC, which may delay the development and regulatory approval necessary to operate the Company's platforms.

## d. Assessment of going concern:

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Since inception of activities in September 2017, the Company has incurred a loss from operations and as of December 31, 2020, the Company has an accumulated deficit of \$32,667. The Company has not yet generated cash from operations and it requires financing resources to support the ongoing operations, particularly development, marketing and operational costs. The Company's future expenditures and capital requirements will depend on numerous factors, including: the final outcome of the Offering, the progress of the platform's development efforts, timely launch of the operations of the INX Trading platform, and the outcome of the coronavirus pandemic which may impact the Company's operations and the ability to raise capital. The Company's management believes that its cash balance as of December 31, 2020 as well the additional proceeds amounting to approximately \$15,000 received from the Offering through the date of approval of these financial statements, are sufficient to finance the Company's operations for at least the coming 12 months, and accordingly, has concluded that the going concern assumption is appropriate.

## e. The financial statements of the Company as of and for the year ended December 31, 2020 were authorized for issuance in accordance with a resolution of the board of directors on March 30, 2021.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, token, per share and per token data)**

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in these consolidated financial statements for the periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standard Board (“IASB”).

The consolidated financial statements have been prepared on a cost basis, except for INX Token and INX Token warrant liabilities, which are presented at fair value through profit or loss.

b. Consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

c. Functional and presentation currencies:

The consolidated financial statements are presented in U.S. dollars, which is also the functional currency of all the entities in the Group, as substantially all of the Group’s expenditures and financing are denominated in U.S. dollars and the U.S. dollar presently best reflects the economic environment in which the Group is expecting to operate.

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, token, per share and per token data)**

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

d. Financial instruments:

1. Financial assets are initially recognized at fair value plus directly attributable transaction costs.
2. Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are measured subsequent to initial recognition at amortized cost.
3. Financial liabilities:

Financial liabilities are initially recognized at fair value. After initial recognition, the accounting treatment of financial liabilities is based on their classification as follows:

a) Financial liabilities at amortized cost:

After initial recognition, loans and other liabilities are measured based on their terms at amortized cost less directly attributable transaction costs using the effective interest method.

b) Financial liabilities at fair value through profit or loss – These include financial liabilities held for trading (including the INX Token warrant liability) and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognized in profit or loss.

Based on the terms of the INX Token, as described in Note 1a, the INX Token is a hybrid financial instrument. The host instrument is a financial liability due to the right of the INX Token holder to effectively redeem the INX Token in consideration as payment for services. The INX Token is considered a puttable instrument which is a financial liability in accordance with IAS 32, Financial Instruments: Presentation.

The Company's obligation to make a pro rata distribution annually to the INX Token holders from the Company's Adjusted Operating Cash Flow is an embedded derivative. The Company views the Company's operating cash flows as a financial variable, and therefore, the embedded derivative requires bifurcation pursuant to IFRS 9. The Company elected in accordance with IFRS 9 to designate the entire financial liability (including the embedded derivative) at fair value through profit and loss. Accordingly, the INX Token warrant liability is remeasured to fair value at the end of each reporting period.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The change in the fair value of the INX Token liability that is attributable to changes in credit risk, excluding those changes in credit risk attributable to the embedded derivative, is presented in other comprehensive income. The remaining amount of the change in the fair value of the INX Token liability is presented in profit or loss.

When the INX Token is used to pay for services provided by the Company, the respective portion of the INX Token liability is derecognized and revenue is recognized. The fair value of INX Tokens issued in consideration for services to be provided to the Company is recognized as compensation expense as the services are provided.

4. Compound financial instruments:

Convertible debt which contains both an equity component and a liability component are separated into two components. This separation is performed by first determining the liability component based on the fair value of an equivalent non-convertible liability. The value of the conversion component is determined to be the residual amount. Directly attributable transaction costs are apportioned between the equity component and the liability component based on the allocation of proceeds to the equity and liability components.

5. Simple Agreement for Future Equity (“SAFE”)

The Company has entered into equity funding agreements (SAFEs) pursuant to which funds received by the Company from investors will automatically be converted into the same class of share capital of the Company that will be issued in a future qualifying financing, as defined in the SAFEs. The conversion price for SAFEs issued until June 2020 will be equal to the lower of, (i) 25% discount on the base (undiscounted) price per share of the qualifying financing, and (ii) a fixed price, as set forth in the SAFEs. For SAFEs issued in June 2020, the conversion price will be equal to the lower of, (i) 25% discount on the base (undiscounted) price per share of the qualifying financing, and (ii) a fixed Company valuation divided by the number of Company shares outstanding on a fully-diluted basis (as defined in the SAFEs). If there is no qualifying financing within a specified time period, the funds received will automatically be converted into Ordinary shares of the Company at the fixed price or, for the SAFEs issued in June 2020, based on the fixed Company valuation.

The Company is not obligated to complete a qualifying financing or to approve the issuance of shares or dilutive securities within the term specified in the SAFE that would result in the issuance of a variable number of the Company’s equity instruments. Accordingly, as the SAFEs are a non-derivative for which the conversion price into the Company’s equity instruments is fixed at the end of its term, the consideration received from investors pursuant to the SAFEs is classified as equity.

e. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, token, per share and per token data)**

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement.

The Company classifies the bases used to measure certain assets and liabilities at their fair value. Assets and liabilities carried or measured at fair value have been classified into three levels based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The levels are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Significant inputs other than within Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices);

Level 3: Inputs for the assets or liabilities that are not based on observable market data and require management assumptions or inputs from unobservable markets.

For details of the fair value of the INX Token liability – See Note 3. For the fair values of INX Token warrant liability, see Note 4. The fair values of current financial assets and financial liabilities, other than the INX Token and INX Token warrant liability, approximate their carrying amounts due to the short-term maturity of these instruments.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, token, per share and per token data)**

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

f. Share based payment transactions:

Certain of the Company's employees and other service providers are entitled to remuneration in the form of equity settled share-based payment transactions. The cost of the transactions is measured at the fair value of the equity instruments granted at grant date, using an appropriate valuation model, further details of which are provided in Note 9. The cost of the transactions is recognized in profit or loss together with a corresponding increase in equity or for share based grants during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees/service provider become entitled to the award (the "vesting period"). The cumulative expense recognized at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of instruments that will ultimately vest.

g. Research and development expenses:

Research expenses are recognized in profit or loss when incurred. An intangible asset arising from a development project or from the development phase of an internal project is recognized if the Company can demonstrate all of the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset and use or sell it; the Company's ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the Company's ability to measure reliably the expenditure attributable to the intangible asset during its development. Through December 31, 2020, the Company has not met all the aforementioned criteria and therefore all development costs have been recognized in profit or loss.

h. Income taxes:

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates used to compute the amount are those that are enacted or substantively enacted at the reporting date. Deferred tax is provided using a liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets are recognized for deductible temporary differences and the carryforward of any unused tax losses. Deferred tax assets are recognized to the extent that it is probable taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available for all or part of the deferred tax asset to be utilized.

As of December 31, 2020, the Company has a carryforward operating loss that approximates the accumulated deficit of the Company in the amount of \$32,667. No deferred tax asset has been recorded in respect of the carryforward tax loss due to the uncertainty of its realization.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## i Equipment, net:

Equipment is measured at cost less accumulated depreciation and excluding day-to-day servicing expenses. Depreciation is calculated on a straight-line basis over the useful life of the assets. Computers and related equipment are depreciated over a period of three years. The useful life and depreciation method of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate.

## j. Net loss per share:

Basic loss per share is computed by dividing the net loss attributable to equity holders of the Company by the weighted average number of Ordinary shares outstanding during the period. Diluted loss per share is computed by dividing the net loss, as above, after adjustment for interest on the convertible loans by the weighted average number of Ordinary shares outstanding, as above, plus the weighted average number of Ordinary shares that would be issued on conversion of the convertible loans.

For the years ended December 31, 2020 and 2019, the effect of the inclusion of the weighted average number of shares of 2,030,400 Ordinary shares and 1,952,832 Ordinary shares, respectively, that would have been issued upon the conversion of the Company's employees stock options, convertible loans, and warrants were anti-dilutive.

## k. Estimates and assumptions:

The preparation of the consolidated financial statements requires management to make estimates and assumptions that have an effect on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the consolidated financial statements concerning uncertainties at the reporting date that may result in a material adjustment to the carrying amount of the INX Token liability and INX Token warrant liability within the next financial year are discussed in Note 3.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands (except share, token, per share and per token data)

**NOTE 3:- INX TOKEN LIABILITY**

The number of INX Tokens that the Company has distributed as of December 31, 2020 or has an obligation to distribute as of December 31, 2019 is as follows:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Founding shareholders:		
Triple-V	9,435,939	9,435,939
A-Labs	4,550,000	4,550,000
	<u>13,985,939</u>	<u>13,985,939</u>
Investors - see Note 8	2,549,481	1,068,000
Issued in the Offering	10,256,128	-
Holder of convertible loans	2,690,623	2,690,623
Service providers	1,215,000	1,147,500
	<u>30,697,171</u>	<u>18,892,062</u>
<b>Total</b>	<u>30,697,171</u>	<u>18,892,062</u>
<b>INX Token liability</b>	<b>\$ 24,106</b>	<b>\$ 1,179</b>

On August 20, 2020, the Company's Form F-1 in connection with the Offering was declared as effective by the SEC. The Company intends to continue the public offering until its termination which is expected to occur in the second quarter of 2021. In the year ended December 31, 2020, the Company issued 10,256,128 INX Tokens in the Offering for a total consideration of \$9,232 and additional 1,481,481 INX token in a shares and tokens financing agreement, in which the INX token consideration amounted to \$1,171 (see Note 8(4)(d)).

The Company has determined the Offering price at \$0.90 per token.

Certain INX tokens holders are subject to lock-up agreements that restrict such holder's ability to sell or transfer their INX Tokens for periods of 6 to 24 months. For the purpose of determining the fair value of the INX token liability, the Company considered the restriction which apply on such token holders by discounting the Offering price with a discount rate reflecting the lack of marketability during the lock-up period.

The fair values of INX Tokens free of, or subject to lock-up agreements and the discount rates applied as of December 31, 2020, are as follows:

	<b>Discount rate</b>	<b>Number of INX tokens</b>	<b>Total fair value</b>
Not subject to lock-up	0%	10,256,128	\$ 9,232
Subject to lock-up through February 2021	6.35%	2,553,124	\$ 2,152
Subject to lock-up through September 2021	12.09%	1,481,481	\$ 1,171
Subject to lock-up through April 2023	21.77%	16,406,438	\$ 11,551
		<u>30,697,171</u>	<u>\$ 24,106</u>
<b>Total</b>		<u>30,697,171</u>	<u>\$ 24,106</u>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, token, per share and per token data)**

**NOTE 3:- INX TOKEN LIABILITY (Cont.)**

The fair value per INX token as of December 31, 2020 for tokens which are not subject to lock-up agreement was \$0.90, based on the Offering price. The level in the fair value hierarchy is level 1.

For INX tokens which are subject to lock-up agreement, the Company used the Finnerty model to determine the discount rates applying for such INX tokens during their lock-up agreements. The significant inputs and assumptions are risk free interest, volatility of 62.46% - 81.48% and the period under the lock up. The level in the fair value hierarchy applied for such tokens is level 2.

The fair value as of December 31, 2019 was \$0.06237 per token as determined by management and the Board of Directors based on valuations derived from a capital raise pursuant to the terms of SAFEs approved by the Board of directors in February 2020. In determining the fair value of the INX Token prior to the Offering, the Company used various inputs and assumptions in performing an underlying comparison of the shareholder's and INX Token holder's participation rights in the Company's earning distribution. The significant inputs and assumptions were the price of the Ordinary share of the Company, the volatility used in valuing the Company's share options and INX Token warrants, expected term of the INX Token warrants, the number of INX Tokens expected to be issued in the Offering and the weighted average probability as to the amount of funds to be raised in the Offering. The level in the fair value hierarchy is level 3.

A quantitative sensitivity analysis of certain inputs that are significant to the fair value measurement as of December 31, 2019, are shown below:

<b>Significant inputs</b>	<b>Input used</b>	<b>Sensitivity of the input to fair value</b>
Price of the INX Ordinary share	December 2019: \$0.98	10% increase (decrease) in the share price would result in increase (decrease) in fair value as of December 31, 2019 by \$120.
Number of INX tokens expected to be issued in the Offering	130 million	Decrease of 50 million in the number of INX Tokens would result in an increase in fair value as of December 31, 2019 by \$559.

In respect of the other significant inputs described above, the Company estimates that there are no expected reasonably possible changes in the assumptions that would have a significant effect on the fair value of the INX Tokens as of the reporting dates.

There is currently no trading market for the INX Token. If such a trading market were to develop, the fair value of the INX Token liability will be subject to fluctuations due to changes in market prices (market risk). The market price of the INX Token may be volatile due to a number of factors, including fluctuations in the Company's results of operations and macro-economic factors.

In the years ended December 31, 2020 and 2019, the re-measurement to fair value of the INX Token liability in respect of INX Tokens resulted in an expense (unrealized loss) of \$12,518 and \$762, respectively, which was recorded in profit or loss.

The changes in the fair value of the INX Token liability attributable to changes in credit risk, excluding those changes in credit risk attributable to the embedded derivative, are immaterial for all reported periods and therefore no amounts have been included in other comprehensive income in respect of credit risk.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, token, per share and per token data)**

**NOTE 4:- INX TOKEN WARRANT LIABILITY**

a. Composition:

	<b>Year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Obligation to issue INX Tokens to early investors	\$ 318	\$ 109
Warrants granted to employees and service providers	3,931	4
	<u>\$ 4,249</u>	<u>\$ 113</u>

b. The Company reserved 17,373,438 INX Tokens for sales and issuances to employees, directors, advisors and early investors in the Company. Of this amount, 1,333,000 INX Tokens have been issued and the Company has commitments to issue up to 6,676,083 additional INX Tokens.

c. As part of equity financing agreements that took place in 2018, the Company has obligated to issue to the investors a number of INX tokens that will be determined pursuant to the results of the Offering. The Company have accounted for these obligations as derivative liabilities. See Notes 8(2)(a) and 8(2)(c).

d. Warrants granted to employees and service providers:

As of December 31, 2020, the Company has commitments to grant 5,906,083 INX Tokens to directors, employees and service providers, substantially all of which were exercisable subject to the Offering being declared effective by the SEC. Most of these warrants are exercisable six months following the date the Offering was declared effective by the SEC in August 2020 and some are also subject to vesting periods.

The following table lists the inputs to the Black-Scholes pricing model used for the fair value measurement of INX Tokens warrants:

Expected volatility of the token prices (%)	65% - 99.3%
Risk-free interest rate (%)	0.65%
Expected life of warrant (years*)	0.25 - 4
Exercise price	\$0.01 - \$0.90

\*) INX Token warrant granted with no expiration date were valued as the INX Token fair value.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, token, per share and per token data)**

**NOTE 4:- INX TOKEN WARRANT LIABILITY (Cont.)**

The liability for INX Token warrants to employees and service providers is presented at fair value based on the above inputs. Token based compensation expenses in the years ended December 31, 2020 and 2019 amounted to \$3,933 and \$9, respectively.

d. Movement during the year:

The following table presents the changes in the number of INX Tokens warrants and their weighted average exercise prices:

	<b>2020</b>		<b>2019</b>	
	<b>Number</b>	<b>Weighted</b>	<b>Number</b>	<b>Weighted</b>
	<b>of tokens</b>	<b>average</b>	<b>of tokens</b>	<b>average</b>
		<b>exercise</b>		<b>exercise</b>
		<b>price</b>		<b>price</b>
INX Tokens warrants outstanding at beginning of year	5,086,250	\$ 0.016	4,482,500	\$ 0.011
INX Token warrants granted during the year	1,084,833	\$ 0.286	603,750	\$ 0.057
Obligation exercised (tokens issued) during the year	(265,000)	\$ 0.01	-	-
<b>INX Token warrants outstanding at the end of year</b>	<b>5,906,083</b>	<b>\$ 0.067</b>	<b>5,086,250</b>	<b>\$ 0.016</b>
<b>INX Token warrants exercisable at end of year (*)</b>	<b>398,762</b>	<b>\$ 0.080</b>	<b>247,500</b>	<b>\$ 0.021</b>

(\*) As of December 31, 2020, all exercisable INX token warrants are subject to lock-up agreements for periods of 6 to 24 months following the date the Offering was declared effective by the SEC in August 2020.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, token, per share and per token data)**

**NOTE 5:- RELATED PARTIES**

a. Balances:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Assets:		
Receivable - funds held by related party	33	14
Prepaid expenses	207	255
Liabilities:		
Account payables	16	13
Accrued bonuses	450	-
INX Token liability	11,429	1,008
INX Token warrant liability	2,177	43
Convertible loans	52	50

b. Transactions (\*):

	<b>Year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Sales and marketing	549	3
General and administrative	1,280	99
Fair value adjustment of INX Token and INX Token warrant liabilities	3,852	262

\*) Excluding benefit to key management personnel (See c below).

c. Benefits to key management personnel:

	<b>Year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Short-term benefits	1,412	752
Share-based compensation	340	202
Token-based compensation	903	9

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, token, per share and per token data)**

**NOTE 6:- CONVERTIBLE LOANS**

The Company entered into convertible loan agreements dated November 27, 2017 (“Convertible Loans”) with three individuals, of which one is an officer of the Company (the “Lenders”), for an aggregate amount of \$144. The loans are convertible at any time and at each Lender’s sole discretion, into an aggregate total of 956,333 Ordinary shares of the Company or repaid at the earlier of (i) the lapse of five years; (ii) an initial public offering of the Company’s shares or (iii) upon a Deemed Liquidation Event as defined in the Company’s Articles of Association. The loans bear 2% interest compounded annually. In addition, the Lenders were granted the right to purchase a total of 2,690,623 INX Tokens.

During the years 2018 and 2017, the Company received \$47 and \$97, respectively, in consideration for the convertible loans and INX Tokens, of which \$1 and \$4, respectively were attributed to the fair value of the INX Tokens. The fair value of the loans received during the years 2018 and 2017, amounted to \$31 and \$ 62 respectively, resulting in an effective interest rate of 60% and the balances of \$15 and \$31, respectively, were attributed to the conversion option, which was recorded in equity.

In the years ended December 31, 2020 and 2019, interest and amortization of discount on the convertible loans amounted to \$3 and \$39, respectively.

The Convertible Loans were converted into Ordinary shares on February 25, 2021. See Note 12(f).

**NOTE 7:- EQUIPMENT, NET**

	<b>Computers and related equipment</b>
<i>Cost:</i>	
Balance at January 1, 2020	\$ -
Additions	35
Balance at December 31, 2020	<u>35</u>
<i>Accumulated depreciation:</i>	
Balance at January 1, 2020	-
Depreciation for the year	3
Balance at December 31, 2020	<u>3</u>
Depreciated cost at December 31, 2020	<u><u>\$ 32</u></u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, token, per share and per token data)**

**NOTE 8:- EQUITY**

Outstanding Ordinary shares:

Ordinary shares confer upon their holders' rights to receive dividends in cash and in Company's shares, rights to nominate the Company's directors and rights to participate in distribution of dividends upon liquidation in proportion to their holdings. The Company has caused majority of its current shareholders and shall cause its future shareholders, to enter an agreement, pursuant to which such shareholders (i) irrevocably subordinate their rights to receive any distributions and payments from the Company prior to the payment in full by the Company of all distributions owed to INX Token holders, and (ii) irrevocably waive and subordinate their rights, in the event of an insolvency event, as defined in the INX Token Purchase Agreement, to any cash held in the cash fund. All Ordinary shares issued and outstanding have identical rights, including identical voting rights, in all respects.

In the period from inception (September 2017) through December 31, 2020, Ordinary shares of the Company were issued and outstanding as follows:

1. Period ended December 31, 2017:
  - a) Issuance of 3,356,666 Ordinary shares to Triple-V in consideration for \$527 of which \$452 was paid in cash. The balance of the \$75 is recorded as a receivable on account of shares as an offset to equity.
  - b) Issuance of 1,120,000 Ordinary shares to A-Labs in consideration for services provided to the Company at a fair value of \$175.
  - c) Issuance of 440,500 Ordinary shares to certain service providers of the Company in consideration for services provided to the Company at a fair value of \$69.
2. Year ended December 31, 2018:
  - a) During January and February 2018, the Company signed four individual Share Purchase Agreements with four new investors (the "New Investors"). Pursuant to these agreements, the Company issued a total of 1,768,290 Ordinary shares to the New Investors. In addition, two of the New Investors were granted warrants to purchase up to an additional 1,647,264 Ordinary shares at an exercise price of \$0.13465 per share. The warrants will expire upon the earlier of a merger or acquisition of the Company, or nine months from the date the warrants were granted in January 2018.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 8:- EQUITY (Cont.)**

In June 2018, some of the New Investors signed amendments to the Share Purchase Agreements pursuant to which the New Investors are entitled to receive an additional 1,068,000 INX Tokens.

The New Investors are also entitled to receive, for no additional consideration, a number of INX Tokens to be determined by dividing the aggregate consideration of \$693 by the price per Token in an initial public offering of INX Tokens. The number of INX Tokens received will not exceed 2% of the total number of INX Tokens issued at the time of the initial public offering. The Company has accounted for this obligation to issue Tokens as a derivative liability that is measured at fair value through profit or loss.

As of December 31, 2020 and December 31, 2019, the fair value of the related derivative liability, which was determined based on management's assessment of the number of Tokens to be provided, amounted to \$318 and \$103, respectively, and is included in the INX Token warrant liability. The level in the fair value hierarchy is level 1 and 3 as of December 31, 2020 and 2019, respectively.

The aggregate consideration received from the New Investors amounted to \$704, of which \$698, \$5 and \$1 were attributed to the shares and warrants, INX Tokens and derivative liability, respectively.

On September 10, 2018, the New Investors exercised a portion of their warrants and purchased 1,368,759 Ordinary shares in consideration for \$186, of which \$39 was received in February 2019. The remaining warrants expired.

- b) In May 2018, the Company issued to additional investors 2,358,820 Ordinary shares in consideration for an aggregate amount of \$2,463.
- c) On October 2, 2018, the Company issued to a new investor 478,927 Ordinary shares in consideration for \$500 reflecting a price per share of \$1.044 (the "Purchase Price"). The Company also issued to the investor a share warrant to purchase an additional 622,605 Ordinary shares at the same price per share. In addition, the investor received an INX Token warrant to purchase 325,000 INX Tokens at a price per token equal to 70% of the price of the INX Tokens determined at an initial coin offering. The share warrant is exercisable during a period of six months commencing from the effective date of the transaction (the "October 2018 Financing"). In April 2019, the share warrant expired. The terms of the INX Token warrant, as amended on December 19, 2019 and June 10, 2020, may be exercised through the earlier of: (i) the closing of the ICO; and (ii) December 31, 2020. The Token warrants expired in December 31, 2020.

According to the October 2018 Financing, in the event that during a period of six months from the effective date, the Company shall issue Ordinary shares at a price per share that is lower than the Purchase Price, the Purchase Price shall be retroactively adjusted to be equal to such lower price and the Company shall issue to the investor additional Ordinary shares, such that the total amount of shares issued to the investor under the October 2018 Financing shall be equal to the aggregate purchase price, divided by the lower share price.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 8:- EQUITY (Cont.)**

The number of Ordinary shares issuable upon exercise of the warrant and the exercise price shall be adjusted accordingly. The share warrant together with the anti-dilution protection mechanism described above, were accounted as Warrant liability which is re-measured each period at fair value in the statement of comprehensive loss. Through April 2019, no Ordinary shares were issued at a price lower than the Purchase Price. Therefore, no additional Ordinary shares were issued to the investor and the share warrant expired.

With respect to the INX Token warrant described above, the Company has accounted for this obligation to issue Tokens as a derivative liability that is measured at fair value through profit or loss. The following assumptions were used to estimate the fair value of the INX Token warrant: risk-free interest rate of 1.55%, expected volatility of 66.13%, expected life (in years) of 0.25 and expected dividend yield of 0%. The level in the fair value hierarchy is level 3.

The October 2018 Financing aggregate consideration was attributed to Ordinary shares, warrant liability and token derivative liability, according to their fair value as of the date of the transaction, which amounted to \$340, \$158 and \$2, respectively.

As of December 31, 2020, December 31, 2019 the fair value of the derivative liability, which was determined using a Black Scholes option pricing model, amounted to \$0 and \$6, respectively, and is included in INX Token warrant liability.

d) On October 10, 2018, the Company issued to an additional investor 95,785 Ordinary shares in consideration for \$100.

3. Year ended December 31, 2019:

a) In January 2019, the Company signed separate share purchase agreements with several investors, including A-Labs and one of the Company's service providers which is a related party. Pursuant to these agreements, the Company issued to the investors 425,183 Ordinary shares in consideration for \$444, reflecting a price of \$1.044 per share. The Ordinary shares issued include 47,893 shares and 33,391 shares that were issued to A-Labs and one of the Company's service providers, respectively.

b) In April 2019, the Board of Directors of the Company approved a capital raise in the form of Simple Agreements for Future Equity ("SAFE"). Pursuant to the SAFE, upon consummation of an investment round in shares of capital stock of the Company in the amount of not less than \$ 2,000 (in addition to the funds raised under the SAFEs) (the "Qualifying Financing"), the funds raised under the SAFEs will automatically be converted into the same class of shares of capital stock as those issued in the Qualifying Financing at a price per share equal to the lower of: (i) a 25% discount on the base (undiscounted) price per share of the Qualifying Financing; and (ii) \$1.367 per share (the "Default Price"). If a Qualified Financing is not consummated within 12 months as of the Effective Date (as such term is defined in the SAFEs), the funds raised under the SAFEs will automatically be converted at a price per share equal to the Default Price pursuant to the terms set forth in the SAFEs.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 8:- EQUITY (Cont.)**

Following the approval of the Board of Directors, during April 2019, the Company entered into SAFEs with certain investors pursuant to which an amount of \$428 was raised by the Company, including \$150 and \$100 from Triple V and A-Labs respectively.

A Qualified Financing was not consummated before April 25, 2020, and thus the funds raised under the SAFE were automatically converted into 312,849 Ordinary Shares at a price per share equal to the Default Price

- c) On August 13, 2019, the Board of Directors of the Company approved an additional capital raise of up to \$1,000 in the form of SAFE, which the Board of Directors of the Company then increased to \$1,500 on October 28, 2019 (the "Second SAFE"). The Second SAFE will also be automatically converted into the same class of shares of capital stock as those issued in the Qualifying Financing at a price per share equal to the lower of: (i) 25% discount on the base (undiscounted) price per share of the Qualifying Financing, and (ii) \$1.367 per share. If a Qualified Financing is not consummated within 12 months commencing as of the Effective Date (as such term is defined in the Second SAFE), the funds will automatically be converted at a price per share of \$1.367. In addition to the shares issued to the investors upon conversion of the Second SAFE, the Second SAFE investors shall be entitled to an option to purchase an equal number of additional shares issued to them upon conversion of their investment under the Second SAFE, from the same class of such converted shares, for an exercise price of \$1.953 per share. This option shall be valid for a period of 36 months. In connection with the Second SAFE, the Company raised an amount of \$978, including \$250 from Triple V.

In the absence of a qualified financing during the 12 months period following the effective date of such Second SAFE in 2020, the Company converted the investment provided to it under the Second SAFE into an aggregate of 716,136 Ordinary Shares of the Company.

Pursuant to the terms of the Second SAFE, upon the Second SAFE conversion, the investors under the Second SAFEs received an option to purchase an additional identical number of Ordinary Shares of the Company at a price of \$1.953 per share.

On September 13, 2020, Triple-V exercised the option that was granted to it under the Second SAFE dated August 30, 2019 between Triple-V and the Company, and the option that was granted to Mr. Shy Datika under the Second SAFE dated August 30, 2019 between Mr. Datika and the Company that was assigned to Triple by Mr. Datika, were exercised to an aggregate of 146,306 Ordinary Shares at a price of \$1.953 per share.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 8:- EQUITY (Cont.)**

4. Year ended December 31, 2020:
- a) On February 21, 2020, the Board of Directors of the Company approved an additional capital raise of up to \$1,500 in the form of SAFE (the "Third SAFE"). The Third SAFE will be automatically converted into the same class of shares of capital stock as those issued in a Qualifying Financing at a price per share equal to the lower of, (i) 25% discount on the base (undiscounted) price per share of the Qualifying Financing, and (ii) \$1.526 per share. If a Qualified Financing is not consummated within 12 months commencing as of the Effective Date (as such term is defined in the Third SAFE), the funds will automatically be converted at a price per share of \$1.526. In addition to the shares issued to the investors upon conversion of the Third SAFE, the Third SAFE investors shall be entitled to an option to purchase additional identical number of shares, from the same class of the shares issued to them upon conversion of their investment under the Third SAFE, for an exercise price of \$1.696 per share. This option shall be valid for a period of 36 months commencing as of the Effective Date of the agreement. An aggregate amount of \$579 has been received by the Company pursuant to the Third SAFE in 2020, including \$100 and \$30 from Triple V and A-Labs, respectively. See Note 12(a).
- b) On June 2, 2020, the Board of Directors of the Company approved an additional capital raise of \$300 in the form of SAFE (the "Fourth SAFE") to be invested in the Company by a new investor. The Fourth SAFE will also be automatically converted into the same class of shares of capital stock as those issued in a Qualifying Financing at a price per share equal to the lower of, (i) 25% discount on the base (undiscounted) price per share of the Qualifying Financing, and (ii) a price per share that is calculated by dividing \$36,000 by the number of shares in the Fully Diluted Share Capital immediately prior to the issue of all Safe Equity Shares issuable upon conversion. If a Qualified Financing is not consummated within 18 months commencing as of the Effective Date (as such term is defined in the Fourth SAFE), the funds will automatically be converted at a price per share that is calculated by dividing \$36,000 by the number of shares in the Fully Diluted Share Capital immediately prior to the issue of the last Safe Equity Shares issuable under those SAFEs issued in the Round.

In addition to the shares issued to the new investor upon conversion of the Fourth SAFE, the new investor shall be entitled to an option to purchase additional identical number of shares, from the same class of the shares issued to him upon conversion of his investment under the Fourth SAFE. The exercise price of each share underlying this option shall be calculated by dividing \$40,000 by the Fully Diluted Share Capital immediately prior to the issue of the Safe Equity Shares. This option shall be valid for a period of 36 months commencing as of the Effective Date.

Upon the closing of such Qualified Financing on September 13, 2020 (see Note 8(4)(c)), the Company converted the investment provided to it under the Fourth SAFE into 165,654 Ordinary Shares of the Company. Such conversion reflected a price of \$1.811 per share. Pursuant to the terms of the Fourth SAFE, upon the Fourth SAFE conversion, the investor under the Fourth SAFE received an option to purchase an additional identical number of Ordinary Shares of the Company at a price of \$2.743 per share.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, token, per share and per token data)**

**NOTE 8:- EQUITY (Cont.)**

- c) On September 13, 2020, the Company entered into a subscription agreement with a new investor pursuant to which the investor invested in the Company \$1,500 in consideration for 621,375 Ordinary Shares. The new investor is also entitled to receive, for no additional consideration a warrant to purchase 596,659 Ordinary Shares of the Company, at a price of \$2.514 per share, until the warrant's first-year anniversary.

In addition to its investment under the investment agreement, on September 8, 2020, the new investor also entered into a Token Purchase Agreement with the Company, under which he purchased from the Company 6,666,667 INX Tokens in consideration for \$6,000.

The new investor also entered into a separate option agreement with Triple V, pursuant to which the new investor shall be entitled to purchase from Triple V (and not from the Company) up to 1.5 million INX Tokens held by Triple V at an exercise price of \$0.25 per each INX Token.

The fair value of the option agreement with Triple V is approximately \$790. This amount, representing a benefit provided to the investor on behalf of the Company by Triple V, a founding shareholder of the Company, is accounted for as a contribution to equity (share premium) in the statement of changes in equity. As the purchase of the INX Tokens by the investor is recorded as a liability at their fair value on the date of the acquisition, this benefit has been deducted entirely from the consideration allocated to the purchase of Ordinary shares and warrants (share premium) in the statement of changes in equity. Accordingly, the net effect on share premium and equity is nil.

- d) On September 30, 2020, the Company entered into an investment agreement with Awake Limited (the "Awake Agreement" and "Awake", respectively). Pursuant to the Awake Agreement, Awake invested in the Company \$2,000 in consideration for 264,201 Ordinary Shares of the Company and 1,481,481 INX Tokens. The INX Tokens under the Awake Agreement are subject to Lock-Up Agreement for a period of 12 months. The Awake Agreement's consideration was attributed to Ordinary shares and to INX Token liability, according to their fair value as of the date of the transaction, which amounted to \$829 and \$1,171, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, token, per share and per token data)**

**NOTE 9:- SHARE-BASED PAYMENT**

- a. Shares reserved for Employees Stock Option Plan:

On December 29, 2017, the Company’s Board approved a resolution to reserve 417,000 Ordinary shares of the Company for the purpose of an Employees Stock Option Plan (“ESOP”) and future grants to employees and consultants as the Board may approve from time to time. As of December 31, 2020, no Stock Option Plan has been adopted (See Note 12g).

- b. Ordinary shares issued to certain employees and service providers:

During 2017, the Company issued Ordinary shares to certain employees and service providers in consideration for services to be provided to the Company.

The fair value of the Ordinary share was determined at \$0.156 per share as of the date of grant. The fair value of the Ordinary shares was derived from the total consideration paid by the Company’s founding shareholder for INX Tokens and Ordinary shares issued to him upon the establishment of the Company. Key assumptions include an underlying comparison of the shareholder’s and INX Token holder’s participation rights in the Company’s earning distribution.

- c. Share options and warrants granted to employees and service providers:

1. In May 2018 the Company granted to Y. Singer (service provider) a warrant to purchase 68,173 Ordinary shares of the Company. See also Note 10b.
2. Upon and subject to the adoption of a Share Ownership and Option Plan (the “Plan”) by the Company, certain employees shall receive 653,419 options exercisable into Ordinary shares of the Company at a price per share equal to the fair value per share at the date of the adoption of the Plan. The options vest over periods of three to four years. The options are exercisable for a period of 10 years from the date of grant. As of December 31, 2020, none of these options were exercisable. Since the exercise price has not yet been determined, the Company has recorded expenses of \$570 and \$202 for the years ended December 31, 2020 and 2019, respectively, based on an estimate of the fair value of the options as of the respective periods end. See Note 12(g).
3. The table below summarizes the assumptions that were used to estimate the fair value of the above options granted to employees using the Black- Scholes option pricing model:

	<b>Year ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Expected term (years)	10	10
Expected volatility	99.26%	123.69%
Estimated exercise price	3.133	0.98
Risk-free interest rate	0.65%	2%
Dividend yield	0	0

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, token, per share and per token data)**

**NOTE 10:- COMMITMENTS AND CONTINGENCIES**

- a. Engagement agreement with A-Labs Finance and Advisory Ltd. ("A-Labs"):

Under an engagement agreement dated September 26, 2017, as amended in December 2017 and January 31, 2018 (the "A-Labs Agreement"), A-Labs, a shareholder of the Company, shall provide services to the Company which include, among others, development, planning, management, execution, branding and marketing outside of the US with relation to the Offering of the INX Tokens on behalf of the Company. In consideration for these services, A-Labs received a non-refundable, cash payment of \$500 and will receive a contingent cash payment of \$500 payable upon the completion of an offering in which the Company has raised from US Persons not less than \$10,000. Subject to the completion of an offering under which the Company has raised from non-U.S. persons not less than \$10,000, A-Labs also will receive an additional contingent cash payment for the marketing and sale of INX Tokens to non-US Persons only. Such consideration shall be equal to: 10% of the first \$30,000 (up to \$3,000) in ICO Proceeds (as defined in the A-Labs Engagement Agreement); 5% of the next \$70,000 (up to \$3,500) in ICO Proceeds; 6% of the next \$100,000 (up to \$6,000) in ICO Proceeds; and 7.5% of ICO Proceeds in excess of \$200,000.

A-Labs also received a grant of 4,550,000 INX Tokens at a fair value of \$6. In addition, pursuant to an agreement signed contemporaneously with the A-Labs Agreement, the Company issued 1,120,000 Ordinary shares to A-Labs. The fair value of the Ordinary shares issued amounting to \$136 (\$175 less the payment of \$39 required for those shares), is deemed additional consideration for the services to be provided by A-Labs.

In September 2017, the total consideration in the A-Labs Agreement amounted to \$681. This amount is comprised of cash of \$500, INX Tokens with a fair value of \$6 and Ordinary shares with a fair value of \$175. A-Labs contributed \$45 (\$6 for the INX Tokens and \$39 for the Ordinary shares), such that the consideration in excess of the amount contributed amounted to \$636. As the A-Labs Agreement required A-Labs to provide these services in the future, upon initial recognition this amount of \$636 was recorded as prepaid expenses.

The fair value of the INX Tokens and of the Ordinary shares was derived from the total consideration paid by the Company's founding shareholder for INX Tokens and Ordinary shares issued to him upon the establishment of the Company. Key assumptions include an underlying comparison of the shareholder's and INX Token holder's participation rights in the Adjusted Operating Cash Flow.

In the years ended December 31, 2020 and 2019, the Company recognized compensation expense in connection with the A-Labs Agreement of \$508 and \$3, respectively. The compensation expense recognized was based on the extent of the services performed until the respective dates.

As of December 31, 2020, and December 31, 2019, the balance of prepaid expenses amounted to \$207 and \$258, respectively. The prepaid expenses balance as of December 31, 2020 includes additional advance payments of \$143 paid to A-Labs during 2020.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, token, per share and per token data)**

**NOTE 10:- COMMITMENTS AND CONTINGENCIES (Cont.)**

b. Software services agreement with Y. Singer Ltd. ("Y. Singer"):

Under the Software Services Agreement, effective as of October 1, 2017, and as amended on May 9, 2018, June 27, 2018 and August 6, 2018 (the "Y. Singer Agreement"), between the Company and Y. Singer, Y. Singer shall provide services to the Company, including the design, development, implementation, modification and customization of the INX Trading Solutions platform software. In addition, Y. Singer will provide maintenance and support services for a three-month period to INX Trading Solutions with a renewal option. In consideration for these services, Y. Singer is entitled to approximately \$500. In consideration for past services, Y. Singer was also granted in May 2018 a warrant to purchase 68,173 Ordinary shares of the Company at an exercise price equal to the par value per share of GBP 0.001 exercisable for a period of 48 months from the date the warrants were granted. Upon issuance of these warrants, the Company recorded compensation expense of \$71 in the year ended December 31, 2018 based upon the fair value of the Ordinary shares at that date. The Software Services Agreement between the Company and Y. Singer has terminated under its terms as a result of the Company's failure to raise \$5,000 by September 30, 2018. However, Y. Singer continued to perform the services under the Software Services Agreement through its completion during the second quarter of 2019, in consideration for the amount provided in the Software Services Agreement.

d. Appointment of Mr. Silbert as the Executive Managing Director:

In connection with the appointment of Mr. Silbert as the Executive Managing Director of INX Services, Inc., Mr. Silbert entered into an Executive Employment Agreement with INX Services, Inc. dated March 7, 2018, and subsequently amended on June 25, 2018, (the "Silbert Employment Agreement"), pursuant to which Mr. Silbert will provide services to INX Services, Inc. and the Company, including that Mr. Silbert shall serve as a member of the Board of the Company and Executive Managing Director of U.S. Operations of INX Services, Inc. Pursuant to the Silbert Employment Agreement, Mr. Silbert will receive an annual base salary of \$132.

Six months following the date the registration statement in connection with an initial public offering of INX Tokens is declared effective by the SEC, Mr. Silbert shall be eligible to earn an annual performance-based bonus in the amount of \$150 upon the achievement of certain performance-based targets which shall be established by the Board and shall also be granted an option to purchase 500,000 INX Tokens at a price of \$0.01 per Token, which option must be exercised within ninety days of the grant. Six months following the date the registration statement in connection with an initial offering of INX Tokens is declared effective by the SEC, Mr. Silbert's base salary shall increase to a monthly rate of \$20.

In addition, upon and subject to the adoption of a Share Ownership and Option Plan by the Company, Mr. Silbert shall receive an option to purchase 287,290 Ordinary shares of the Company constituting 3% of the share capital of the Company on a fully diluted basis at the date of the Silbert Employment Agreement, at a price per share equal to the fair value per share at the grant date, which will be the date of the adoption of a Share Ownership and Option Plan. 25% of the option shares will vest upon each anniversary of Mr. Silbert's employment with INX Services. See Note 9c(2) for further details.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, token, per share and per token data)**

**NOTE 10:- COMMITMENTS AND CONTINGENCIES (Cont.)**

On March 25, 2021 the Silbert Employment Agreement was amended such that, commencing as of April 1, 2021, Mr. Silbert's title shall change to CEO, North America and his annual base salary shall increase to \$300. In addition, Mr. Silbert was granted, effective as of April 1, 2021, an additional option to purchase 200,000 INX Tokens at a price of \$0.9 per Token, and with an option to purchase 197,710 Ordinary Shares of the Company.

e. Appointment of Mr. James Crossley as a member of the Company's Board:

In connection with the appointment of Mr. James Crossley as a member of the Company's Board of Directors, the Company entered into a Services Agreement with Bentley Limited (the "Bentley Services Agreement"), effective as of February 1, 2018, pursuant to which Bentley Limited will provide services to the Company including that James Crossley shall serve as a board member of the Company. Pursuant to the Bentley Services Agreement, Bentley will receive a monthly consulting fee of GBP 1,600. Commencing January 2018, Bentley also receives a fee of GBP 1,000 per month in consideration for administrative services.

In addition, Bentley will receive the option to purchase 10,000 INX Tokens per month at the price of \$0.01 per Token, subject to a maximum of 100,000 INX Tokens. On January 7, 2019, the Board of Directors approved the grant of options to Bentley Limited to purchase an additional 7,500 INX Tokens per month at the price of \$0.01 per Token. Such additional options shall commence on December 1, 2018 and shall lapse on the first of the month in which the Company raises \$10,000 in a public offering of INX Tokens.

On October 1, 2020, the Bentley Services Agreement was amended such that, commencing as of such date, the monthly consulting fee due to Bentley Limited was increased to GBP 3,600 + VAT per month. In addition, Bentley Limited's entitlement for INX Tokens ended on October 1, 2020. The total aggregate number of INX Tokens underlying the Bentley Limited option is 265,000. As of the date hereof, Bentley Limited has exercised all options to purchase INX Tokens that have been granted pursuant to the Bentley Services Agreement.

f. Agreement with Fidelis LLC:

On April 23, 2018, the Company and INX Services, Inc. entered into a services agreement with Fidelis LLC, effective as of April 1, 2018 and as amended on June 25, 2018, pursuant to which Mr. Matt Rozzi shall serve as the Chief Operating Officer and Chief Compliance Officer of INX Services, Inc. Mr. Rozzi will receive a monthly fee of \$12.5. In addition, upon the registration of INX Services as a broker-dealer with FINRA, Mr. Rozzi shall be granted a one-time cash bonus of \$60.

It is intended that Mr. Rozzi will enter into an employment agreement with INX Services, Inc. six months following the date the registration statement in connection with an initial public offering is declared effective by the SEC. Pursuant to this agreement, Mr. Rozzi will receive a monthly salary in the amount of \$25 and benefits appropriate to an executive level employee. Mr. Rozzi shall also receive additional bonus payments of up to \$90 upon the achievement of certain performance targets and objectives as determined by the Board of the Company. Six months following the date the registration statement in connection with an initial public offering of INX Token is declared effective by the SEC, Mr. Rozzi will receive an option to purchase 350,000 INX Tokens at a price per Token of \$0.01.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, token, per share and per token data)**

**NOTE 10:- COMMITMENTS AND CONTINGENCIES (Cont.)**

In addition, upon and subject to the adoption of a Share Ownership and Option Plan by the Company, the Company will grant Mr. Rozzi an option to purchase 48,122 shares constituting 0.5% of the share capital of the Company as of April 23, 2018 (on a fully diluted basis and subject to future dilution) with an exercise price per share equal to the fair value of the Company's share at the grant date, which will be the date of the adoption of a Share Ownership and Option Plan. 25% of the options will vest on each anniversary of Mr. Rozzi's employment with INX Services. Since the exercise price has not been determined yet, the Company recorded stock-based compensation expenses based on the best estimate of the fair value of the options at the end of the reporting period. See Note 9c(2) for further details.

g. Appointment of Mr. David Weild as a member of the Company's Board:

On March 21, 2018, as amended on June 25, 2018, the Company appointed Mr. David Weild as a member of the Board of the Company, effective as of April 15, 2018. Mr. Weild will receive a monthly fee of \$1.5. Six months following the date the registration statement in connection with an initial public offering of INX Tokens is declared effective by the SEC, Mr. Weild shall receive an option to purchase 350,000 INX Tokens at a price of \$0.01 per Token and shall be entitled to purchase 3,500 INX Tokens at a price of \$0.01 per Token on a monthly basis during his tenure as director.

h. Consulting Agreement with Shay Laboratory Ltd:

Under the Consulting Agreement with Shay Laboratory Ltd., dated October 1, 2017, in consideration for its consulting services, Shay Laboratory Ltd. shall receive, upon and subject to the adoption of a Share Ownership and Option Plan by the Company and to raising a certain minimum amount in an initial public offering of INX Tokens, an option to purchase 28,010 Ordinary shares of the Company, at a price per share equal to the par value per share of GBP 0.001.

In addition, the Company has granted Shay Laboratory Ltd. an option to purchase INX Tokens equaling in the aggregate 0.1% of the registered INX Tokens which were not sold at the ICO or otherwise were distributed by the Company to any third party, at the price of \$0.01 per Token, provided that, such number of INX Tokens shall not exceed 100,000 and shall not be less than 15,000. Such options are contingent upon raising a certain minimum amount in an initial public offering of INX Tokens.

In addition, upon an initial public offering of INX Tokens whereby a certain minimum amount of proceeds is raised, Shay Laboratory Ltd will be entitled to receive a one-time cash bonus of approximately \$55.

i. Appointment of Directors:

In 2018, pursuant to letters of intention the Company engaged Mr. Ashar, Mr. Thadane and Mr. Lewis (the "New Directors") as members of the Board of Directors of INX Limited. Each of the New Directors will receive a monthly fee of \$1-\$1.5 for the term of the engagement. Six months following the date the registration statement in connection with an initial public offering of INX Tokens is declared effective by the SEC, each of the New Directors will be entitled to purchase 3,500 INX Tokens per month in consideration for \$0.01 per Token on a monthly basis during his tenure as director, as well as an option to purchase 350,000 INX Tokens at a price of \$0.01 per Token.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, token, per share and per token data)**

**NOTE 10:- COMMITMENTS AND CONTINGENCIES (Cont.)**

j. Agreement with Mr. Douglas Borthwick:

On September 1, 2019, INX Services, Inc. entered into a services agreement with Mr. Douglas Borthwick, pursuant to which Mr. Borthwick shall serve as the Chief Marketing and Business Development Officer of INX Services, Inc. Pursuant to the Borthwick Employment Agreement, Mr. Borthwick receives a base monthly salary of \$1. In addition, Mr. Borthwick was granted an option to purchase 103,929 INX Tokens at an exercise price of \$0.065 per INX Token. Six months following the date the registration statement in connection with this offering is declared effective by the SEC, Mr. Borthwick shall be entitled to a one-time bonus in the amount of \$200 and an option to purchase additional 259,821 INX Tokens at an exercise price of \$0.065 per INX Token. In addition, upon and subject to the adoption of a Share Ownership and Option Plan by the Company, Mr. Borthwick shall receive an option to purchase 194,937 Ordinary Shares of the Company, at a price per share equal to the fair market value per share. The option shares shall vest over a period of three years, subject to the continuous engagement of Mr. Borthwick with the Company. Since the exercise price of the stock options has not been determined yet, the Company recorded stock-based compensation expenses based on the best estimate of the fair value of the options at the end of the reporting period. See Note 9c(2) for further details.

If the said Agreement is terminated without cause or good reason, as such terms are defined in the Agreement, INX Services shall continue to pay Mr. Borthwick a base salary for twelve months following the termination date.

Effective September 1, 2019, Mr. Borthwick and INX Services entered into an Amended and Restated Consultancy and Employment Agreement, as amended on October 1, 2020 (the "Previous Borthwick Employment Agreement"), pursuant to which Mr. Borthwick will provide services to INX Services and the Company, including that Mr. Borthwick shall serve as Chief Marketing and Business Development Officer of INX Services.

On October 1, 2020, the Borthwick Employment Agreement was amended such that, Mr. Borthwick's monthly salary was increased to \$ 15,000 and was granted with an option to purchase additional 250,000 INX Tokens (the "Borthwick's Additional Tokens"). 50,000 Tokens of Borthwick's Additional Tokens vested six months following the date the registration statement in connection with the offering of the INX Tokens was declared effective by the SEC and their exercise price is \$0.09 per INX Token. 200,000 Tokens of Borthwick's Additional Tokens shall vest in accordance with the following vesting schedule: 25% of such 200,000 INX Tokens vested on October 1, 2020 and additional 25% of such 200,000 INX Tokens shall vest over four year thereafter. The exercise price of such 200,000 INX Tokens shall be \$0.9 per each Token.

On March 25, 2021 the Borthwick Employment Agreement was amended such that, commencing as of April 1, 2021, Mr. Borthwick's title shall change to Company's Chief Business Officer (CBO) and his annual base salary shall increase to \$276. In addition, Mr. Borthwick was granted, effective as of April 1, 2021, an additional option to purchase 200,000 INX Tokens at a price of \$0.9 per Token, and with an option to purchase additional 206,000 Ordinary Shares of the Company.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 10:- COMMITMENTS AND CONTINGENCIES (Cont.)**

## k. Agreement with Mr. Paz Diamant:

On July 6, 2020, the Company entered into a Services Agreement with Mr. Paz Diamant pursuant to which Mr. Diamant shall serve as Chief Technology Officer of the Company. The Diamant Services Agreement further envisions that Mr. Diamant will enter into an employment agreement with the Company two months following the date the registration statement in connection with the Offering is declared effective by the SEC. Mr. Diamant will receive a monthly consulting fee of \$1. Upon entering into an employment agreement with the Company, Mr. Diamant shall be entitled to a monthly salary of approximately \$13 per month.

Pursuant to the Diamant Services Agreement, during each month between the effective date of the Diamant Services Agreement until the month that is two months following the date the registration statement in connection with this offering is declared effective by the SEC, Mr. Diamant will be entitled to an option to 10,000 INX Tokens per month, at the price of \$0.08 per Token. Two months following the date the registration statement in connection with an initial public offering of INX Tokens is declared effective by the SEC, Mr. Diamant shall be entitled to an option to purchase 20,000 INX Tokens at an exercise price of \$0.08 per INX Token. Upon entering into an employment agreement with the Company, Mr. Diamant shall be entitled to an option to purchase an additional 200,000 INX Tokens at an exercise price of \$0.08 per INX Token. The options granted under the Diamant Employment Agreement shall vest, subject to Mr. Diamant's continued employment with the Company, over four years in equal amounts on each of the first four anniversaries of the effective date of the Diamant Employment Agreement.

In addition, upon and subject to the adoption of a Share Ownership and Option Plan by the Company, Mr. Diamant shall receive an option to purchase 67,158 Ordinary Shares of the Company, at a price per share equal to its fair value at the grant date. The option shares shall vest over a period of five years, subject to the continuous engagement of Mr. Diamant with the Company. In addition, Mr. Diamant is entitled to a one-time bonus payment of \$250 upon the acquisition of the Company by a non-affiliated entity in consideration for no less than \$50,000.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, token, per share and per token data)**

**NOTE 11:- EMPLOYEE BENEFIT EXPENSES**

a. Employee benefit expenses:

Short term employee benefits included in consolidated statements of comprehensive loss are as follows:

	<b>Year ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Research and development		
Short term benefit	738	360
Share based compensation	255	-
Token based compensation	336	3
Sales and Marketing		
Short term benefit	267	2
Share based compensation	171	106
Token based compensation	423	-
General and administration		
Short term benefit	1,600	756
Share based compensation	144	96
Token based compensation	3,174	6

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 12:- SUBSEQUENT EVENTS**

## a. Conversion of the Third SAFE:

- (1) Third SAFE dated March 2020 - In March 2021, in the absence of qualified financing during the 12 months following the effective date of such Third SAFE, the Company converted the investment provided to it under the Third SAFE dated March 2020 into an aggregate of 281,304 Ordinary Shares of the Company at a price per share of \$1.526.
- (2) Third SAFE dated May 2020 - March 2021, Oz.tz. Properties Ltd and SPiCE Venture Capital Pte. Ltd., who originally were entitled to convert their loan in May 2021, requested the Company for early conversion of their SAFEs, this request was approved by the Company's board of directors and accordingly converted into an aggregate of 98,296 Ordinary Shares of the Company at a price per share of \$1.526.

## b. Asset purchase agreement with OFN:

On January 12, 2021, the Company entered into an asset purchase agreement with Openfinance Holdings, Inc. and certain subsidiaries of Openfinance Holdings, Inc. (collectively, "OFN" and the "Asset Purchase Agreement"). Pursuant to the Asset Purchase Agreement, the Company acquired various assets of OFN, including the entire share capital of Openfinance Securities, LLC ("OFN Securities"), a Pennsylvania corporation, who holds FINRA Broker Dealer permit and Alternative Trading System permit in the United States, in consideration of \$1,180. In addition, following 6 months and 12 months from the closing and contingent upon the continued operation of the trading platform, the Company shall pay additional payments of \$400 each. The first additional payments may be reduced to \$200, subject to the number of issuers contracted to be listed on the trading platform between the time of the closing and the date of payment. In addition, the Company shall grant OFN a warrant to purchase 500,000 INX Tokens and additional warrants to INX Tokens, equal to 35,000 Tokens multiplied by the number of full months commencing as of June 1, 2020 and until the consummation of the transaction. The warrants underlying the Grant shall be exercisable during a period of 24 months as of the closing, with an exercise price of \$ 0.07 per token. In addition, OFN will be entitled to additional consideration in a way of a split of the platform generated profit as follows: 33% in the first and second years of operations, 20% and 10% in the third and fourth years of operations, respectively. Following closing of the Asset Purchase Agreement, OFN Securities shall also become a wholly-owned subsidiary of the Company. The closing thereof is subject to regulatory approvals. In the event that FINRA shall approve the change of control in OFN Securities and its sale to the Company, the Company is likely to be able to use OFN Securities's Broker Dealer permit and Alternative Trading System permit for its purposes and shall no longer be required to obtain an independent Broker Dealer permit and Alternative Trading System permit.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 12:- SUBSEQUENT EVENTS (Cont.)**

## c. Letter of Intent and plan of merger:

On February 22, 2021 the Company entered into a non-binding Letter of Intent with Valdy Investments Ltd. (TSXV: VLDY.P) (“Valdy”), a Capital Pool Company (CPC) incorporated under the laws of British Columbia, Canada, registered for trade on the TSX Venture Exchange (the “Exchange”) (the “LOI”). The LOI contemplates a merger/share exchange between the Company and Valdy, subject to the approval of the Exchange and the satisfaction of other conditions to be contained in the agreements between the Company and Valdy in connection with this transaction (the “Valdy Transaction”). At the closing of the Valdy Transaction, current holders of shares and option to purchase shares of the Company will be issued an aggregate of 175,000,000 common shares of the combined entity in exchange for their outstanding shares and option to purchase shares of the Company. The shareholders of Valdy shall receive 5,000,000 common shares of the combined entity. Additional securities of the combined entity will be issued to consultants of the Company (including the investment banks who facilitate the transaction) as set forth in the LOI. The Valdy Transaction shall be consummated pursuant to the terms of a securities exchange agreement, which terms are currently negotiated between the Company, Valdy and its principal shareholders and the shareholders and option holders of the Company. The Valdy Transaction was approved by the shareholders of the Company on March 18, 2021.

In parallel to the negotiation with respect to the final terms and conditions of the Valdy Transaction, the Company plans to complete an equity financing by way of a brokered private placement of subscription receipts which will entitle such purchasers to receive a unit comprised of one Ordinary share and one half of one warrant to purchase an Ordinary Share. The Ordinary shares and warrants issued pursuant to the subscription receipts will be exchanged for comparable securities of Valdy on closing of the Valdy Transaction.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, token, per share and per token data)**

**NOTE 12:- SUBSEQUENT EVENTS (Cont.)**

d. Agreement with Mr. Itai Avenri:

Effective January 4, 2021, Mr. Avneri and the Company entered into a Services Agreement (the “Avneri Services Agreement”), pursuant to which Mr. Avneri shall serve as Company’s Chief Operating Officer. The Avneri Services Agreement further envisions that Mr. Avneri will enter into an employment agreement with the Company.

Pursuant to the Avneri Services Agreement, Mr. Avneri receives monthly payment of approximately \$31. Subject to the discretion of our Board and the discretion of the CEO of the Company, Mr. Avneri may be entitled to an annual bonus payment in the amount equal to 2-5 monthly payments. In addition, Mr. Avneri was granted with an option to purchase 180,000 INX Tokens at a price of \$0.09 per each Token and will be entitled to an option to purchase additional 180,000 INX Tokens upon the execution of the Avneri Employment Agreement with the Company. In addition, upon and subject to the adoption of a Share Ownership and Award Plan by the Company, Mr. Avneri shall receive an option to purchase 269,640 Ordinary Shares of the Company, at a price per share equal to the fair value at the shares subject to vesting over a period of four year from the grant date, subject to the continuous engagement of Mr. Avneri with the Company.

e. Employment Agreement with Mr. Emiliano Rios Caban:

On January 6, 2021, INX Digital entered into an employment agreement with Mr. Emiliano Rios Caban (known as Jon Rios) (the “Rios Employment Agreement”), pursuant to which Mr. Rios serve as the Chief Compliance Officer of INX Digital, the Company and its affiliated companies. If the Rios Employment Agreement is terminated without cause or good reason, as such terms are defined in the Rios Employment Agreement, INX Digital shall continue to pay Mr. Rios a base salary for twelve months following the termination date. Mr. Rios will receive an annual base salary of \$195 and is eligible to earn an annual performance-based bonus in the amount of \$50 upon the achievement of certain goals which shall be established by the INX Digital Board of Directors. In addition, Mr. Rios was granted an option to purchase 150,000 INX Tokens at a price of \$0.9 per Token.

f. Conversion of Convertible Loans

On February 25, 2021, holders of Convertible Loans (see Note 6) exercised their right under the loan agreements and converted the outstanding principal and interest amounts of the loan agreement into 956,333 Ordinary Shares of the Company.

g. Share Ownership and Award Plan

The Company’s board of directors adopted the INX Limited Share Ownership and Award Plan (2021) (the “Share Ownership and Award Plan“ or the “Plan”) and Company’s shareholders approved the Plan on February 22, 2021. The Plan provides for the grant of options to purchase Ordinary Shares and restricted shares to such employees, directors and consultants engaged by the Company or any of its affiliates. The Plan further provides for the grant of options and restricted shares to service providers who are not Gibraltar citizens, and includes U.S. and Israeli appendices that further specify the terms and conditions of grants of options and restricted shares to such foreign grantees. Subject to certain capitalization adjustments, the aggregate number of Ordinary Shares that may be issued pursuant to share awards under the Plan may not exceed 1,288,882 Ordinary Shares.



**INX LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2019**

**U.S. DOLLARS IN THOUSANDS**

**INDEX**

	<b>Page</b>
<b>Report of Independent Registered Public Accounting Firm</b>	<b>2</b>
<b>Consolidated Balance Sheets</b>	<b>3</b>
<b>Consolidated Statements of Comprehensive Loss</b>	<b>4</b>
<b>Consolidated Statements of Changes in Equity</b>	<b>5</b>
<b>Consolidated Statements of Cash Flows</b>	<b>6</b>
<b>Notes to Consolidated Financial Statements</b>	<b>7 - 29</b>

-----



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### To the Board of Directors and Shareholders of

### INX LIMITED

#### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of INX Limited (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in conformity with International Financial Reporting Standards, as issued by the International Accounting Standard Board.

#### The Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1c to the financial statements, since date of inception in September 2017, the Company has incurred a loss from operations and as of December 31, 2019, the Company has an accumulated deficit of \$8,336 thousand. The Company has stated that due to these and other factors described in Note 1c substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1c. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

#### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Tel-Aviv, Israel  
April 23, 2020

*Kost Forer Gabbay and Kasierer*  
KOST FORER GABBAY & KASIERER  
A Member of Ernst & Young Global

We have served as the Company's auditor since its incorporation in 2017.

**CONSOLIDATED BALANCE SHEETS**

**U.S. dollars in thousands (except share and per share data)**

	Note	December 31,	
		2019	2018
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents		79	649
Related parties	4	14	71
Prepaid expenses and other receivables		294	301
Total assets		387	1,021
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts and other payables		500	298
INX Token liability	3	1,179	411
Derivative liabilities	7(a)(2)	109	17
Warrant liability	5	-	135
Convertible loans	6	145	106
		1,933	967
<b>EQUITY:</b>			
Ordinary shares of GBP 0.001 par value - Authorized: 100,000,000 shares at December 31, 2019 and 2018; Issued and Outstanding: 11,412,930 and 10,987,747 at December 31, 2019 and 2018, respectively		15	14
Share premium		6,805	4,717
Receivable on account of shares		(76)	(76)
Conversion option of convertible loans		46	46
Accumulated deficit	7	(8,336)	(4,647)
Total equity		(1,546)	54
Total equity and liabilities		387	1,021

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

**U.S. dollars in thousands (except share and per share data)**

	<u>Note</u>	<u>Year ended December 31,</u>	
		<u>2019</u>	<u>2018</u>
Operating expenses:			
Research and development		468	525
General and administrative		<u>2,432</u>	<u>3,139</u>
Loss from operations		<u>2,900</u>	<u>3,664</u>
Fair value adjustment of INX Token and derivative liabilities	3	854	340
Finance expense		70	6
Finance income	5	<u>(135)</u>	<u>-</u>
Loss and total comprehensive loss		<u><u>3,689</u></u>	<u><u>4,010</u></u>
Loss per share, basic and diluted		<u><u>0.32</u></u>	<u><u>0.50</u></u>
Weighted average number of shares outstanding, basic and diluted		<u><u>11,395,273</u></u>	<u><u>7,948,935</u></u>

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

U.S. dollars in thousands (except share and per share data)

	Ordinary shares		Share premium	Receivable on account of shares	Conversion option of convertible loans	Accumulated deficit	Total equity
	Shares	Amount					
Balance as of January 1, 2018	4,917,166	7	736	(75)	31	(637)	62
Loss and total comprehensive loss	-	-	-	-	-	(4,010)	(4,010)
Issuance of Ordinary shares and warrants, net *)	4,704,822	6	3,591	(1)	-	-	3,596
Consideration for Ordinary shares issued in 2017	-	-	28	-	-	-	28
Exercise of warrant	1,368,759	1	146	-	-	-	147
Share-based payment	-	-	216	-	-	-	216
Conversion option of convertible loan	-	-	-	-	15	-	15
Balance as of December 31, 2018	10,987,747	14	4,717	(76)	46	(4,647)	54
Loss and total comprehensive loss	-	-	-	-	-	(3,689)	(3,689)
Issuance of Ordinary shares, net **)	425,183	1	441	-	-	-	442
Consideration for warrants exercised in 2018	-	-	39	-	-	-	39
Share-based payment	-	-	202	-	-	-	202
Issuance of Simple Agreements for Future Equity	-	-	1,406	-	-	-	1,406
Balance as of December 31, 2019	<u>11,412,930</u>	<u>15</u>	<u>6,805</u>	<u>(76)</u>	<u>46</u>	<u>(8,336)</u>	<u>(1,546)</u>

\*) Net of issuance expenses of \$3.

\*\*) Net of issuance expenses of \$2.

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**U.S. dollars in thousands**

	<b>Year ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<u>Net cash flows from operating activities:</u>		
Loss	(3,689)	(4,010)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based payment	202	216
INX Token based compensation	9	2
Fair value adjustment of INX Token and derivative liabilities	854	340
Fair value adjustment of warrant liability	(135)	(23)
Accrued finance expense	39	12
Changes in operating assets and liabilities:		
Decrease in prepaid expenses	7	217
Increase (decrease) in accounts and other payables	199	(16)
Net cash used in operating activities	<u>(2,514)</u>	<u>(3,262)</u>
<u>Net cash flows from investing activities:</u>		
Funds refunded from (held by) a related party, net	<u>57</u>	<u>(71)</u>
Net cash provided by (used in) investing activities	<u>57</u>	<u>(71)</u>
<u>Net cash flows from financing activities:</u>		
Proceeds from issuance of convertible loans	-	46
Consideration received for share-based payment	-	28
Proceeds from issuance of Ordinary shares, net	442	3,596
Proceeds from issuance of Simple Agreements for Future Equity	1,406	-
Proceeds from issuance of Warrant liability	-	158
Proceeds from warrants issued in 2018	39	147
Proceeds from issuance of INX Tokens and derivative	-	7
Net cash provided by financing activities	<u>1,887</u>	<u>3,982</u>
Change in cash and cash equivalents	(570)	649
Cash and cash equivalents at beginning of year	<u>649</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>79</u>	<u>649</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 1:- GENERAL**

## a. Business description:

INX Limited (the “Company”) was incorporated for the purpose of the development and operation of an integrated, regulated solution for trading blockchain assets (“INX Trading Solutions”) that will include a cryptocurrency trading platform, a security token trading platform and other services and products related to the trading of blockchain assets.

The Company’s goal in the development of INX Trading Solutions is to offer professionals in the financial services community a comprehensive, interactive platform that allows for seamless integrated trading, real-time risk management and reporting and administration tools. INX Trading Solutions will permit trading of various blockchain assets, including cryptocurrencies and security tokens, as it expands into different forms of trading products, including futures and derivative products. The Company plans to develop INX Trading Solutions as a series of centralized platforms that facilitates peer-to-peer professional trading services. This trading platform will help customers automate and coordinate front-office trading functions, middle-office risk management and reporting functions, and back-office accounting functions.

INX Trading Solutions will utilize established practices common in other regulated financial services markets, such as customary trading, clearing, and settlement procedures, regulatory compliance, capital and liquidity reserves and operational transparency.

As part of the INX decentralized blockchain ecosystem, the Company created the INX Token (the “INX Token”). Of the 200 million INX Tokens that have been created, the Company intends that 130 million INX Tokens will be offered to the public (the “Offering”). After the INX Securities trading platform is operational, the INX Token can be used to pay INX Securities trading platform transaction fees at a minimum discount of 10% as compared to the use of other currencies.

The Company does not intend to issue 35 million of the 200 million INX Tokens that have been created. In addition, the Company will reserve an additional 20% of INX Tokens received as payment of transaction fees, as long as the total amount of INX Tokens reserved does not exceed 35 million plus 50% of the number of INX Tokens sold by the Company to the public pursuant to the Offering and subsequent offerings of INX Tokens (excluding re-issuances of reacquired INX Tokens), up to a maximum of 100 million INX Tokens. The Company does not intend to issue these reserved INX Tokens for general fundraising purposes; these INX Tokens may be issued to finance extraordinary expenditures, as determined by the Board. In addition, as of December 31, 2019, a total of 17,373,438 INX Tokens are reserved for issuance to employees, directors, advisors and early investors. Of this amount, 1,258,000 INX Tokens had been issued as of December 31, 2019.

Following an amendment to the INX Token rights which was approved by the Board of Directors of the Company on May 17, 2019 (the “Token Rights Amendment”), the Holders of INX Tokens (other than the Company) will be entitled to receive a pro rata distribution of 40% (20% prior to the Token Rights Amendment) of the Company’s net cash flow from operating activities, excluding any cash proceeds from an initial sale by the Company of an INX Token (the “Adjusted Operating Cash Flow”). The distribution will be based on the Company’s cumulative Adjusted Operating Cash Flow, net of cash flows which have already formed a basis for a prior distribution, calculated as of December 31 of each year. The distribution will be paid to parties (other than the Company) holding INX Tokens as of March 31 of the following year. Distributions will be paid on April 30, commencing with the first distribution to be paid, if at all, on April 30, 2021, based on the Company’s cumulative Adjusted Operating Cash Flow calculated as of December 31, 2020.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 1:- GENERAL (Cont.)**

## b. Organizational information:

The Company was incorporated in Gibraltar on November 27, 2017. Its registered office is located at 6 Bayside Road, Gibraltar. After the INX Securities Trading platform becomes fully operational, the Company intends to relocate its principal office to New York, NY.

The Company's founding shareholders are Triple-V (1999) Ltd. ("Triple-V"), and A-Labs Finance and Advisory Ltd. ("A-Labs"), which as of December 31, 2019 own 29.41% and 10.23%, respectively, of the Company's outstanding Ordinary shares

The Company has incorporated in Delaware two wholly-owned US subsidiaries, INX Services, Inc., which commenced operations in March 2018, and is intended to be registered as a licensed broker-dealer; and INX Digital, Inc. which was incorporated in April 2019 and is intended to be registered as a money transmitter to operate a trading platform for cryptocurrencies.

In addition, the Company has a wholly owned subsidiary, INX Solutions Limited., incorporated in Gibraltar, through which it intends to offer its services and products to the European market. INX Solutions Limited has not yet commenced operations.

## c. Going concern:

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Since inception of activities in September 2017, the Company has incurred a loss from operations and as of December 31, 2019, the Company has an accumulated deficit of \$8,336. The Company has not yet generated cash from operations and it requires financing resources to support the ongoing operations, particularly development, marketing and operational costs. The Company's future expenditures and capital requirements will depend on numerous factors, including: the success of the Offering, the progress of the platform's development efforts, timely launch of the operations of the INX Trading platform, and the outcome of the coronavirus pandemic which may impact the Company's operations and the ability to raise capital (see Note 10(b)).

The Company is dependent upon the funds expected from the Offering to satisfy its working capital requirements in the coming 12 months. If the proceeds from the Offering will be less than the required working capital, or if development and other operating costs will be higher than expected, the Company may need to obtain additional funding to support its operations in the coming 12 months. Furthermore, the Company's management believes that regardless of the funds from the Offering, it may need additional funding to finance its operations beyond the coming 12 months, until positive cash flows from operations is achieved. The above factors raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)**

---

**NOTE 1:- GENERAL (Cont.)**

- d. The financial statements of the Company as of December 31, 2019 and 2018 and for the years then ended were authorized for issuance in accordance with a resolution of the board of directors on April 23, 2020.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in these consolidated financial statements for the periods presented, unless otherwise stated.

- a. Basis of presentation of the financial statements:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standard Board ("IASB").

The consolidated financial statements have been prepared on a cost basis, except for the INX Token, warrant and derivative liabilities which are presented at fair value through profit or loss.

- b. Consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

- c. Functional and presentation currencies:

The consolidated financial statements are presented in U.S. dollars, which is also the functional currency of all the entities in the Group, as substantially all of the Group's expenditures and financing are denominated in U.S. dollars and the U.S. dollar presently best reflects the economic environment in which the Group is expecting to operate.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

d. Financial instruments:

On January 1, 2018, the Company initially adopted IFRS 9, Financial Instruments. The Company elected to apply the provisions of IFRS 9 retrospectively, without adjusting the comparative information. The adoption of IFRS 9 had no impact on retained earnings or other components of equity as of January 1, 2018.

The following are the accounting policies applied by the Company:

1. Financial assets are initially recognized at fair value plus directly attributable transaction costs.
2. Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are measured subsequent to initial recognition at amortized cost.
3. Financial liabilities:

Financial liabilities are initially recognized at fair value. After initial recognition, the accounting treatment of financial liabilities is based on their classification as follows:

a) Financial liabilities at amortized cost:

After initial recognition, loans and other liabilities are measured based on their terms at amortized cost less directly attributable transaction costs using the effective interest method.

- b) Financial liabilities at fair value through profit or loss – These include financial liabilities held for trading (including the warrant and derivative liabilities) and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognized in profit or loss.

Based on the terms of the INX Token, as described in Note 1a, the INX Token is a hybrid financial instrument. The host instrument is a financial liability due to the right of the INX Token holder to effectively redeem the INX Token in consideration as payment for services. The INX Token is considered a puttable instrument which is a financial liability in accordance with IAS 32, Financial Instruments: Presentation.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The Company's obligation to make a pro rata distribution annually to the INX Token holders from the Company's Adjusted Operating Cash Flow is an embedded derivative. The Company views the Company's operating cash flows as a financial variable, and therefore, the embedded derivative requires bifurcation pursuant to IFRS 9. The Company elected in accordance with IFRS 9 to designate the entire financial liability (including the embedded derivative) at fair value through profit and loss. Accordingly, the INX Token liability is remeasured to fair value at the end of each reporting period. The change in the fair value of the INX Token liability that is attributable to changes in credit risk, excluding those changes in credit risk attributable to the embedded derivative, is presented in other comprehensive income. The remaining amount of the change in the fair value of the INX Token liability is presented in profit or loss.

When the INX Token is used to pay for services provided by the Company, the respective portion of the INX Token liability is derecognized and revenue is recognized. The fair value of INX Tokens issued in consideration for services to be provided to the Company is recognized as compensation expense as the services are provided.

4. Compound financial instruments:

Convertible debt which contains both an equity component and a liability component are separated into two components. This separation is performed by first determining the liability component based on the fair value of an equivalent non-convertible liability. The value of the conversion component is determined to be the residual amount. Directly attributable transaction costs are apportioned between the equity component and the liability component based on the allocation of proceeds to the equity and liability components.

5. Simple Agreement for Future Equity ("SAFE")

The Company has entered into equity funding agreements (SAFEs) pursuant to which funds received by the Company from investors will automatically be converted into the same class of share capital of the Company that will be issued in a future qualifying financing, as defined in the SAFE. The conversion price will be equal to the lower of, 25% discount on the base (undiscounted) price per share of the qualifying financing, and a fixed price, as set forth in the SAFE. If there is no qualifying financing within a specified time period, the funds received will automatically be converted into Ordinary shares of the Company at the fixed price.

The Company is not obligated to complete a qualifying financing within the term specified in the SAFE that would result in the issuance of a variable number of the Company's equity instruments. Accordingly, as the SAFE is a non-derivative for which the conversion price into the Company's equity instruments is fixed at the end of its term, the consideration received from investors pursuant to the SAFE is classified as equity.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## e. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement.

The Company classifies the bases used to measure certain assets and liabilities at their fair value. Assets and liabilities carried or measured at fair value have been classified into three levels based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The levels are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Significant inputs other than within Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices);
- Level 3: Inputs for the assets or liabilities that are not based on observable market data and require management assumptions or inputs from unobservable markets.

For details of the fair value of the INX Token liability – See Note 5. For the fair values of derivative liabilities, see Notes 7a(2)(a) and 7a(2)(c). The fair values of current financial assets and financial liabilities, other than the INX Token and derivative liabilities, approximate their carrying amounts due to the short-term maturity of these instruments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share, token, per share and per token data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f. Share based payment transactions:

Certain of the Company's employees and other service providers are entitled to remuneration in the form of equity settled share-based payment transactions. The cost of the transactions is measured at the fair value of the equity instruments granted at grant date, using an appropriate valuation model, further details of which are provided in Note 8. The cost of the transactions is recognized in profit or loss together with a corresponding increase in equity or for share based grants during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees/service provider become entitled to the award (the "vesting period"). The cumulative expense recognized at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of instruments that will ultimately vest.

g. Research and development expenses:

Research expenses are recognized in profit or loss when incurred. An intangible asset arising from a development project or from the development phase of an internal project is recognized if the Company can demonstrate all of the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset and use or sell it; the Company's ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the Company's ability to measure reliably the expenditure attributable to the intangible asset during its development. Through December 31, 2019, the Company has not met all the aforementioned criteria and therefore all development costs have been recognized in profit or loss.

h. Employee benefit expenses:

Short term employee benefits included in consolidated statements of comprehensive loss are as follows:

	<b>Year ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Research and development	360	96
General and administrative	721	481

i. Income taxes:

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates used to compute the amount are those that are enacted or substantively enacted at the reporting date.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

Deferred tax is provided using a liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets are recognized for deductible temporary differences and the carryforward of any unused tax losses. Deferred tax assets are recognized to the extent that it is probable taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available for all or part of the deferred tax asset to be utilized.

As of December 31, 2019, the Company has a carryforward operating loss that approximates the accumulated deficit of the Company in the amount of \$ 8,336. No deferred tax asset has been recorded in respect of the carryforward tax loss due to the uncertainty of its realization.

j. Net loss per share:

Basic loss per share is computed by dividing the net loss attributable to equity holders of the Company by the weighted average number of Ordinary shares outstanding during the period. Diluted loss per share is computed by dividing the net loss, as above, after adjustment for interest on the convertible loans by the weighted average number of Ordinary shares outstanding, as above, plus the weighted average number of Ordinary shares that would be issued on conversion of the convertible loans.

For the years ended December 31, 2019 and 2018, the effect of the inclusion of the weighted average number of shares of 1,952,832 Ordinary shares and 1,411,312 Ordinary shares, respectively, that would have been issued upon the conversion of the Company's employees stock options, convertible loans, and warrants were anti-dilutive.

k. Estimates and assumptions:

The preparation of the consolidated financial statements requires management to make estimates and assumptions that have an effect on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the consolidated financial statements concerning uncertainties at the reporting date that may result in a material adjustment to the carrying amount of the INX Token liability within the next financial year are discussed in Note 3.

l. Initial application of new financial reporting and accounting standards

IFRS 16, Leases

IFRS 16 provides guidance on the recognition, measurement, presentation and disclosure of leases. The Company applied IFRS 16 beginning on January 1, 2019. As the Company currently has no material lease agreements, the adoption of IFRS 16 did not have any effect on the Company's financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share, token, per share and per token data)

NOTE 3:- INX TOKEN LIABILITY

The number of INX Tokens that the Company has an obligation to issue as of December 31, 2019 and 2018 is as follows:

	December 31,	
	2019	2018
Founding shareholders:		
Triple-V	9,435,939	9,435,939
A-Labs	4,550,000	4,550,000
	<u>13,985,939</u>	<u>13,985,939</u>
Investors - see Note 7(a)(2)(a))	1,068,000	1,068,000
Holder of convertible loans	2,690,623	2,690,623
Service providers	<u>1,147,500</u>	<u>1,057,500</u>
Total	<u>18,892,062</u>	<u>18,802,062</u>
Total fair value	<u>1,179</u>	<u>411</u>

The fair value of each INX Token as of December 31, 2019 and 2018 was \$0.06237 and \$0.02188, respectively. The fair value as of December 31, 2019 was determined by management and the Board of Directors based on a valuation derived from a capital raise pursuant to the terms of a SAFE approved by the Board of directors in February 2020. The fair value as of December 31, 2018 was determined by management and the Board of Directors based on a valuation derived from various transactions involving the issuance of INX equity securities.

In determining the fair value of the INX Token from these transactions, the Company used various inputs and assumptions in performing an underlying comparison of the shareholder's and INX Token holder's participation rights in the Company's earning distribution. The significant inputs and assumptions are the price of the Ordinary share of the Company, the volatility used in valuing the Company's share options and INX Token warrants, expected term of the INX Token warrants, the number of INX Tokens expected to be issued in the Offering and the weighted average probability as to the amount of funds to be raised in the Offering. The level in the fair value hierarchy is level 3.

A quantitative sensitivity analysis of certain inputs that are significant to the fair value measurement as of December 31, 2019 and 2018, are shown below:

Significant inputs	Input used	Sensitivity of the input to fair value
Price of the INX Ordinary share	December 2019: \$0.98 December 2018: \$1.044	10% increase (decrease) in the share price would result in increase (decrease) in fair value as of December 31, 2019 by \$120 (\$41 as of December 31, 2018).
Number of INX tokens expected to be issued in the Offering	130 million	Decrease of 50 million in the number of INX Tokens would result in an increase in fair value as of December 31, 2019 by \$559 (\$198 as of December 31, 2018).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share, token, per share and per token data)

NOTE 3:- INX TOKEN LIABILITY (Cont.)

In respect of the other significant inputs described above, the Company estimates that there are no expected reasonably possible changes in the assumptions that would have a significant effect on the fair value of the INX Tokens as of the reporting dates.

There is currently no trading market for the INX Token. If such a trading market were to develop, the fair value of the INX Token liability will be subject to fluctuations due to changes in market prices (market risk). The market price of the INX Token may be volatile due to a number of factors, including fluctuations in the Company's results of operations and macro-economic factors.

In the years ended December 31, 2019 and 2018, the re-measurement to fair value of the INX Token liability in respect of INX Tokens resulted in an expense (unrealized loss) of \$762 and \$326, respectively, which was recorded in profit or loss.

The changes in the fair value of the INX Token liability attributable to changes in credit risk, excluding those changes in credit risk attributable to the embedded derivative, are immaterial for all reported periods and therefore no amounts have been included in other comprehensive income in respect of credit risk.

*Commitments to issue INX Tokens*

The Company has commitments to issue approximately 6 million INX Tokens issuable upon the exercise of options granted to directors, employees and others with a weighted average exercise price of approximately \$0.01 per Token, which options are not exercisable until six months following the date the initial public offering of INX Tokens is declared effective by the SEC.

NOTE 4:- RELATED PARTIES

a. Balances:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Assets:		
Receivable - funds held by related party	14	71
Prepaid expenses	255	258
Liabilities:		
INX Token liability (see Note 3)	1,008	350
Derivative liabilities	43	4
Convertible loan (see Note 6)	41	37

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share, token, per share and per token data)

NOTE 4:- RELATED PARTIES (Cont.)

b. Transactions:

	<b>Year ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Research and development	146	96
General and administrative (*)	915	620
Fair value adjustment of INX Token and derivative liabilities	689	283

\*) Includes share-based compensation of \$202 and \$145 for the years ended December 31, 2019 and December 31, 2018 respectively, recorded in respect of related parties.

c. Benefits to key management personnel:

	<b>Year ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Short-term benefits	851	569
Share-based compensation	202	145
Token-based compensation	9	2

Through December 31, 2019, the Company signed management agreements with senior management personnel, according to which six months following the date a registration statement in connection with an initial public offering of INX Tokens is declared effective by the SEC, the management personnel are entitled to receive a one-time cash bonus in an aggregate amount of \$924.

NOTE 5:- WARRANT LIABILITY

In connection with the October 2018 Financing, the Company issued to the investor a warrant to purchase 622,605 Ordinary shares of the Company. See Note 7.

This warrant was accounted for as a liability as a result of an anti-dilution protection mechanism, as described in Note 7. The fair value of this warrant was re-measured each period using a Black Scholes option pricing model with changes recognized in the statement of comprehensive loss. The following weighted average assumptions were used:

	<b>October 2,</b>	<b>December 31,</b>
	<b>2018</b>	<b>2018</b>
Risk-free interest rate	2.41%	2.45%
Expected volatility	85.1%	102.3%
Expected life (in years)	0.5	0.25
Expected dividend yield	0%	0%
Number of ordinary shares underlying the warrant	622,605	622,605
Probability for an anti-dilution event	1%	1%
<b>Fair value</b>	<b>\$ 158</b>	<b>\$ 135</b>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 5:- WARRANT LIABILITY (Cont.)**

In the year ended December 31, 2018, the re-measurement to fair value of the warrant liability resulted in finance income (unrealized gain) of \$23.

The share warrant was exercisable during a period of six months from its issuance and expired in April 2019. The expiration of the warrant resulted in finance income (realized gain) of \$135.

**NOTE 6:- CONVERTIBLE LOANS**

The Company entered into convertible loan agreements dated November 27, 2017 (“Convertible Loans”) with three individuals, of which one is an officer of the Company (the “Lenders”), for an aggregate amount of \$144. The loans are convertible at any time and at each Lender’s sole discretion, into an aggregate total of 956,333 Ordinary shares of the Company or repaid at the earlier of (i) the lapse of five years; (ii) an initial public offering of the Company’s shares or a security token or (iii) upon a Deemed Liquidation Event as defined in the Company’s Articles of Association. The loans bear 2% interest compounded annually. In addition, the Lenders were granted the right to purchase a total of 2,690,623 INX Tokens.

During the years 2018 and 2017, the Company received \$47 and \$97, respectively, in consideration for the convertible loans and INX Tokens, of which \$1 and \$4, respectively were attributed to the fair value of the INX Tokens. The fair value of the loans received during the years 2018 and 2017, amounted to \$31 and \$ 62 respectively, resulting in an effective interest rate of 60% and the balances of \$15 and \$31, respectively, were attributed to the conversion option, which was recorded in equity.

In the years ended December 31, 2019 and 2018, interest and amortization of discount on the convertible loans amounted to \$39 and \$12, respectively.

**NOTE 7:- EQUITY****a. Outstanding Ordinary shares:**

In the period from inception (September 2017) through December 31, 2019, Ordinary shares of the Company were issued and outstanding as follows:

1. Period ended December 31, 2017:
  - a) Issuance of 3,356,666 Ordinary shares to Triple-V in consideration for \$527 of which \$452 was paid in cash. The balance of \$75 is recorded as a receivable on account of shares as an offset to equity.
  - b) Issuance of 1,120,000 Ordinary shares to A-Labs in consideration for services provided to the Company at a fair value of \$175.
  - c) Issuance of 440,500 Ordinary shares to certain service providers of the Company in consideration for services provided to the Company at a fair value of \$69

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

U.S. dollars in thousands (except share, token, per share and per token data)

---

## NOTE 7:- EQUITY (Cont.)

2. Year ended December 31, 2018:

- a) During January and February 2018, the Company signed four individual Share Purchase Agreements with four new investors (the “New Investors”). Pursuant to these agreements, the Company issued a total of 1,768,290 Ordinary shares to the New Investors. In addition, two of the New Investors were granted warrants to purchase up to an additional 1,647,264 Ordinary shares at an exercise price of \$0.13465 per share. The warrants will expire upon the earlier of a merger or acquisition of the Company, or nine months from the date the warrants were granted in January 2018.

In June 2018, some of the New Investors signed amendments to the Share Purchase Agreements pursuant to which the New Investors are entitled to receive an additional 1,068,000 INX Tokens.

The New Investors are also entitled to receive, for no additional consideration, a number of INX Tokens to be determined by dividing the aggregate consideration of \$693 by the price per Token in an initial public offering of INX Tokens. The number of INX Tokens received will not exceed 2% of the total number of INX Tokens issued at the time of the initial public offering. The Company has accounted for this obligation to issue Tokens as a derivative liability that is measured at fair value through profit or loss. As of December 31, 2019, and December 31, 2018, the fair value of the related derivative liability, which was determined based on management’s assessment of the probability of the number of Tokens to be issued under different scenarios, amounted to \$103 and \$14, respectively, and is included in Derivative liabilities. The level in the fair value hierarchy is level 3.

The aggregate consideration received from the New Investors amounted to \$704, of which \$698, \$5 and \$1 were attributed to the shares and warrants, INX Tokens and derivative liability, respectively.

On September 10, 2018, the New Investors exercised a portion of their warrants and purchased 1,368,759 Ordinary shares in consideration for \$186, of which \$39 was received in February 2019. The remaining warrants expired.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share, token, per share and per token data)

## NOTE 7:- EQUITY (Cont.)

- b) In May 2018, the Company issued to additional investors 2,358,820 Ordinary shares in consideration for an aggregate amount of \$2,463.
- c) On October 2, 2018, the Company issued to a new investor 478,927 Ordinary shares in consideration for \$500 reflecting a price per share of \$1.044 (the "Purchase Price"). The Company also issued to the investor a share warrant to purchase an additional 622,605 Ordinary shares at the same price per share. In addition, the investor received an INX Token warrant to purchase 325,000 INX Tokens at a price per token equal to 70% of the price of the INX Tokens determined at an initial coin offering. The share warrant is exercisable during a period of six months commencing from the effective date of the transaction (the "October 2018 Financing"). In April 2019, the share warrant expired. The INX Token warrant may be exercised during a period commencing from the effective date and terminating upon the earlier of (i) the closing of the ICO; or (ii) 12 months. On December 19, 2019, the term of the INX Token warrant was extended though the earlier of: (i) the closing of the ICO; and (ii) June 30, 2020.

According to the October 2018 Financing, in the event that during a period of six months from the effective date, the Company shall issue Ordinary shares at a price per share that is lower than the Purchase Price, the Purchase Price shall be retroactively adjusted to be equal to such lower price and the Company shall issue to the investor additional Ordinary shares, such that the total amount of shares issued to the investor under the October 2018 Financing shall be equal to the aggregate purchase price, divided by the lower share price. The number of Ordinary shares issuable upon exercise of the warrant and the exercise price shall be adjusted accordingly. The share warrant together with the anti-dilution protection mechanism described above, were accounted as Warrant liability which is re-measured each period at fair value in the statement of comprehensive loss. See Note 5. Through April 2019, no Ordinary shares were issued at a price lower than the Purchase Price. Therefore, no additional Ordinary shares were issued to the investor and the share warrant expired.

With respect to the INX Token warrant described above, the Company has accounted for this obligation to issue Tokens as a derivative liability that is measured at fair value through profit or loss. As of December 31, 2019, and 2018, the fair value of the derivative liability, which was determined using a Black Scholes option pricing model, amounted to \$6 and \$3, respectively, and is included in Derivative liabilities. The following assumptions were used to estimate the fair value of the INX Token warrant: risk-free interest rate of 1.55%, expected volatility of 66.13%, expected life (in years) of 0.25 and expected dividend yield of 0%. The level in the fair value hierarchy is level 3.

The October 2018 Financing aggregate consideration was attributed to Ordinary shares, warrant liability and token derivative liability, according to their fair value as of the date of the transaction, which amounted to \$340, \$158 and \$2, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 7:- EQUITY (Cont.)**

- d) On October 10, 2018, the Company issued to an additional investor 95,785 Ordinary shares in consideration for \$100.

Year ended December 31, 2019:

- a) In January 2019, the Company signed separate share purchase agreements with several investors, including A-Labs and one of the Company's service providers which is a related party. Pursuant to these agreements, the Company issued to the investors 425,183 Ordinary shares in consideration for \$444, reflecting a price of \$1.044 per share. The Ordinary shares issued include 47,893 shares and 33,391 shares that were issued to A-Labs and one of the Company's service providers, respectively.
- b) In April 2019, the Board of Directors of the Company approved a capital raise in the form of Simple Agreements for Future Equity ("SAFE"). Pursuant to the SAFE, upon consummation of an investment round in shares of capital stock of the Company in the amount of not less than \$ 2,000 (in addition to the funds raised under the SAFEs) (the "Qualifying Financing"), the funds raised under the SAFEs will automatically be converted into the same class of shares of capital stock as those issued in the Qualifying Financing at a price per share equal to the lower of: (i) a 25% discount on the base (undiscounted) price per share of the Qualifying Financing; and (ii) \$1.367 per share (the "Default Price"). If a Qualified Financing is not consummated within 12 months as of the Effective Date (as such term is defined in the SAFEs), the funds raised under the SAFEs will automatically be converted at a price per share equal to the Default Price pursuant to the terms set forth in the SAFEs. Following the approval of the Board of Directors, during April 2019, the Company entered into SAFEs with certain investors pursuant to which an amount of \$428 was raised by the Company, including \$150 and \$100 from Triple V and A-Labs, respectively.
- c) On August 13, 2019, the Board of Directors of the Company approved an additional capital raise of up to \$1,000,000 in the form of SAFE, which the Board of Directors of the Company then increased to \$1,500,000 on October 28, 2019 (the "Second SAFE"). The Second SAFE will also be automatically converted into the same class of shares of capital stock as those issued in the Qualifying Financing at a price per share equal to the lower of, 25% discount on the base (undiscounted) price per share of the Qualifying Financing, and \$1.367 per share. If a Qualified Financing is not consummated within 12 months commencing as of the Effective Date (as such term is defined in the Second SAFE), the funds will automatically be converted at a price per share of \$1.367. In addition to the shares issued to the investors upon conversion of the Second SAFE, the Second SAFE investors shall be entitled to an option to purchase an equal number of additional shares issued to them upon conversion of their investment under the Second SAFE, from the same class of such converted shares, for an exercise price of \$1.953 per share. This option shall be valid for a period of 36 months. In connection with the Second SAFE, the Company raised an amount of \$978, including \$250 from Triple V.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)**

---

**NOTE 7:- EQUITY (Cont.)**

- b. Rights attached to shares:

Ordinary shares confer upon their holders' rights to receive dividends in cash and in Company's shares, rights to nominate the Company's directors and rights to participate in distribution of dividends upon liquidation in proportion to their holdings. The Company has caused majority of its current shareholders and shall cause its future shareholders, to enter an agreement, pursuant to which such shareholders (i) irrevocably subordinate their rights to receive any distributions and payments from the Company prior to the payment in full by the Company of all distributions owed to INX Token holders, and (ii) irrevocably waive and subordinate their rights, in the event of an insolvency event, as defined in the INX Token Purchase Agreement, to any cash held in the cash fund. All Ordinary shares issued and outstanding have identical rights, including identical voting rights, in all respects.

**NOTE 8:- SHARE-BASED PAYMENT**

- a. Shares reserved for Employees Stock Option Plan:

On December 29, 2017, the Company's Board approved a resolution to reserve 417,000 Ordinary shares of the Company for the purpose of an Employees Stock Option Plan ("ESOP") and future grants to employees and consultants as the Board may approve from time to time. As of December 31, 2019, no Stock Option Plan has been adopted.

- b. Ordinary shares issued to certain employees and service providers:

During 2017, the Company issued Ordinary shares to certain employees and service providers in consideration for services to be provided to the Company.

The fair value of the Ordinary share was determined at \$0.156 per share as of the date of grant. The fair value of the Ordinary shares was derived from the total consideration paid by the Company's founding shareholder for INX Tokens and Ordinary shares issued to him upon the establishment of the Company. Key assumptions include an underlying comparison of the shareholder's and INX Token holder's participation rights in the Company's earning distribution.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share, token, per share and per token data)

NOTE 8:- SHARE-BASED PAYMENT (Cont.)

The expenses recognized in the consolidated financial statements for employees and services providers are shown in the following table:

Total number of Ordinary shares issued—fully vested	1,560,500
Fair value of shares	244
Less – cash and receivable from the service providers (*)	<u>(46)</u>
Amount attributed to compensation for services	198
Less – share-based payment expense in the period ended December 31, 2017	<u>(88)</u>
Prepaid expenses as of December 31, 2017	110
Less – share-based payment expense for the year ended December 31, 2018	<u>(54)</u>
Prepaid expenses as of December 31, 2018	56
Less – share-based payment expense for the year ended December 31, 2019	<u>(1)</u>
Prepaid expenses as of December 31, 2019	<u><u>55</u></u>

\*) During 2018, the receivable in the amount of \$28 was received by the Company.

c. Share options and warrants granted to employees and service providers:

1. In May 2018 the Company granted to Y. Singer (service provider) a warrant to purchase 68,173 Ordinary shares of the Company. See also Note 9b.
2. As further described in Notes 9d, 9f and 9j, upon and subject to the adoption of a Share Ownership and Option Plan (the “Plan”) by the Company, certain employees shall receive 530,349 options exercisable into Ordinary shares of the Company at a price per share equal to the fair value per share at the date of the adoption of the Plan. The options vest over periods of three to four years. The options are exercisable for a period of 10 years from the date of grant. As of December 31, 2019, none of these options were exercisable. Since the exercise price has not yet been determined, the Company has recorded expenses of \$202 and \$145 for the years ended December 31, 2019 and 2018, respectively, based on an estimate of the fair value of the options as of the respective periods end.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share, token, per share and per token data)

NOTE 8:- SHARE-BASED PAYMENT (Cont.)

3. The table below summarizes the assumptions that were used to estimate the fair value of the above options granted to employees using the Black- Scholes option pricing model:

	Year ended December 31,	
	2019	2018
Expected term (years)	10	4-10
Expected volatility	123.69%	129%-139%
Estimated exercise price	0.98	1.044
Risk-free interest rate	2%	1.76%-2.85%
Dividend yield	0	0

NOTE 9:- COMMITMENTS AND CONTINGENCIES

- a. Engagement agreement with A-Labs Finance and Advisory Ltd. ("A-Labs"):

Under an engagement agreement dated September 26, 2017, as amended in December 2017 and January 31, 2018 (the "A-Labs Agreement"), A-Labs, a shareholder of the Company, shall provide services to the Company which include, among others, development, planning, management, execution, branding and marketing outside of the US with relation to the Offering of the INX Tokens on behalf of the Company. In consideration for these services, A-Labs received a non-refundable, cash payment of \$500 and will receive a contingent cash payment of \$500 payable upon the completion of an offering in which the Company has raised from US Persons not less than \$10,000. Subject to the completion of an offering under which the Company has raised from non-U.S. persons not less than \$10,000, A-Labs also will receive an additional contingent cash payment for the marketing and sale of INX Tokens to non-US Persons only. Such consideration shall be equal to: 10% of the first \$30,000 (up to \$3,000) in ICO Proceeds (as defined in the A-Labs Engagement Agreement); 5% of the next \$70,000 (up to \$3,500) in ICO Proceeds; 6% of the next \$100,000 (up to \$6,000) in ICO Proceeds; and 7.5% of ICO Proceeds in excess of \$200,000.

A-Labs also received a grant of 4,550,000 INX Tokens at a fair value of \$6. In addition, pursuant to an agreement signed contemporaneously with the A-Labs Agreement, the Company issued 1,120,000 Ordinary shares to A-Labs. The fair value of the Ordinary shares issued amounting to \$136 (\$175 less the payment of \$39 required for those shares), is deemed additional consideration for the services to be provided by A-Labs.

In September 2017, the total consideration in the A-Labs Agreement amounted to \$681. This amount is comprised of cash of \$500, INX Tokens with a fair value of \$6 and Ordinary shares with a fair value of \$175. A-Labs contributed \$45 (\$6 for the INX Tokens and \$39 for the Ordinary shares), such that the consideration in excess of the amount contributed amounted to \$636. As the A-Labs Agreement required A-Labs to provide these services in the future, upon initial recognition this amount of \$636 was recorded as prepaid expenses.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share, token, per share and per token data)

## NOTE 9:- COMMITMENTS AND CONTINGENCIES (Cont.)

The fair value of the INX Tokens and of the Ordinary shares was derived from the total consideration paid by the Company's founding shareholder for INX Tokens and Ordinary shares issued to him upon the establishment of the Company. Key assumptions include an underlying comparison of the shareholder's and INX Token holder's participation rights in the Adjusted Operating Cash Flow.

In the years ended December 31, 2019 and 2018, the Company recognized compensation expense of \$3 and \$259, respectively. The compensation expense recognized was based on the extent of the services performed until the respective dates.

As of December 31, 2019, and December 31, 2018, the balance of prepaid expenses amounted to \$255 and \$258, respectively.

As of December 31, 2019, an accrual for the contingent cash payment of \$500 and the additional contingent cash payments which are dependent on completion of the Offering as described above, was not recorded in the balance sheet due to the uncertainty of the payments.

b. Software services agreement with Y. Singer Ltd. ("Y. Singer"):

Under the Software Services Agreement, effective as of October 1, 2017, and as amended on May 9, 2018, June 27, 2018 and August 6, 2018 (the "Y. Singer Agreement"), between the Company and Y. Singer, Y. Singer shall provide services to the Company, including the design, development, implementation, modification and customization of the INX Trading Solutions platform software. In addition, Y. Singer will provide maintenance and support services for a three-month period to INX Trading Solutions with a renewal option. In consideration for these services, Y. Singer is entitled to approximately \$500. In consideration for past services, Y. Singer was also granted in May 2018 a warrant to purchase 68,173 Ordinary shares of the Company at an exercise price equal to the par value per share of GBP 0.001 exercisable for a period of 48 months from the date the warrants were granted. Upon issuance of these warrants, the Company recorded compensation expense of \$71 in the year ended December 31, 2018 based upon the fair value of the Ordinary shares at that date. The Software Services Agreement between the Company and Y. Singer has terminated under its terms as a result of the Company's failure to raise \$5,000 by September 30, 2018. However, Y. Singer continued to perform the services under the Software Services Agreement through its completion during the second quarter of 2019, in consideration for the amount provided in the Software Services Agreement.

c. Contingent bonus:

Certain individuals are entitled to receive a one-time bonus in the aggregate amount of \$205 six months following the date the registration statement is declared effective by the SEC in connection with an initial public offering of INX Tokens in which a certain minimum amount is raised.

For contingent bonuses payable to key management personnel, see Note 4.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share, token, per share and per token data)

## NOTE 9:- COMMITMENTS AND CONTINGENCIES (Cont.)

## d. Appointment of Mr. Silbert as the Executive Managing Director:

In connection with the appointment of Mr. Silbert as the Executive Managing Director of INX Services, Inc., Mr. Silbert entered into an Executive Employment Agreement with INX Services, Inc. dated March 7, 2018, and subsequently amended on June 25, 2018, (the "Silbert Employment Agreement"), pursuant to which Mr. Silbert will provide services to INX Services, Inc. and the Company, including that Mr. Silbert shall serve as a member of the Board of the Company and Executive Managing Director of U.S. Operations of INX Services, Inc. Pursuant to the Silbert Employment Agreement, Mr. Silbert will receive an annual base salary of \$132.

Six months following the date the registration statement in connection with an initial public offering of INX Tokens is declared effective by the SEC, Mr. Silbert shall be eligible to earn an annual performance-based bonus in the amount of \$150 upon the achievement of certain performance-based targets which shall be established by the Board and shall also be granted an option to purchase 500,000 INX Tokens at a price of \$0.01 per Token, which option must be exercised within ninety days of the grant. Six months following the date the registration statement in connection with an initial offering of INX Tokens is declared effective by the SEC, Mr. Silbert's base salary shall increase to a monthly rate of \$20.

In addition, upon and subject to the adoption of a Share Ownership and Option Plan by the Company, Mr. Silbert shall receive an option to purchase 287,290 Ordinary Shares of the Company constituting 3% of the share capital of the Company on a fully diluted basis at the date of the Silbert Employment Agreement, at a price per share equal to its fair value at the grant date, which will be the date of the adoption of a Share Ownership and Option Plan. 25% of the option shares will vest upon each anniversary of Mr. Silbert's employment with INX Services. See Note 8c for further details.

## e. Appointment of Mr. James Crossley as a member of the Company's Board:

In connection with the appointment of Mr. James Crossley as a member of the Company's Board of Directors, the Company entered into a Services Agreement with Bentley Limited (the "Bentley Services Agreement"), effective as of February 1, 2018, pursuant to which Bentley Limited will provide services to the Company including that James Crossley shall serve as a board member of the Company. Pursuant to the Bentley Services Agreement, Bentley will receive a monthly consulting fee of GBP 1,600. Commencing January 2018, Bentley also receives a fee of GBP 1,000 per month in consideration for administrative services.

In addition, Bentley received the option to purchase 10,000 INX Tokens per month at the price of \$0.01 per Token, subject to a maximum of 100,000 INX Tokens. On January 7, 2019, the Bentley Services Agreement was amended to include the grant of options to Bentley Limited to purchase additional 7,500 INX Tokens per month at the price of \$0.01 per Token. Such additional options shall commence on December 1, 2018 and shall lapse on the first of the month in which the Company raises \$10,000 in a public offering of INX Tokens. Through December 31, 2019, Bentley received 197,500 INX Tokens.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share, token, per share and per token data)

NOTE 9:- COMMITMENTS AND CONTINGENCIES (Cont.)

f. Agreement with Fidelis LLC:

On April 23, 2018, the Company and INX Services, Inc. entered into a services agreement with Fidelis LLC, effective as of April 1, 2018 and as amended on June 25, 2018 and April 1, 2020 (the latter amendment, "Fidelis Amendment"), pursuant to which Mr. Matt Rozzi shall provide operations and compliance consultancy services to the Company and INX Services. Mr. Rozzi has received a monthly fee of \$12.5. Following the Fidelis Amendment, the fee is amended to an hourly based compensation. In addition, upon the registration of INX Services as a broker-dealer with FINRA, Mr. Rozzi shall be granted a one-time cash bonus of \$60.

Six months following the date the registration statement in connection with an initial public offering of INX Token is declared effective by the SEC, Mr. Rozzi will receive an option to purchase 350,000 INX Tokens at a price per Token of \$0.01.

In addition, upon and subject to the adoption of a Share Ownership and Option Plan by the Company, the Company will grant Mr. Rozzi an option to purchase 48,122 shares constituting 0.5% of the share capital of the Company as of April 23, 2018 (on a fully diluted basis and subject to future dilution) with an exercise price per share equal to its fair value at the grant date, which will be the date of the adoption of a Share Ownership and Option Plan. 25% of the options will vest on each anniversary of Mr. Rozzi's employment with INX Services. Since the exercise price has not been determined yet, the Company recorded stock based compensation expenses based on the best estimate of the fair value of the options at the end of the reporting period. See Note 8c for further details.

g. Appointment of Mr. David Weild as a member of the Company's Board:

On March 21, 2018, as amended on June 25, 2018, the Company appointed Mr. David Weild as a member of the Board of the Company, effective as of April 15, 2018. Mr. Weild will receive a monthly fee of \$1.5. Six months following the date the registration statement in connection with an initial public offering of INX Tokens is declared effective by the SEC, Mr. Weild shall receive an option to purchase 350,000 INX Tokens at a price of \$0.01 per Token and shall be entitled to purchase 3,500 INX Tokens at a price of \$0.01 per Token on a monthly basis during his tenure as director.

h. Consulting Agreement with Shay Laboratory Ltd:

Under the Consulting Agreement with Shay Laboratory Ltd., dated October 1, 2017, in consideration for its consulting services, Shay Laboratory Ltd. shall receive, upon and subject to the adoption of a Share Ownership and Option Plan by the Company and to raising a certain minimum amount in an initial public offering of INX Tokens, an option to purchase 28,010 Ordinary shares of the Company, at a price per share equal to the par value per share of GBP 0.001.

In addition, the Company has granted Shay Laboratory Ltd. an option to purchase INX Tokens equaling in the aggregate 0.1% of the registered INX Tokens which were not sold at the ICO or otherwise were distributed by the Company to any third party, at the price of \$0.01 per Token, provided that, such number of INX Tokens shall not exceed 100,000 and shall not be less than 15,000. Such options are contingent upon raising a certain minimum amount in an initial public offering of INX Tokens.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 9:- COMMITMENTS AND CONTINGENCIES (Cont.)**

In addition, upon an initial public offering of INX Tokens whereby a certain minimum amount of proceeds is raised, Shay Laboratory Ltd will be entitled to receive a one-time cash bonus of approximately \$55.

i. Appointment of New Directors:

In 2018, pursuant to letters of intention the Company engaged Mr. Ashar, Mr. Thadane and Mr. Lewis (the "New Directors") as members of the Board of Directors of INX Limited. Each of the New Directors will receive a monthly fee of \$1-\$1.5 for the term of the engagement. Six months following the date the registration statement in connection with an initial public offering of INX Tokens is declared effective by the SEC, each of the New Directors will be entitled to purchase 3,500 INX Tokens per month in consideration for \$0.01 per Token on a monthly basis during his tenure as director, as well as an option to purchase 350,000 INX Tokens at a price of \$0.01 per Token.

j. Agreement with Mr. Douglas Borthwick:

On September 1, 2019, INX Services, Inc. entered into a services agreement with Mr. Douglas Borthwick, pursuant to which Mr. Borthwick shall serve as the Chief Marketing and Business Development Officer of INX Services, Inc. Pursuant to the Borthwick Employment Agreement, Mr. Borthwick receives a base monthly salary of \$1. In addition, Mr. Borthwick was granted an option to purchase 103,929 INX Tokens at an exercise price of \$0.065 per INX Token. Six months following the date the registration statement in connection with this offering is declared effective by the SEC, Mr. Borthwick shall be entitled to a one-time bonus in the amount of \$200 and an option to purchase additional 259,821 INX Tokens at an exercise price of \$0.065 per INX Token. In addition, upon and subject to the adoption of a Share Ownership and Option Plan by the Company, Mr. Borthwick shall receive an option to purchase 194,937 Ordinary Shares of the Company, at a price per share equal to its fair value at the grant date, which will be the date of the adoption of a Share Ownership and Option Plan. The option shares shall vest over a period of three years, subject to the continuous engagement of Mr. Borthwick with the Company. Since the exercise price has not been determined yet, the Company recorded stock based compensation expenses based on the best estimate of the fair value of the options at the end of the reporting period. See Note 8c for further details.

If the said Agreement is terminated without cause or good reason, as such terms are defined in the Agreement, INX Services shall continue to pay Mr. Borthwick a base salary for twelve months following the termination date.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, token, per share and per token data)****NOTE 10:- SUBSEQUENT EVENTS**

- a) On February 21, 2020, the Board of Directors of the Company approved an additional capital raise of up to \$1,500,000 in the form of SAFE (the “Third SAFE”). The Third SAFE will be automatically converted into the same class of shares of capital stock as those issued in the Qualifying Financing at a price per share equal to the lower of, 25% discount on the base (undiscounted) price per share of the Qualifying Financing, and \$1.526 per share. If a Qualified Financing is not consummated within 12 months commencing as of the Effective Date (as such term is defined in the Third SAFE), the funds will automatically be converted at a price per share of \$1.526. In addition to the shares issued to the investors upon conversion of the Third SAFE, the Third SAFE investors shall be entitled to an option to purchase additional identical number of shares, from the same class of the shares issued to them upon conversion of their investment under the Third SAFE, for an exercise price of \$1.696 per share. This option shall be valid for a period of 36 months commencing as of the Effective Date of the agreement. Through the date of approval of these financial statements, an aggregate amount of \$429 has been received by the Company pursuant to the Third SAFE, including \$100 and \$30 from Triple V and A-Labs, respectively.
- b) In early 2020, an outbreak of the novel strain of a coronavirus, which causes a disease named COVID-19, spread worldwide. As a result of the coronavirus pandemic, governments and industries have instituted drastic actions to contain the coronavirus or treat its impact. Such actions, including bans on international and domestic travel, quarantines, and prohibitions on accessing work sites, have caused significant disruptions to global and local economies and have led to dramatic volatility in the capital markets.

The extent to which the coronavirus pandemic impacts the Company’s operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Factors that may result in material delays and complications with respect to the Company’s business, financial condition and results of operation include the duration and severity of the outbreak, and the actions that may be required to contain the coronavirus or treat its impact. In particular, the continued spread of the coronavirus globally could adversely impact the Company’s operations, including the development of the Company’s platforms within the expected timeframes, the health and safety of the employees, the ability to complete recruitment for open employment positions, and the ability to raise capital. In addition, the coronavirus pandemic could affect the operations of key governmental agencies, such as the SEC and CFTC, which may delay the development and regulatory approval necessary to operate the Company’s platforms.

**SCHEDULE "B"**  
**ANNUAL MD&A OF INX LIMITED**

(See attached)

## **MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*You should read the following discussion and analysis of our financial condition and results of operations together with the section titled “Selected Financial Data” and our financial statements and related notes included elsewhere in this prospectus. This discussion and other parts of this prospectus contain forward-looking statements that involve risk and uncertainties, such as statements of our plans, objectives, expectations, and intentions. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section titled “Risk Factors.”*

### **Overview**

We are developing INX Trading Solutions, a regulated solution for trading blockchain assets, that will initially include a cryptocurrency trading platform operated by INX Digital, for which we are qualified to operate as a money transmitter in 8 US states. We intend to obtain money transmitter licenses or otherwise become qualified to operate in most US states during the fourth quarter of 2021. We also presently intend to establish INX Securities as an ATS, to be operated by INX Services, which we plan to register as a licensed broker-dealer. Our vision is to establish two trading platforms and a security token that provides regulatory clarity to the blockchain asset industry.

Initially, we plan to generate revenues primarily from fees received by us in connection with activities on the INX Digital trading platform. We intend to generate additional fees once we have completed the regulatory and technical requirements for the INX Securities trading platform. However, there is currently significant uncertainty regarding the application of federal and state laws to the trading of security tokens, including the application of current regulations governing the conduct of market intermediaries, and this uncertainty may cause significant delay or may prevent us from developing our INX Securities trading platform as currently envisioned. Prior to the establishment of INX Securities as an ATS, INX Services may operate exclusively as an introducing broker with an order management system and to route security token order flow to one or more third party alternative trading systems.

### **Results of Operations and Known Trends or Future Events**

We were incorporated on November 27, 2017 and since our date of inception (September 1, 2017) our operations have consisted solely of planning and development of the INX Token and INX Trading Solutions. We have not generated any revenues from operations since our inception.

We will not generate any operating revenues until our trading platforms becomes operational. We will generate non-operating income in the form of interest income on cash and cash equivalents and other investments upon completion of this offering. There has been no significant change in our financial position and no material adverse change has occurred since the date of our audited financial statements.

On August 20, 2020, the SEC declared as effective our registration statement on Form F-1 filed in connection with this offering. We have met the minimum offering requirement of \$7.5 million and conducted closings of committed purchases of INX Tokens. As of March 26, 2021, we have completed multiple closings of this offering and have sold approximately \$23.5 million in INX Tokens, consisting of approximately 26.1 million INX Tokens. We intend to continue our public offering until its termination.

After this offering, we expect to incur increased expenses as a result of being a public company (for legal, financial reporting, and compliance). We expect our expenses to increase substantially after the closing of this offering.

## Results of Operations for the year ended December 31, 2020

### *Total Operating Expenses*

Operating expenses for the year ended December 31, 2020 were \$11,581,000, and they consist of research and development, sales and marketing and general and administrative expenses. Research and development expenses, which amounted to \$1,581,000, include the cost of development of our trading platform and primarily comprised of costs of our research and development personnel and other development-related expenses. Sales and marketing expenses amounted to \$2,153,000, primarily comprised of costs of personnel and other marketing costs incurred in connection with this offering. General and administrative expenses, which amounted to \$7,847,000, include costs of personnel, costs associated with the registration of our platform, as well as legal and other services related to this offering.

### *Loss*

Our loss for the year ended December 31, 2020 was approximately \$24,331,000.

### *Adjusted Operating Cash Flow (Negative)*

Our Adjusted Operating Cash Flow for year ended December 31, 2020 was approximately negative \$6,055,000. The cumulative Adjusted Operating Cash Flow as of December 31, 2020 was approximately negative \$12,419,000.

The following table provides the calculation of our cumulative Adjusted Operating Cash Flow (in U.S. Dollars) as of December 31, 2020:

<b>Cumulative Adjusted Operating Cash Flow as of December 31, 2019</b>	<b>(6,364,000)</b>
Less: Net cash used in operating activities in the year ended December 31, 2020	(6,055,000)
Less: \$0 in cumulative Adjusted Operating Cash Flow as of December 31, 2019 that formed the basis of distribution paid to INX Token holders on April 30, 2020 (there was no distribution)	-
Plus: Proceeds from INX Tokens in the year ended December 31, 2020	10,403,000
Less: Proceeds from initial sale of INX Tokens in the year ended December 31, 2020	<u>(10,403,000)</u>
<b>Cumulative Adjusted Operating Cash Flow as of December 31, 2020</b>	<b>(12,419,000)</b>

## Results of Operations for the year ended December 31, 2019

### *Total Operating Expenses*

Operating expenses in the year ended December 31, 2019 were \$2,900,000, and they consist of research and development, and general and administrative expenses. Research and development expenses, which amounted to \$468,000, include the cost of development of our trading platform. General and administrative expenses, which amounted to \$2,432,000, include costs associated with the registration of our platform, as well as legal and other services related to the offering.

### *Loss*

Our loss for the year ended December 31, 2019 was approximately \$3,689,000.

***Adjusted Operating Cash Flow (Negative)***

Our Adjusted Operating Cash Flow for the year ended December 31, 2019 was approximately negative \$2,514,000. The cumulative Adjusted Operating Cash Flow as of December 31, 2019 was approximately negative \$6,364,000.

The following table provides the calculation of our cumulative Adjusted Operating Cash Flow (in U.S. Dollars) as of December 31, 2019:

<b>Cumulative Adjusted Operating Cash Flow as of December 31, 2018</b>	<b>(3,850,000)</b>
Less: Net cash used in operating activities in the year ended December 31, 2019	(2,514,000)
Less: \$0 in cumulative Adjusted Operating Cash Flow as of December 31, 2018 that formed the basis of distribution paid to INX Token holders on April 30, 2019 (there was no distribution)	-
Plus: Proceeds from INX Tokens in the year ended December 31, 2019	-
Less: Proceeds from initial sale of INX Tokens in the year ended December 31, 2019	-
<b>Cumulative Adjusted Operating Cash Flow as of December 31, 2019</b>	<b>(6,364,000)</b>

**Results of Operations for the year ended December 31, 2018**

***Total Operating Expenses***

Operating expenses in the year ended December 31, 2018 were \$3,664,000, and they consist of research and development, and general and administrative expenses. Research and development expenses, which amounted to \$525,000, include the cost of development of our trading platform. General and administrative expenses, which amounted to \$3,139,000, include costs associated with the registration of our platform, as well as legal and other services related to the offering.

***Loss***

Our loss for the year ended December 31, 2018 was approximately \$4,010,000.

***Adjusted Operating Cash Flow (Negative)***

Our Adjusted Operating Cash Flow for the year ended December 31, 2018 was approximately negative \$3,262,000. The cumulative Adjusted Operating Cash Flow as of December 31, 2018 was approximately negative \$3,850,000.

The following table provides the calculation of our cumulative Adjusted Operating Cash Flow (in U.S. Dollars) as of December 31, 2018:

<b>Cumulative Adjusted Operating Cash Flow as of December 31, 2017</b>	<b>(588,000)</b>
Less: Net cash used in operating activities in the year ended December 31, 2018	(3,262,000)
Less: \$0 in cumulative Adjusted Operating Cash Flow as of December 31, 2017 that formed the basis of distribution paid to INX Token holders on April 30, 2018 (there was no distribution)	-
Plus: Proceeds from INX Tokens in the year ended December 31, 2018	7,000
Less: Proceeds from initial sale of INX Tokens in the year ended December 31, 2018	(7,000)



**Cumulative Adjusted Operating Cash Flow as of December 31, 2018** **(3,850,000)**

**Comparison of year ended December 31, 2020 and the year ended December 31, 2019**

The following table presents an overview of our results of operations for year ended December 31, 2020 and 2019:

(U.S. Dollars in thousands, except share and per share data)

	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
Operating expenses:		
Research and development	1,581	468
Sales and marketing	2,153	108
General and administrative	<u>7,847</u>	<u>2,324</u>
Loss from operations	<u>11,581</u>	<u>2,900</u>
Fair value adjustment of INX Token liability	12,518	762
Fair value adjustment of INX Token warrant liability	209	92
Finance expense	23	70
Finance income	<u>-</u>	<u>(135)</u>
<b>Loss and total comprehensive loss</b>	<b><u>24,331</u></b>	<b><u>3,689</u></b>
<b>Loss per share, basic and diluted</b>	<b><u>2.00</u></b>	<b><u>0.32</u></b>
<b>Weighted average number of shares outstanding, basic and diluted</b>	<b><u>12,152,006</u></b>	<b><u>11,395,273</u></b>

*Research and Development Expenses*

We incurred \$1,581,000 in research and development expenses for the year ended December 31, 2020, compared to \$468,000 for the year ended December 31, 2019. Research and Development expenses increased by \$1,113,000 for the year ended December 31, 2020 compared to the year ended December 31, 2019. This increase was primarily driven by increases of \$255,000 and \$333,000 in share-based and token-based compensation expense, respectively, increase of \$447,000 in personnel cost and \$78,000 in other cost and services related to the development of our trading platform.

*Sales and Marketing Expenses*

We incurred \$2,153,000 in sales and marketing expenses for the year ended December 31, 2020, compared to \$108,000 for the year ended December 31, 2019. Sales and marketing expenses increased by \$2,045,000 for the year ended December 31, 2020 compared to the year ended December 31, 2019. This increase was primarily driven by increases of \$106,000 and \$423,000 in share-based and token-based compensation expense, respectively, increase of \$560,000 in personnel costs and \$956,000 in other marketing costs in connection with this offering.

*General and Administrative expenses*

We incurred \$7,847,000 in general and administrative expenses for the year ended December 31, 2020, compared to \$2,324,000 for the year ended December 31, 2019, an increase of \$5,523,000, primarily driven by increases of \$48,000 and \$3,167,000 in share-based and token-based compensation expense, respectively, increase of \$845,000 in personnel costs, an increase of \$1,253,000 in legal services and \$210,000 in other operation costs.

*Financial liabilities at fair value through profit or loss - INX Token liability:*

Our balance sheet as of December 31, 2020 includes a financial liability for INX Token holders, in the amount of \$24,106,000. As there was no trading market for the INX Token at December 31, 2020, we measured its fair value based on the offering price (see further details in Note 3 in the financial statements).

As of December 31, 2020, the Company has commitments to grant 5,906,083 INX Tokens to directors, employees and service providers, some of which are exercisable six months following the date the Offering is declared effective by the SEC, or subject to vesting schedule. The related liability in the amount of \$4,249,000 is presented at fair value based on Black-Scholes pricing model. (see further details in Note 4 in the financial statements).

Changes in fair value of the liabilities noted above are recorded in profit or loss in our consolidated statements of comprehensive loss.

*Loss and total comprehensive loss*

Loss and total comprehensive loss for the year ended December 31, 2020, was \$24,331,000, compared to net loss of \$3,689,000 for year ended December 31, 2019, a decrease of \$20,692,000.

*Adjusted Operating Cash Flow*

Adjusted Operating Cash Flow for the year ended December 31, 2020, was negative \$6,055,000, compared to an Adjusted Operating Cash Flow of negative \$2,514,000 for the year ended December 31, 2019, a decrease in negative cash-flows from operations of \$3,541,000 resulted from a decrease in our loss from operations between the compared periods.

**Comparison of the Fiscal Years Ended December 31, 2019 and 2018**

The following table presents an overview of our results of operations for the years ended December 31, 2019 and 2018:

(U.S. Dollars in thousands, except share and per share data)

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Operating expenses:		
Research and development	468	525
General and administrative	2,432	3,139
<b>Loss from operations</b>	<b>2,900</b>	<b>3,664</b>
Fair value adjustment of INX Token and derivative liabilities	854	340
Finance expense	70	6
Finance income	(135)	-
<b>Loss and total comprehensive loss</b>	<b>3,689</b>	<b>4,010</b>
<b>Loss per share, basic and diluted</b>	<b>0.32</b>	<b>0.50</b>
<b>Weighted average number of shares outstanding, basic and diluted</b>	<b>11,395,273</b>	<b>7,948,935</b>

*Research and Development Expenses*

We incurred \$468,000 in research and development expenses for the fiscal year ended December 31, 2019, compared to \$525,000 for the fiscal year ended December 31, 2018. Research and Development expenses decreased

by \$57,000 for the year ended December 31, 2019 compared to the year ended December 31, 2018. This decrease was primarily a result of an increased efficiency achieved from using an internal development team over third party contractors used in early years.

#### *General and Administrative expenses*

We incurred \$2,432,000 in general and administrative expenses for the fiscal year ended December 31, 2019, compared to \$3,139,000 for the year ended December 31, 2018, a decrease of \$707,000, primarily due to a decrease in legal and other costs related to this offering.

#### *Financial liabilities at fair value through profit or loss - INX Token liability:*

Our balance sheet as of December 31, 2019 includes a financial liability for INX Token holders in the amount of \$1,179,000. As currently there is no trading market for the INX Token, we determined its fair value based on a valuation derived from a third-party transaction (see further details in Note 3 in the financial statements). Changes in fair value of the INX Token liability are recorded in profit or loss in our consolidated statements of comprehensive loss.

#### *Loss and total comprehensive loss*

Loss and total comprehensive loss for the fiscal year ended December 31, 2019 was \$3,689,000, compared to net loss of \$4,010,000 for year ended December 31, 2018, a decrease of \$321,000.

#### *Adjusted Operating Cash Flow*

Adjusted Operating Cash Flow for the fiscal year ended December 31, 2019 was negative \$2,514,000, compared to an Adjusted Operating Cash Flow of negative \$3,262,000 for the year ended December 31, 2018, a decrease in net cash outflows of \$748,000.

### **INX Token Valuation**

The fair value of each INX Token as of December 31, 2020 and December 31, 2019 was \$0.90, and \$0.06237, respectively. The fair value as of December 31, 2020 was \$0.90 per token based on the price of this offering. The level in the fair value hierarchy is level 1.

Certain INX tokens holders are subject to lock-up agreements that restrict such holder's ability to sell or transfer their INX Tokens for periods of 6 to 24 months. For the purpose of determining the fair value of the INX token liability, the company considered the restriction which apply on such token holders by discounting the offering price with a discount rate reflecting the lack of marketability during the lock-up period. The level in the fair value hierarchy with respect for such token holder is level 2.

The fair value as of December 31, 2019 was determined by management and the Board of Directors based on a valuation derived from a capital raise pursuant to the terms of a SAFE approved by the Board of directors in February 2020.

In determining the fair value of the INX Token from these transactions, the Company used various inputs and assumptions in performing an underlying comparison of the shareholder's and INX Token holder's participation rights in the Company's earning distribution. The significant inputs and assumptions are the price of the Ordinary share of the Company, the volatility used in valuing the Company's share options and INX Token warrants, expected term of the INX Token warrants, the number of INX Tokens expected to be issued in the Offering and the weighted average probability as to the amount of funds to be raised in the Offering. The level in the fair value hierarchy is level 3.

The Board of Directors of the Company considered each of the following factors in determining the offering price:

- The Company's offering of INX Tokens is unique both for the traditional securities markets as well as within the blockchain community; at the time at which prior valuations were conducted, the Company had not, and the Company and the public could not have known whether the Company would be able to, have the registration statement of which this prospectus is a part be declared effective.
- The Company anticipates that it will be able to commence operations in the third quarter of 2021; the price of the INX Token in this offering is intended to reflect the value of the INX Token upon the successful completion of this offering.
- The successful completion of this offering would provide access to public equity, provide enhanced operational flexibility and strengthen the Company's brand recognition, all of which contribute to an increased value of the INX Token.

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

In accordance with IFRS, in preparing our financial statements, we must make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of net revenues and expenses during the reported period. We develop and periodically change these estimates and assumptions based on historical experience and on various other factors that we believe are reasonable under the circumstances. Actual results may differ from these estimates.

The critical accounting policies requiring estimates, assumptions and judgments that we believe have the most significant impact on our financial statements are described below.

#### *Financial liabilities at fair value through profit or loss - INX Token liability:*

Based on the terms of the INX Token, the INX Token is a hybrid financial instrument. The host instrument is a financial liability due to the right of the INX Token holder to effectively redeem the INX Token in consideration as payment for services. The INX Token is considered a puttable instrument which is a financial liability in accordance with IAS 32, Financial Instruments: Presentation.

The Company's obligation to distribute annually to the INX Token holders 40% of the Company's Adjusted Operating Cash Flow is an embedded derivative. The Company views the Company's operating cash flows as a financial variable, and therefore, the embedded derivative requires bifurcation pursuant to IFRS 9 (IAS 39 for the period to December 31, 2017). The Company elected in accordance with IAS 39 (which election remains in effect upon adoption of IFRS 9) to designate the entire financial liability (including the embedded derivative) at fair value through profit and loss.

Accordingly, the INX Token liability is remeasured to fair value at the end of each reporting period. The changes in fair value are recognized in profit or loss. IFRS 9, Financial Instruments, replaces IAS 39 for annual periods beginning on January 1, 2018 and accordingly starting January 1, 2018, the Company applied IFRS 9 retrospectively, without adjusting the comparative information, which continues to be reported under IAS 39. According to IFRS 9, changes in the fair value of a financial liability designated as at fair value through profit or loss which are attributable to the change in credit risk of that liability are presented in other comprehensive income. All other changes in fair value of that liability are presented in profit or loss. The change in the fair value of the INX Token liability attributable to changes in credit risk, excluding those changes in credit risk attributable to the embedded derivative, are immaterial for all reported periods and therefore no amounts have been included in other comprehensive income in respect of credit risk.

When the INX Token is used to pay for services provided by the Company, the respective portion of the INX Token liability is derecognized and revenue is recognized. The fair value of INX Tokens issued in consideration for services to be provided to the Company is recognized as compensation expense as the services are provided.

## Liquidity and Capital Resources

To date, we have generated no cash from operations. We have financed our operations through debt issuances and equity investments made by our shareholders. See “*Certain Relationships and Related Party Transactions.*” We expect to require additional cash to fund our ongoing operational needs, particularly our development and marketing expenses and employee salaries.

Our future expenditures and capital requirements will depend on numerous factors, including: the success of this offering, the progress of our development efforts and the rate at which we can get our trading platforms up and running. We are dependent upon funds raised from this offering to satisfy our working capital requirements. Our business does not presently generate any cash.

We believe that if we raise the maximum amount in this Offering, we will have sufficient capital to finance our operations for at least 24 months; however, if we do not sell the maximum amount or if our operating and development costs are higher than expected, we may need to obtain additional financing prior to that time. Pending these uses, we intend to invest the net proceeds in low-risk, high-quality, investment-grade instruments, certificates of deposit, or direct or guaranteed obligations of the U.S. government or other governments, or hold as cash.

## Going Concern and Management Plans

The audited financial statements, included in this prospectus, have been prepared assuming that the Company will continue as a going concern. Since inception of activities in September 2017, we have incurred a loss from operations and as of December 31, 2020, we have an accumulated deficit of \$32,667,000. We have not yet generated cash from operations and we require financing resources to support the ongoing operations, particularly development, marketing and operational costs. Our future expenditures and capital requirements will depend on numerous factors, including: the success of the Offering, the progress of the platform’s development efforts, timely launch of the operations of the INX Trading platform, and the outcome of the coronavirus pandemic which may impact the Company’s operations and the ability to raise capital (see Note 1 (c) in our financial statements).

We are dependent upon the funds from the Offering to satisfy our working capital requirements in the coming 12 months. As described in Note 11b in our financial statements, through December 31, 2020 we received approximately \$9.2 million from purchases of INX Tokens pursuant to the Offering. Our management believes that the aforementioned proceeds are sufficient to finance our operations for at least the coming 12 months, and accordingly, have concluded that the going concern assumption is appropriate.

## Controls and Procedures

We are not currently required to maintain an effective system of internal controls as defined by Section 404 of the Sarbanes-Oxley Act and prior to the closing of this Offering, we have not completed an assessment, nor have our auditors tested, our systems of internal controls. We will be required to comply with the internal control requirements of the Sarbanes-Oxley Act for the fiscal year ending December 31, 2021. Only in the event that we are deemed to be a large accelerated filer or an accelerated filer would we be required to comply with the independent registered public accounting firm attestation requirement. Further, for as long as we remain an emerging growth company as defined in the JOBS Act, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirement.

Prior to the closing of this offering, we have not completed an assessment, nor have our auditors tested our systems, of internal controls. We may have internal controls that need improvement in areas such as:

- staffing for financial, accounting and external reporting areas, including segregation of duties;
- reconciliation of accounts;

- proper recording of expenses and liabilities in the period to which they relate;
- evidence of internal review and approval of accounting transactions;
- documentation of processes, assumptions and conclusions underlying significant estimates; and
- documentation of accounting policies and procedures.

Because it will take time, management involvement and perhaps outside resources to determine what internal control improvements are necessary for us to meet regulatory requirements and market expectations for our operation of a blockchain asset exchange business, we may incur significant expenses in meeting our public reporting responsibilities, particularly in the areas of designing, enhancing, or remediating internal and disclosure controls. Doing so effectively may also take longer than we expect, thus increasing our exposure to financial fraud or erroneous financial reporting.

### Commitments and Contractual Obligations (1)

The following summarizes our significant contractual obligations as of December 31, 2020 (U.S. Dollars in thousands):

	Payments due by period	
	Less than 1 year	Total
Accounts Payable	423	423
Accrued bonuses	905	905
INX Token Liability	24,106	24,106
INX Token warrant liability	4,249	4,249
Convertible Loans	148	148
<b>Total</b>	<b>29,831</b>	<b>29,831</b>

(1) Our liabilities in the balance sheet as of June 30, 2020 do not include the following contingent obligations:

We have entered into an agreement with A-Labs Finance and Advisory Ltd. pursuant to which A-Labs will promote this offering to non-U.S. persons only. Subject to the completion of an offering under which the Company has raised from non-U.S. persons not less than \$10,000,000, A-Labs will receive a cash payment of no less than 6.25% of the aggregate gross proceeds of INX Tokens sold to non-U.S. persons, and as high as 10% of such gross proceeds for the initial \$30 million raised from sales to non-U.S. persons. A-Labs will also receive a payment for non-broker services in an amount of \$500,000 upon the Company selling at least \$10 million worth of INX Tokens to U.S. persons. These contingent payments were not recorded on the balance sheet due to the uncertainty of the payments.

### Off-Balance Sheet Arrangements

As of December 31, 2020, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4) (ii) of Regulation S-K.

### Quantitative and Qualitative Disclosures about Market Risk

#### *Foreign Exchange Risk*

We have not been exposed to material risks due to changes in foreign exchange rates, and we have not used any derivative financial instruments to manage our foreign exchange risk exposure.

#### *Interest Rate Risk*

We have not been exposed to material risks due to changes in market interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure.

After completion of this offering, we may invest the net proceeds we receive from the offering in interest-earning instruments. Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall.

#### *Credit Risk*

We are exposed to credit risk from our financing activities, including deposits with banks and financial institutions and other financial instruments. As a result, we are subject concentrations of credit risk. As of December 31, 2020, substantially all of our cash and cash equivalents were held at major financial institutions. We believe that these financial institutions are of high credit quality and continually monitor the credit worthiness of these financial institutions.

#### **JOBS Act**

With less than \$1.07 billion in revenues during our last fiscal year, we qualify as an emerging growth company under the JOBS Act. An emerging growth company may take advantage of specified provisions in the JOBS Act that provide exemptions or reductions of its regulatory burdens related to reporting and other requirements that are otherwise applicable generally to public companies. These provisions include an exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act. In addition, under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards. We would cease to be an emerging growth company if we have more than \$1.07 billion in annual revenue, we are deemed to be a large accelerated filer, or we issue more than \$1.0 billion of non-convertible debt over a three-year period.

**SCHEDULE "C"**  
**INTERIM FINANCIAL STATEMENTS OF INX LIMITED**

(See attached)



**INX LIMITED**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2021**

**U.S. DOLLARS IN THOUSANDS  
UNAUDITED**

**INDEX**

	<u>Page</u>
<b>Consolidated Balance Sheets</b>	<b>2</b>
<b>Consolidated Statements of Comprehensive Loss</b>	<b>3</b>
<b>Consolidated Statements of Changes in Shareholders' Deficit</b>	<b>4 - 5</b>
<b>Consolidated Statements of Cash Flows</b>	<b>6</b>
<b>Notes to Interim Consolidated Financial Statements</b>	<b>7 -27</b>

-----

**CONSOLIDATED BALANCE SHEETS**

U.S. dollars in thousands (except share and per share data)

	September 30, 2021	December 31, 2020
Note	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 24,712	\$ 7,581
Reserve fund	27,829	-
Related parties	2,038	33
Accounts receivable	693	-
Prepaid expenses and other receivables	507	439
Total current assets	<u>55,779</u>	<u>8,053</u>
<b>NON-CURRENT ASSETS:</b>		
Equipment, net	141	32
Crypto currencies, at cost	738	-
Long term investments held in Reserve fund	11,808	-
Investment in associate	150	-
Intangible assets, net	3 4,167	-
Goodwill	3 2,552	-
Rights-of-use-assets, net	3 409	-
Total assets	<u>\$ 75,744</u>	<u>\$ 8,085</u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 1,478	\$ 423
Accrued bonuses	-	905
INX Token liability	4 348,734	24,106
INX Token warrant liability	5 9,470	4,249
Convertible loans	-	148
Lease liability	67	-
Total Current liabilities	<u>359,749</u>	<u>29,831</u>
<b>NON-CURRENT LIABILITIES:</b>		
Lease liability	435	-
Contingent liability	802	-
Total non-current liabilities	<u>\$ 1,237</u>	<u>\$ -</u>
<b>SHAREHOLDERS' DEFICIT:</b>		
Ordinary shares of GBP 0.001 par value – Authorized: 100,000,000 shares at September 30, 2021 (unaudited) and December 31, 2020; Issued and outstanding: 15,359,216 at September 30, 2021 (unaudited) and 13,639,451 at December 31, 2021	7 21	18
Share premium	15,963	10,866
Receivable on account of shares	-	(9)
Reserve from transaction with controlling shareholder	582	-
Conversion option of convertible loans	-	46
Accumulated deficit	(301,808)	(32,667)
Total Shareholders' Deficit	<u>(285,242)</u>	<u>(21,746)</u>
Total Liabilities and Shareholders' Deficit	<u>\$ 75,744</u>	<u>\$ 8,085</u>

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

U.S. dollars in thousands (except share and per share data)

	Note	Nine months ended September 30,		Three months ended September 30,	
		2021	2020	2021	2020
		(Unaudited)		(Unaudited)	
Revenues (primarily from brokerage fees)		\$ 1,325	\$ -	\$ 1,075	\$ -
Research and development		2,011	451	816	134
Sales and marketing		2,844	186	752	282
General and administrative		22,371	2,468	7,296	1,523
Loss from operations		25,901	3,105	7,789	1,939
Fair value adjustment of INX Token liability	4	243,223	6,579	241,762	5,777
Finance (income) expense		17	23	(19)	8
Loss and total comprehensive loss		\$ 269,141	\$ 9,707	\$ 249,532	\$ 7,724
Loss per share, basic and diluted		\$ 18.45	\$ 0.83	\$ 16.24	\$ 0.58
Weighted average number of shares outstanding, basic and diluted		14,581,571	11,693,464	15,359,216	13,234,485

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

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT**

U.S. dollars in thousands (except share and per share data)

	Ordinary shares		Share premium	Receivable on account of shares	Conversion option of convertible shareholder	Reserve from transaction with controlling shareholder	Accumulated deficit	Total deficiency
	Shares	Amount						
Balance as of January 1, 2021	13,639,451	\$ 18	\$ 10,866	\$ (9)	\$ 46	\$ -	\$ (32,667)	\$ (21,746)
Loss and total comprehensive loss	-	-	-	-	-	-	(269,141)	(269,141)
Equity component of transaction with controlling shareholder	-	-	-	-	-	582	-	582
Payment of shares receivable	-	-	-	9	-	-	-	9
Conversion of SAFE	379,593	1	-	-	-	-	-	1
Conversion of CLA	956,333	1	193	-	(46)	-	-	148
Exercise of SAFE warrant	383,839	1	718	-	-	-	-	719
Share-based payment	-	-	4,186	-	-	-	-	4,186
Balance as of September 30, 2021 (unaudited)	<u>15,359,216</u>	<u>\$ 21</u>	<u>\$ 15,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>582</u>	<u>\$ (301,808)</u>	<u>\$ (285,242)</u>

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

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT**

**U.S. dollars in thousands (except share and per share data)**

	<u>Ordinary shares</u>		<u>Share premium</u>	<u>Receivable on account of shares</u>	<u>Conversion option of convertible Loans</u>	<u>Accumulated deficit</u>	<u>Total deficiency</u>
	<u>Shares</u>	<u>Amount</u>					
Balance as of January 1, 2020	11,412,930	\$ 15	\$ 6,805	\$ (76)	\$ 46	\$ (8,336)	\$ (1,546)
Loss and total comprehensive loss	-	-	-	-	-	(9,707)	(9,707)
Issuance of ordinary shares	621,375	1	1,499	-	-	-	1,500
Share-based payment	-	-	140	-	-	-	140
Conversion of SAFE	1,053,874	1	-	-	-	-	1
Issuance of SAFE	-	-	879	-	-	-	879
Exercise of SAFE warrant	146,306	-	286	-	-	-	286
Balance as of September 30, 2020 (unaudited)	<u>13,234,485</u>	<u>\$ 17</u>	<u>\$ 9,609</u>	<u>\$ (76)</u>	<u>\$ 46</u>	<u>\$ (18,043)</u>	<u>\$ (8,447)</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**U.S. dollars in thousands (except share and per share data)**

	Nine months ended	
	September 30,	
	2021	2020
	(Unaudited)	
<u>Net cash flows from operating activities:</u>		
Loss for the period	\$ (269,141)	\$ (9,707)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based payment	4,186	140
Valuation losses of long term investments	20	-
Depreciation of equipment	21	2
Amortization of intangibles	81	-
INX Token based compensation	4,486	174
Fair value adjustment of INX Token	243,223	6,579
Accrued finance expense	-	2
Changes in operating assets and liabilities:		
Decrease in account receivables	356	-
Increase in prepaid expenses and related parties	(2,073)	(314)
Increase in accounts and other payables	553	411
Decrease in accrued bonuses	(905)	-
Net cash used in operating activities	<u>(19,193)</u>	<u>(2,713)</u>
<u>Net cash flows from investing activities:</u>		
Increase in Crypto currencies	(738)	-
Purchase of equipment	(93)	(13)
Increase in Reserve fund	(27,829)	-
Purchase of long term investments	(11,828)	-
Investment in associate	(150)	-
Net cash used in business combinations	<u>(5,232)</u>	<u>-</u>
Net cash used in investing activities	<u>(45,870)</u>	<u>(13)</u>
<u>Net cash flows from financing activities:</u>		
Proceeds from issuance of Ordinary shares	-	1,500
Proceeds from issuance of SAFE and warrants	-	879
Repayment of finance lease liabilities	68	-
Proceeds from exercise of Token options	114	-
Proceeds from exercise of SAFE Options	720	286
Proceeds from issuance of INX Tokens, net	<u>81,292</u>	<u>7,755</u>
Net cash provided by financing activities	<u>82,194</u>	<u>10,420</u>
Change in cash and cash equivalents	17,131	7,694
Cash and cash equivalents at beginning of period	<u>7,581</u>	<u>79</u>
Cash and cash equivalents at end of period	<u>\$ 24,712</u>	<u>\$ 7,773</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**U.S. dollars in thousands (except share and per share data)**

	<b>Nine months ended September 30, 2021</b> <b>(Unaudited)</b>
<u>Significant non-cash transactions:</u>	
Equity component of transaction with controlling shareholder	<u>\$ 582</u>
Conversion of convertible loan	<u>\$ 148</u>

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**U.S. dollars in thousands (except share and per share data)**

**Business combinations:**

On June 9, 2021, INX Limited acquired all the issued and outstanding shares of I.L.S Brokers Ltd. The following are the estimated fair values of the identifiable assets and liabilities assumed of I.L.S Brokers as of the date of the acquisition:

**I.L.S Brokers Ltd**

	<u>June 9, 2021</u>
Cash and cash equivalents	\$ 810
Accounts receivables	1,031
Property and equipment, net	37
Rights-of-use-assets	416
Intangible Assets	2,234
Goodwill	1,628
Accounts payables	(440)
Lease liability	(502)
Other liabilities	(305)
Contribution to equity by controlling shareholder	<u>(582)</u>
	4,327
Less cash and cash equivalents	<u>810</u>
Net cash transferred	<u><u>\$ 3,517</u></u>

On May 9, 2021, INX Limited acquired all of the issued and outstanding shares of INX Securities LLC. (Previously named: Openfinance Securities LLC.). The following are the estimated fair values of the identifiable assets and liabilities assumed of INX Securities LLC. as of the date of the acquisition:

**INX Securities LLC. (Previously named: Openfinance Securities, LLC.)**

	<u>May 9, 2021</u>
Cash and cash equivalents	\$ 307
Accounts receivables	18
Intangible Assets	2,007
Goodwill	924
Accounts payables	(3)
Token warrant liability	(735)
Contingent liability	<u>(496)</u>
	2,022
Less cash and cash equivalents	<u>307</u>
Net cash transferred	<u><u>\$ 1,715</u></u>

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



**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, per share and per token data)**

**NOTE 1: GENERAL**

a. Business description:

INX Limited (the “Company” or “INX”) is engaged in the operation and ongoing development of an integrated, regulated solution for trading blockchain assets, that includes a cryptocurrency trading platform, a security token trading platform and other services and products related to the trading of blockchain assets.

INX permits the trading of various blockchain assets, including cryptocurrencies and security tokens. The Company has developed the trading platforms that facilitates peer-to-peer professional trading services. The trading platforms will help customers automate and coordinate front-office trading functions, middle-office risk management and reporting functions, and back-office accounting functions.

INX utilizes established practices common in other regulated financial services markets, such as customary trading, clearing, and settlement procedures, regulatory compliance, capital and liquidity reserves and operational transparency.

As part of the Company’s blockchain ecosystem, the Company created the INX Token (the “INX Token”). On August 20, 2020, the SEC acknowledged effectiveness of the F-1 Registration Statement that was filed by INX with the SEC and declared effectiveness of the INX Token Offering (“INX Token Offering”).

The INX Token was offered to the public from August 20, 2020 and closed on April 22, 2021 when the INX Token Offering was completed - See note 4.

On July 2021, INX listed the INX Token for trading on the INX Securities Trading Platform.

b. Organizational information:

The Company was incorporated in Gibraltar on November 27, 2017. Its registered office is located at 6 Bayside Road, Gibraltar GX11 1AA.

The Company’s founding shareholders are Triple-V (1999) Ltd. (“Triple-V”), and A-Labs Finance and Advisory Ltd. (“A-Labs”), which as of September 30, 2021, own 23.28% and 8.21%, respectively, of the Company’s outstanding Ordinary shares.

The Company operates through seven wholly owned subsidiaries, four of which were recently acquired by the Company, and three of which were incorporated by the Company:

- INX Digital, Inc. (“INXD”), a Delaware corporation, incorporated by INX, which has registered as a money transmitter to operate a trading platform for digital assets.
- INX Securities, LLC (Previously named: Openfinance Securities, LLC) (“INXS”), a Pennsylvania limited liability company. INX Securities, LLC is recognized in the US as a registered Broker Dealer and is an SEC-registered Alternative Trading System (“ATS”). INX Securities, LLC was purchased by the Company as part of the OFN Asset Purchase Agreement (See note 3).

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, per share and per token data)**

**NOTE 1: GENERAL (Cont.)**

- I.L.S. Brokers Ltd. (“ILSB”), a company incorporated under the laws of the State of Israel, was purchased by the Company as part of the ILSB Acquisition (See note 3).
- Midgard Technologies Ltd. (“Midgard”) is a company incorporated under the laws of the State of Israel. Midgard has served as the research and development arm of INX since November 1, 2020, and was acquired on April 1, 2021.

The following INX subsidiaries are currently dormant, in order to focus on specific lines of business:

- ILSB UK Limited (“ILSB UK”), a company incorporated under the laws of England and Wales. ILSB UK plans to apply to the Financial Conduct Authority (“FCA”) for an introducing broker license and to be registered as a financial services company. INX acquired all of the issued and outstanding shares of ILSB UK on July 13, 2021, from Mr. James Crossley, a Board member of the Company, in consideration for an inconsequential amount of cash.
- INX Services, Inc., a Delaware corporation, incorporated by the Company, which is currently a dormant entity.
- INX Solutions Limited, incorporated by the Company in Gibraltar as a private company limited by shares, through which the Company intends to offer services and products to the European market. INX Solutions Limited is currently a dormant company. The Company and/or INX Solutions Limited may apply in the future to the EU for licenses for its financial services.

INXD launched a cryptocurrency trading platform on April 29, 2021, which was developed by INX and is operated by INX Digital, INX’s wholly owned subsidiary. Currently, seven types of cryptocurrencies are supported for trading on the INX Digital platform, including BTC, ETH, ZEC, LTC, USDC, GYEN and ZUSD.

INXD is qualified to operate as a money transmitter in 28 US states and territories. INX intends to obtain money transmitter licenses or otherwise become qualified to operate in most US states and territories by 2022.

c. Covid - 19

In early 2020, an outbreak of the novel strain of a coronavirus, which causes a disease named COVID-19, spread worldwide. As a result of the coronavirus pandemic, governments and industries have instituted drastic actions to contain the coronavirus or treat its impact. Such actions, including bans on international and domestic travel, quarantines, and prohibitions on accessing work sites, have caused significant disruptions to global and local economies, and have led to dramatic volatility in the capital markets.

The extent to which the coronavirus pandemic impacts the Company’s operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Factors that may result in material delays and complications with respect to the Company’s business, financial condition and results of operation include the duration and

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, per share and per token data)**

**NOTE 1: GENERAL (Cont.)**

severity of the outbreak, and the actions that may be required to contain the coronavirus or treat its impact.

In particular, the continued spread of the coronavirus globally could adversely impact the Company's operations, including the development of the Company's platforms within the expected timeframes, the health and safety of its employees, and its ability to complete recruitment for open employment positions, and the ability to raise capital. In addition, the coronavirus pandemic could affect the operations of key governmental agencies, such as the SEC and CFTC, which may delay the development and regulatory approval necessary to operate the Company's platforms.

d. Technology risk

INX develop and operate a digital assets trading platform, those platforms rely on a complex technology.

Failure to keep up with rapid changes in industry-leading technology, products and services could negatively impact INX's results of operations.

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in these consolidated financial statements for the periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

These interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in IAS 34, "Interim Financial Reporting".

This consolidated financial information has been prepared on a cost basis, except for the INX Token, derivative liabilities and contingent liabilities which are presented at fair value through profit or loss.

b. Consolidated financial statements

The condensed interim consolidated balance sheet at September 30, 2021, and the consolidated statements of comprehensive income and cash flows for the nine months ended September 30, 2021 and 2020 ("the interim consolidated financial information") are unaudited. The unaudited interim consolidated financial information, in management's opinion, reflects all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation. The financial data and the other information related to the nine-month period ended September 30, 2021, are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2021 or any other interim period or for any other future year.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, per share and per token data)**

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The accompanying condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2020.

c. Reserve fund

In connection with the INX Token Offering, the Company has committed to reserve 75% of the gross proceeds less payments to underwriters from its initial public offering in excess of \$25,000 to be available to cover customer and Company losses, if any, that result from cybersecurity breaches or theft, errors in execution of the trading platform or its technology, and counterparty defaults, including instances where counterparties lack sufficient collateral to cover losses. The Company refers to this amount as our "Reserve fund". As of September 30, 2021, the Company has segregated \$39,637 as Reserve fund. The Reserve fund is comprised of cash and cash equivalents amounting to \$27,829 held in financial institutions and long-term investments amounting to \$11,808 held by a brokerage firm.

d. Financial instruments:

1. Financial assets are initially recognized at fair value plus directly attributable transaction costs.
2. Loans, receivables and debt securities are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are measured subsequent to initial recognition at amortized cost.
3. Financial liabilities: Financial liabilities are initially recognized at fair value. After initial recognition, the accounting treatment of financial liabilities is based on their classification as follows: a) Financial liabilities at amortized cost: After initial recognition, loans and other liabilities are measured based on their terms at amortized cost less directly attributable transaction costs using the effective interest method. b) financial liabilities at fair value through profit or loss – These include financial liabilities held for trading (including the INX Token warrant liability) and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Gains or losses on liabilities held for trading are recognized in profit or loss. Based on the terms of the INX Token, as described in Note 1a to the annual consolidated financial statements, the INX Token is a hybrid financial instrument.

The host instrument is a financial liability due to the right of the INX Token holder to effectively redeem the INX Token in consideration as payment for services. The INX Token is considered a puttable instrument which is a financial liability in accordance with IAS 32, Financial Instruments: Presentation. The Company's obligation to make a pro rata distribution annually to the INX Token holders from the Company's Adjusted Operating Cash Flow is an embedded derivative. The Company views the Company's operating cash flows as a financial variable, and therefore, the embedded derivative requires bifurcation pursuant to IFRS 9. The Company elected in accordance with IFRS 9 to designate the entire financial liability (including the embedded derivative) at fair value through profit and loss. Accordingly, the INX Token warrant liability is remeasured to fair value at the end of each reporting period.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, per share and per token data)****NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The change in the fair value of the INX Token liability that is attributable to changes in credit risk, excluding those changes in credit risk attributable to the embedded derivative, is presented in other comprehensive income. The remaining amount of the change in the fair value of the INX Token liability is presented in profit or loss. When the INX Token is used to pay for services provided by the Company, the respective portion of the INX Token liability is derecognized, and revenue is recognized. The fair value of INX Tokens issued in consideration for services to be provided to the Company is recognized as compensation expense as the services are provided.

## e. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value

measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement. The Company classifies the bases used to measure certain assets and liabilities at their fair value. Assets and liabilities carried or measured at fair value have been classified into three levels based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The levels are as follows: Level 1: Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Significant inputs other than within Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices); Level 3: Inputs for the assets or liabilities that are not based on observable market data and require management assumptions or inputs from unobservable markets. For details of the fair value of the INX Token liability - See Note 4. For the fair values of INX Token warrant liability, see Note 5. The fair values of current financial assets and financial liabilities, other than the INX Token and INX Token warrant liability, approximate their carrying amounts due to the short-term maturity of these instruments.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, per share and per token data)**

**NOTE 3: BUSINESS COMBINATIONS**

**a. I.L.S Brokers Ltd.**

On June 9, 2021, INX entered into a share purchase agreement with the shareholders of I.L.S. Brokers Ltd., a Company incorporated under the laws of the State of Israel (“ILSB”) for the purchase of all of the issued outstanding shares of ILSB (the “ILSB Acquisition”). The consideration paid by INX as part of the ILSB Acquisition to the shareholders was \$4,327.

Mr. Datika was a shareholder of ILSB and sold his shares to INX as part of the ILSB Acquisition. Immediately prior to the ILSB Acquisition, Mr. Datika held, directly and indirectly, approximately 20% of the outstanding share capital of ILSB. Mr. Datika waived his right to receive full consideration under the ILSB Acquisition and received only an amount equal to the tax payments due by him and by his affiliated entity in connection with the ILSB Acquisition. As a result of such waiver, the consideration paid by INX as part of the ILSB Acquisition was reduced from \$4,909 to \$4,327. Mr. Datika is one of the founding shareholders of INX (through wholly owned company Triple-V) and INX's CEO.

ILSB is a multinational brokerage house, established in 2001, that facilitates financial transactions between banks and offers a full range of brokerage services to more than 40 leading banks worldwide. ILSB’s international clients include Goldman Sachs, Barclays, Morgan Stanley, Citi, JPMorgan Chase, and Nomura.

The following are the estimated fair values of the identifiable assets and liabilities assumed of ILSB as of the date of the acquisition:

	<u>June 9, 2021</u>
Cash and cash equivalents	\$ 810
Restricted cash	15
Trade receivables	758
Other current Assets	239
Non-current Assets	19
Equipment	37
Rights-of-use-assets	416
Intangible Assets	2,234
Goodwill	<u>1,046</u>
Accounts payable	(440)
Lease Liability	(502)
Other liabilities	<u>(305)</u>
Cash and cash equivalents of ILSB at the acquisition date	<u>810</u>
Net cash transferred	<u>\$ 3,517</u>

Intangible assets include Customer Relationships, Trade Name and License.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, per share and per token data)**

**NOTE 3: BUSINESS COMBINATIONS (Cont.)**

The Company estimated the fair values allocated to the assets and liabilities of ILSB (Valuation work) with the assistance of an external independent expert. The final valuation work should be completed within 12 months from the acquisition date.

From the acquisition date, ILSB has contributed net income of \$112 to the consolidated net loss, and \$1,254 to the consolidated revenue.

**b. Open finance Holdings, Inc.**

On January 12, 2021, INX entered into an asset purchase agreement (the “OFN Asset Purchase Agreement”) with Openfinance Holdings, Inc. and certain subsidiaries of Openfinance Holdings, Inc. (collectively, “OFN”). The consideration paid by INX as part of the OFN Acquisition to the shareholders was \$3,252. Pursuant to the OFN Asset Purchase Agreement, on May 10, 2021, INX acquired various assets of OFN, including the entire share capital of OFN Securities, LLC (“OFN Securities”), a Pennsylvania limited liability Company, that is a registered in the United States as a broker-dealer, is a member of FINRA and operates and is recognized as an Alternative Trading System (“ATS”) by the SEC. Following the closing of the acquisition, INX now includes Openfinance broker-dealer/ATS - including its digital security listings and client base – among its wholly-owned subsidiaries.

Following the completion of the Asset Purchase Agreement on May 10, 2021, INX is currently operating the OFN Platform as INX Securities, LLC, its wholly owned subsidiary.

The following are the estimated fair values of the identifiable assets and liabilities assumed of OFN as of the date of the acquisition:

	<b>May 9, 2021</b>
Cash and cash equivalents	\$ 307
Other current assets	18
Intangible Assets	2,007
	<u>2,332</u>
Accounts payables	<u>(3)</u>
Net identifiable assets	2,329
Goodwill	924
Total consideration paid	<u>3,253</u>
Cash paid	2,022
Token warrant liability	735
Liability for contingent consideration	496
Total cost of acquisition	<u>3,253</u>
Net cash transferred	
Cash paid	2,022
Cash of OFN	307
	<u>307</u>
Net cash transferred	<u>\$ 1,715</u>

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, per share and per token data)**

**NOTE 3: BUSINESS COMBINATIONS (Cont.)**

Intangible assets include are License, Core Technology and Customer Relationships.

Contingent consideration is payable in the event that certain performance milestones are achieved by the OFN platform within a defined period.

The Company estimated the fair values allocated to the assets and liabilities of OFN (Valuation work) with the assistance of an external independent expert. The final Valuation work should be completed within 12 months from the acquisition date.

From the acquisition date, OFN has contributed a net loss of \$118 to the consolidated net loss, and \$71 to the consolidated revenue.

**NOTE 4: INX TOKEN LIABILITY**

The number of INX Tokens that the Company has as a liability as of September 30, 2021, and December 31, 2020, is as follows:

	<u>September 30,</u> <u>2021</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2020</u> <u>(Audited)</u>
Founding shareholders:		
Triple-V	9,435,939	9,435,939
A-Labs	<u>4,550,000</u>	<u>4,550,000</u>
	<u>13,985,939</u>	<u>13,985,939</u>
Private Placement	10,386,148	1,481,481
Investors - see Note 7(a)	1,837,999	1,068,000
Issued in the Offering	93,409,410	10,256,128
Holder of Convertible Loans	2,690,623	2,690,623
Employees and Service Providers	<u>4,981,110</u>	<u>1,215,000</u>
Total	<u>127,291,229</u>	<u>30,697,171</u>
Total fair value	<u>\$ 348,734</u>	<u>\$ 24,106</u>

On August 20, 2020 the Company's Form F-1 in connection with the Offering was declared as effective by the SEC.

On April 22, 2021, the INX Token Public Offering was completed.

During the INX Token Offering, from August 2020 to April 2021, INX raised gross proceeds of \$84,068 and sold 93,409,410 INX Tokens (excluding the 1,932,660 INX Tokens that were issued to certain Canadian investors - see below). Additionally, INX raised until September 30, 2021 \$7,622, and sold 10,386,148 INX Tokens through private placements, which were subject to a 12-24 month lockup.



**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, per share and per token data)**

**NOTE 4: INX TOKEN LIABILITY (Cont.)**

INX paid \$4,629 as issuance costs related to the Offering. In addition, INX has granted options to purchase 6,115,903 INX Token at an exercise price of \$0.09 valued at \$4,954.

In June 2021, it came to the attention of INX that during the INX Token Offering as it related to Canada, INX did not take certain steps that may be required under applicable Canadian securities laws. As a result, during July 2021 INX cancelled 1,932,661 INX Tokens that were sold to Canadian purchasers and refunded the \$1,739 to such purchasers, representing the full purchase price of the INX Tokens.

The fair values of INX Tokens free of, or subject to lock-up agreements and the discount rates applied as of September 30, 2021, are as follows:

	<b>Discount rate</b>	<b>Number of INX tokens</b>	<b>Total fair value</b>
Not subject to lock-up	0%	98,100	\$ 280,525
Subject to lock-up through April 2022	15.6%	9,580	23,120
Subject to lock-up through April 2023	19.6%	19,611	45,089
Total		<u>127,291</u>	<u>\$ 348,734</u>

On July 28, 2021, the INX Token commenced trading on the INX Securities Trading Platform. The fair value per INX Token as of September 30, 2021, for INX Tokens which are not subject to lock-up agreement was \$2.86, based on the closing market price of the INX Token as of September 30, 2021. The level in the fair value hierarchy is level 1.

The fair value per INX Token as of December 31, 2020, for INX Tokens which are not subject to lock-up agreement was \$0.90, based on the INX Token Offering price at which INX tokens were issued to the public. The level in the fair value hierarchy is level 1.

For INX Tokens which are subject to lock-up agreement, the Company used the Finnerty model to determine the discount rates applied to such INX Tokens during their lock-up agreements. The significant inputs and assumptions are risk free interest, volatility of 90.74%-100.73% and the period under the lock up. The level in the fair value hierarchy applied for such INX Tokens is level 2.

The fair value of each INX Token as of September 30, 2020, was \$0.90 per INX Token based on the offering price of the INX Token in the public offering which was effective in August 2020.

For INX Tokens which are subject to lock-up agreement, the Company used the Finnerty model to determine the discount rates applied to such INX Tokens during their lock-up agreements. The significant inputs and assumptions are risk free interest, volatility of 62.46%-81.48% and the period under the lock up. The level in the fair value hierarchy applied for such INX Tokens is level 2.

In the nine-month periods ended September 30, 2021, and 2020, the re-measurement to fair value of the INX Token liability in respect of INX Tokens resulted in an expense (unrealized loss) of \$243,223 and \$6,579, respectively, which was recorded in the interim consolidated statement of comprehensive loss.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, per share and per token data)**

**NOTE 4: INX TOKEN LIABILITY (Cont.)**

The changes in the fair value of the INX Token liability attributable to changes in credit risk, excluding those changes in credit risk attributable to the embedded derivative, are immaterial for all reported periods and therefore no amounts have been included in other comprehensive income in respect of credit risk.

**NOTE 5: INX TOKEN WARRANT LIABILITY**

a. Composition:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Obligation to issue INX Tokens to early investors	\$ -	\$ 318
Warrants granted to employees, service providers	9,470	3,931
Total	<u>\$ 9,470</u>	<u>\$ 4,249</u>

b. As part of equity financing agreements that took place in 2018, the Company has obligated to issue to the investors a number of INX Tokens that will be determined pursuant to the results of the Offering (see Note 7a). The Company accounted for these obligations as derivative liabilities.

As of December 31, 2020, the fair value of the related derivative liability, which was determined based on management's assessment of the number of INX Tokens to be provided, amounted to \$318.

As of September 30, 2021, the Company issued to the investors an additional 769,999 INX Tokens. As of September 30, 2021, and December 31, 2020, the fair value of the related derivative liability, which was determined based on management's assessment of the number of INX Tokens to be provided, amounted to \$0 and \$318, respectively. See Note 7(1) a.

c. Warrants granted to employees, service providers:

As of September 30, 2021, the Company has commitments to grant 10,469,110 INX Tokens to directors, employees, service providers and investors, substantially all of which were exercisable subject to the Offering being declared effective by the SEC.

The following table lists the inputs to the Black-Scholes pricing model used for the fair value measurement of INX Tokens warrants:

Expected volatility of the Token prices (%)	95%
Risk-free interest rate (%)	0.67%-0.76%
Expected life of warrant (years)	0.25-4
Exercise price	\$0.01 - \$0.90

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, per share and per token data)**

**NOTE 5: INX TOKEN WARRANT LIABILITY (Cont.)**

The liability for INX Token warrants to employees and service providers is presented at fair value based on the above inputs. INX Token based compensation expenses in during the nine-month periods ended September 30, 2021, and 2020 amounted to \$4,486 and \$5, respectively.

d. Movement during the period:

The following table presents the changes in the number of INX Tokens warrants and their weighted average exercise prices:

	<b>Nine months ended September 30, 2021</b>		<b>Year ended December 31, 2020</b>	
	<b>(Unaudited)</b>		<b>(Audited)</b>	
	<b>Number of Tokens warrants</b>	<b>Weighted average exercise price</b>	<b>Number of Tokens warrants</b>	<b>Weighted average exercise price</b>
INX Tokens warrants outstanding at beginning of periods	5,906,083	\$ 0.07	5,086,250	\$ 0.016
INX Token warrants granted during the periods	8,560,167	\$ 0.25	1,084,833	\$ 0.286
Obligation forfeited (INX Tokens issued) during the periods	(522,933)	\$ 0.01-0.90	(265,000)	\$ 0.01
Exercised during the period	(3,474,207)	\$ 0.01-0.09	-	-
INX Token warrants outstanding at the end of the period	<u>10,469,110</u>	<u>\$ 0.24</u>	<u>5,906,083</u>	<u>\$ 0.067</u>
INX Token warrants exercisable at end of periods (*)	<u>6,956,667</u>	<u>\$ 0.36</u>	<u>398,762</u>	<u>\$ 0.080</u>

(\*) As of September 30, 2021, some of the exercisable INX Token warrants are not-subject to lock-up and some are subject to lock-up agreements for periods of 6 to 24 months following the date the Offering was declared effective by the SEC in August 2020.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, per share and per token data)**

**NOTE 6: RELATED PARTIES**

a. Balances:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
	<b>(Unaudited)</b>	<b>(Audited )</b>
Assets:		
Receivable- cash held by related party	\$ 2,038	\$ 33
Prepaid expenses	-	207
<b>Total</b>	<b>\$ 2,038</b>	<b>\$ 240</b>
Liabilities:		
Accounts payable	\$ 25	\$ 16
Accrued bonuses	-	450
Payroll liability	150	-
INX Token liability (See Note 4)	41,987	11,429
INX Token warrant liability	2,033	2,177
Convertible loan	-	52
<b>Total</b>	<b>\$ 44,195</b>	<b>\$ 14,124</b>

b. Transactions (\*):

	<b>Nine months ended September 30,</b>		<b>Three months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2021</b>
	<b>(Unaudited)</b>			
Research and development	\$ -	\$ 18	\$ -	\$ 35
Sales and Marketing	4,911	-	-	-
General and administrative	297	73	67	28
Fair value adjustment of INX Token and derivative liabilities	3,428	2	3,427	352
<b>Total</b>	<b>\$ 8,636</b>	<b>\$ 93</b>	<b>\$ 3,494</b>	<b>\$ 415</b>

(\*) Excluding benefit to key management personnel (See c below).

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, per share and per token data)**

**NOTE 6: RELATED PARTIES (Cont.)**

- c. Benefits to key management personnel:

	<b>Nine months ended</b>		<b>Three months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>			
Short-term benefits	\$ 1,594	\$ 327	\$ 618	\$ 108
Share-based compensation	4,023	134	3,307	38
Fair value adjustment of INX				
Token and derivative liabilities	27,160	44,117	26,723	9,437
Token-based compensation	1,652	5	263	5
		\$		
<b>Total</b>	<b>\$ 34,429</b>	<b>44,583</b>	<b>\$ 30,911</b>	<b>\$ 9,588</b>

**NOTE 7: EQUITY**

- a. During January and February 2018, the Company signed four individual Share Purchase Agreements with four new investors (the "New Investors"). Pursuant to these agreements, the Company issued a total of 1,768,290 Ordinary shares to the New Investors.

In June 2018, some of the New Investors signed amendments to the Share Purchase Agreements pursuant to which the New Investors are entitled to receive an additional 1,068,000 INX Tokens.

The New Investors are also entitled to receive, for no additional consideration, a number of INX Tokens to be determined by dividing the aggregate consideration of \$693 by the price per token in an initial public offering of INX Tokens. The number of INX Tokens received will not exceed 2% of the total number of INX Tokens issued at the time of the initial public offering. The Company has accounted for this obligation to issue Tokens as a derivative liability that is measured at fair value through profit or loss.

As of September 30, 2021, the Company issued to the investors an additional 769,999 INX Tokens, which completed the Company's obligation to issue additional INX Tokens.

- b. On August 13, 2019, the Board of Directors of the Company approved an additional capital raise of up to \$1,000 in the form of SAFE, which the Board of Directors of the Company then increased to \$1,500 on October 28, 2019 (the "Second SAFE").

The Second SAFE will also be automatically converted into the same class of shares of capital stock as those issued in the Qualifying Financing at a price per share equal to the lower of: (i) 25% discount on the base (undiscounted) price per share of the Qualifying Financing, and (ii) \$1.367 per share.

If a Qualified Financing is not consummated within 12 months commencing as of the Effective Date (as such term is defined in the Second SAFE), the funds will automatically be converted at a price per share of \$1.367. In addition to the shares issued to the investors upon conversion of the Second SAFE, the Second SAFE investors shall be entitled to an option to purchase an equal

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, per share and per token data)****NOTE 7: EQUITY (Cont.)**

number of additional shares issued to them upon conversion of their investment under the Second SAFE, from the same class of such converted shares, for an exercise price of \$1.953 per share.

This option shall be valid for a period of 36 months. In connection with the Second SAFE, the Company raised an amount of \$978, including \$250 from Triple-V.

In the absence of a qualified financing during the 12 month period following the effective date of such Second SAFE in 2020, the Company converted the investment provided to it under the Second SAFE into an aggregate of 716,136 Ordinary Shares of the Company.

Pursuant to the terms of the Second SAFE, upon the Second SAFE 4 conversion, the investors under the Second SAFEs received an option to purchase an additional identical number of Ordinary Shares of the Company at a price of \$1.953 per share.

On September 13, 2020, Triple-V exercised the option that was granted to it under the Second SAFE dated August 30, 2019 between Triple-V and the Company, and the option that was granted to Mr. Shy Datika under the Second SAFE dated August 30, 2019 between Mr. Datika and the Company that was assigned to Triple by Mr. Datika, were exercised to an aggregate of 146,306 Ordinary Shares at a price of \$1.953 per share.

During the nine months period ended September 30, 2021, several investors exercised the option that were granted to them under the Second SAFE dated August 30, 2019, into an aggregate of 268,179 Ordinary Shares at a price of \$1.953 per share. 254,524 are outstanding and can be exercised until August 30, 2022

- c. On February 21, 2020, the Board of Directors of the Company approved an additional capital raise of up to \$1,500 in the form of SAFE (the "Third SAFE"). The Third SAFE will be automatically converted into the same class of shares of capital stock as those issued in Qualifying Financing at a price per share equal to the lower of, (i) 25% discount on the base (undiscounted) price per share of the Qualifying Financing, and (ii) \$1.526 per share.

If a Qualified Financing is not consummated within 12 months commencing as of the Effective Date (as such term is defined in the Third SAFE), the funds will automatically be converted at a price per share of \$1.526.

In addition to the shares issued to the investors upon conversion of the Third SAFE, the Third SAFE investors shall be entitled to an option to purchase additional identical number of shares, from the same class of the shares issued to them upon conversion of their investment under the Third SAFE, for an exercise price of \$1.696 per share. This option shall be valid for a period of 36 months commencing as of the Effective Date of the agreement. An aggregate amount of \$579 has been received by the Company pursuant to the Third SAFE in 2020, including \$100 and \$30 from Triple-V and A-Labs, respectively.

In March 2021, in the absence of qualified financing during the 12 months following the effective date of such Third SAFE, the Company converted the investment provided to it under the Third SAFE dated March 2020 into an aggregate of 379,593 Ordinary Shares of the Company at a price per share of \$1.526.

During the nine months period ended September 30, 2021, several investors exercised the options that was granted to them under the Third SAFE dated August 30, 2019, to an aggregate of 115,661 Ordinary Shares at a price of \$1.696 per share. 311,060 options are outstanding and can be exercised until March 31, 2023.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, per share and per token data)**

**NOTE 7: EQUITY (Cont.)**

- d. On February 25, 2021, holders of Convertible loans exercised their right under their loan agreements and converted the outstanding amounts provided by them to the Company under such loan agreements into an aggregate of 956,333 Ordinary Shares of the Company.

**NOTE 8: SHARE-BASED PAYMENT**

- a. Shares reserved for Employees Stock Option Plan:

On December 29, 2017, the Company's Board approved a resolution to reserve 417,000 Ordinary shares of the Company for the purpose of an Employees Stock Option Plan ("ESOP") and future grants to employees and consultants as the Board may approve from time to time.

The Company's board of directors adopted the INX Limited Share Ownership and Award Plan (2021) (the "Share Ownership and Award Plan" or the "Plan") on February 22, 2021, and Company's shareholders approved the Plan on March 18, 2021.

The Plan provides for the grant of options to purchase Ordinary Shares and restricted shares to such employees, directors and consultants engaged by the Company or any of its affiliates.

The Plan further provides for the grant of options and restricted shares to service providers who are not Gibraltar citizens and includes U.S. and Israeli appendices that further specify the terms and conditions of grants of options and restricted shares to such foreign grantees. Subject to certain capitalization adjustments, the aggregate number of Ordinary Shares that may be issued pursuant to share awards under the Plan may not exceed 1,288,882 Ordinary Shares.

- b. Share options and warrants granted to employees and service providers:

1. Upon the adoption of a Share Ownership and Option Plan (the "Plan") by the Company, certain employees received 586,261 options exercisable into Ordinary shares of the Company at a price per share equal to the fair value per share at the date of the commitment of the Company to grant the options. The options vest over periods of three to four years. The options are exercisable for a period of 10 years from the date of grant.

In addition, pursuant to agreements with two certain officers of the Company, such officers are entitled to options (or to issuance of restricted shares) for 67,158 Ordinary Shares and 539,280 Ordinary Shares (or a smaller number of options if exercised on a cashless basis) subject to further approval of the Board and (in the event of issuance of restricted shares) to a customary reverse vesting agreement. The options are exercisable for a period 10 years from the date of grant.

On March 25, 2021, the Company granted to two U.S. employees, effective as of April 1, 2021, options to purchase to purchase 403,710 Ordinary Shares of the Company at an exercise price of \$11.126 per share.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, per share and per token data)**

**NOTE 8: SHARE-BASED PAYMENT (Cont.)**

As of September 30, 2021, none of these options were exercisable. The Company has recorded expenses of \$4,186 and \$140 for three and nine month periods ended September 30, 2021, and 2020, respectively.

2. The table below summarizes the assumptions that were used to estimate the fair value of the above options granted to employees using the Black- Scholes option pricing model:

	<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
Expected term (years)	3-4	6.25-10
Expected volatility	95%	103.56%
	\$0.391904-	
Exercise price	\$11.126	\$1.6139-\$1.044
Risk-free interest rate	1.21%	0.66%
Dividend yield	0%	0 %

**NOTE 9: COMMITMENTS AND CONTINGENCIES**

- a. Engagement agreement with A-Labs Finance and Advisory Ltd. ("A-Labs"):

Under an engagement agreement dated September 26, 2017, as amended in December 2017 and January 31, 2018 (the "A-Labs Agreement"), A-Labs, a shareholder of the Company, shall provide services to the Company which include, among others, development, planning, management, execution, branding and marketing outside of the U.S. with relation to the Offering of the INX Tokens on behalf of the Company. In consideration for these services, A-Labs received a non-refundable, cash payment of \$500 and will receive a contingent cash payment of \$500 payable upon the completion of an offering in which the Company has raised from U.S. Persons not less than \$10,000. Subject to the completion of an offering under which the Company has raised from non-U.S. persons not less than \$10,000, A-Labs also will receive an additional contingent cash payment for the marketing and sale of INX Tokens to non-US Persons only. Such consideration shall be equal to 10% of the first \$30,000 (up to \$3,000) in ICO Proceeds (as defined in the A-Labs Engagement Agreement); 5% of the next \$70,000 (up to \$3,500) in ICO Proceeds; 6% of the next \$100,000 (up to \$6,000) in ICO Proceeds; and 7.5% of ICO Proceeds in excess of \$200,000.

A-Labs also received a grant of 4,550,000 INX Tokens at a fair value of \$6. In addition, pursuant to an agreement signed contemporaneously with the A-Labs Agreement, the Company issued 1,120,000 Ordinary shares to A-Labs. The fair value of the Ordinary shares issued amounting to \$136 (\$175 less the payment of \$39 required for those shares), is deemed additional consideration for the services to be provided by A-Labs.

During the nine-month periods ended September 30, 2021, and 2020, the Company recognized compensation expense in connection with the A-Labs Agreement of \$207 and \$0, respectively. During the year ended December 31, 2020, the Company recognized compensation expenses of \$508. The compensation expense recognized was based on the extent of the services performed until the respective dates.



**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, per share and per token data)**

**NOTE 9: COMMITMENTS AND CONTINGENCIES (Con.)**

As of December 31, 2020, the balance of prepaid expenses amounted to \$258. The prepaid expenses as of December 31, 2020, include additional advance payments of \$143 paid to A-Labs during 2020.

As of July 28, 2021, the Company and A-labs signed a waiver which agrees cash payment of \$1,001 and grant of an option to purchase 1,527,084 Tokens with Lock-up period of 12-24 months. The cash payment was paid in July 2021 and a warrant for the aforesaid tokens was issued accordingly.

As of September 30, 2021 the Company and A-labs finalized the consideration according to the agreement describe above.

b. Independent board members' compensation

The Company independent board members shall be entitled to a monthly grant of options to purchase 3,500 INX Tokens per each month of services to the Company (see note 5c). The exercise price shall be equal to the fair market value of such INX Token of the date of the grant. Such option to purchase INX Tokens shall be granted to each independent board member following the end of each calendar quarter, with respect to the month of services in such calendar quarter. Independent board member shall be required to exercise their option within 90 days following termination of their engagement with the Company.

**NOTE 10: VALDY TRANSACTION**

On March 31, 2021 the Company, the Company's securityholders, PI Financial Corp. and Eight Capital (the "Co-Lead Agents") and Valdy Investments Ltd. (TSXV: VLDY.P) ("Valdy"), a Capital Pool Company incorporated under the laws of British Columbia, Canada, and whose common shares were listed for trading on the TSX Venture Exchange (the "Exchange") entered into a definitive securities exchange agreement, as amended on July 23, 2021 and amended and restated on November 3, 2021 (the "Securities Exchange Agreement"). Since incorporation Valdy has not operated a business nor had any material assets other than cash. On November 16, 2021, the shares of Valdy were delisted from the exchange. Valdy has submitted their request to be listed on the NEO Exchange in Canada.

Pursuant to the Securities Exchange Agreement Valdy agreed to acquire all of the issued and outstanding securities of the Company (the "Valdy Transaction"). Upon completion of the Valdy Transaction, INX will become a wholly owned subsidiary of Valdy, and the combined entity (the "Resulting Issuer") will continue the business of the Company. Prior to the closing of the Valdy Transaction, Valdy will consolidate the issued and outstanding common shares of Valdy (the "Consolidation") on the basis of one (1) post-Consolidation Valdy share for every 2.7266667 pre-Consolidation Valdy shares outstanding on a fully diluted basis such that immediately prior to closing, there will be outstanding no more than 5,124,740 Valdy common shares on a fully-diluted basis. The Securities Exchange Agreement provides that Valdy will issue to shareholders of the Company 167,331,410 post-Consolidation Valdy shares.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share, per share and per token data)****NOTE 10: VALDY TRANSACTION (Cont.)**

The Valdy common shares issued to holders of Company shares outstanding prior to the Concurrent Financing will be issued on the basis of 10.4871348 Valdy common shares for each Ordinary Share of the Company (the “Conversion Ratio”). Holders of options and warrants of the Company will receive replacement options and warrants of Valdy on terms equivalent to the surrendered option or warrant with respect to expiry date vesting conditions and conditions and adjusted pursuant to the Conversion Ratio in respect of exercise price and the number of Valdy common shares issuable upon exercise thereof. The completion of the Valdy Transaction remains subject to customary closing conditions, including the approval of the Exchange. Following the closing of the Valdy Transaction, Valdy intends to change its name to “The INX Digital Company, Inc.” The Company, the Company’s securityholders, the Co-Lead Agents, and Valdy entered into an amendment to the Securities Exchange Agreement dated as of July 23, 2021, to, among other things, extend the deadline for completion of the Valdy Transaction to January 24, 2022, subject to possible earlier termination.

On April 1, 2021, the Company completed a private placement of 31,680,000 subscription receipts (each, a “Subscription Receipt”) at CAD1.25 (\$0.99) per Subscription Receipt for aggregate gross proceeds of CAD 39,600,000 (\$31,284) (the “Concurrent Financing”), with such proceeds being held in escrow, other than 50% of the commission and corporate finance fee payable to the Agents (as defined below). The Concurrent Financing was comprised of a brokered portion (the “Brokered Concurrent Financing”), pursuant to which 22,823,400 Subscription Receipts were issued, and a non-brokered portion (the “Non-Brokered Concurrent Financing”), pursuant to which 8,856,600 Subscription Receipts were issued. Immediately prior to the completion of the Valdy Transaction and upon satisfaction of all conditions precedent to the Valdy Transaction, each Subscription Receipt will be automatically converted into a unit comprised of one Ordinary Share of the Company and one-half of one Ordinary Share purchase warrant of the Company, and the escrowed proceeds of the Concurrent Financing will be released to the Company, subject to payment to the Agents of the remaining portions of the commission and finance fee.

Each whole warrant of the Company issued pursuant to the conversion of the Subscription Receipts is exercisable into one additional Ordinary Share of the Resulting Issuer for two years from closing of the Concurrent Financing at an exercise price of CAD1.88 (\$1.49) per Resulting Issuer share. The Valdy common shares to be issued to holders of Company Ordinary Shares issued pursuant to the conversion of the Subscription Receipts will be issued on a 1:1 basis.

In consideration for their services to the Company, the Co-Lead Agents, Beacon Securities Limited and Cormark Securities Inc. (together with the Co-Lead Agents, the “Agents”) are entitled to a cash commission of CAD2,263,425(\$1,788), 1,810,000 Agent compensation options.

The Resulting Issuer has obtained conditional approval from the NEO Exchange to list the Resulting Issuer Shares on the NEO Exchange under the symbol “INXD” upon completion of the Transaction and fulfilling all listing requirements of NEO Exchange.

On January 10, 2022, Valdy completed the Consolidation, following which, an aggregate of 5,124,740 Valdy Post-Consolidation Shares were issued and outstanding.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share, per share and per token data)**

**NOTE 10: VALDY TRANSACTION (Cont.)**

On January 10, 2022, the Transaction was completed, pursuant to which Valdy acquired all of the issued and outstanding securities of INX from the INX Securityholders by way of a securities exchange, in accordance with the terms and conditions of the Securities Exchange Agreement dated November 3, 2021, whereby its name was changed from “Valdy Investments Ltd.” to “The INX Digital Company, Inc.”.

On January 10, 2022, the INX Escrow Release Conditions were satisfied, and the Subscription Receipt Agent released the INX Escrowed Funds (less the balance of the INX Agents’ Commission and the reasonable costs and expenses of the Agents by INX) to INX, and each INX Subscription Receipt automatically converted into one INX Unit.

-----  
 -----

**SCHEDULE "D"**  
**INTERIM MD&A OF INX LIMITED**

(See attached)

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2021

## Introduction

The following Management Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of INX LIMITED ("INX" or the "Company") for the three and nine month periods ended September 30, 2021.

This MD&A has been prepared in compliance with the requirements of Form 51-102F1, in accordance with *National Instrument 51-102 - Continuous Disclosure Obligations*. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2021 and the audited annual consolidated financial statements of the Company for the fiscal year ended December 31, 2020, together with the notes thereto. Results are reported in United States dollars unless otherwise noted. The results for the three and nine months ended September 30, 2021, are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as of January 17, 2022, unless otherwise indicated.

The consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board and interpretations of the IFRS Interpretations Committee. This MD&A contains forward-looking statements that involve risks, uncertainties and assumptions, including statements regarding anticipated developments in future financial periods and future plans and objectives. There can be no assurance that such information will prove to be accurate, and readers are cautioned not to place undue reliance on such forward-looking statements (*see "Forward-Looking Statements"*).

For the purposes of preparing this MD&A, management, in conjunction with the board of directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's ordinary shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the board of directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

## Forward Looking Statements

The information set forth in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are preceded by, followed by or include the words 'believes,' 'expects,' 'anticipates,' 'estimates,' 'intends,' 'plans,' 'forecasts,' or similar expressions. Forward-looking statements are not guarantees of future performance. These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including, but not limited to, those identified in the "Risks and Uncertainties" section above. Assumptions relating to the foregoing involve judgments with respect to, among

other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf, except as required under securities law.

## **Risks and Uncertainties**

In addition to the risks contained herein, the disclosure in this MD&A is subject to, and should be read in conjunction with, the risk factors outlined in the Company's full F - 1 prospectus filed on EDGAR.

## **Business Overview**

The Company's head office is located at 6 Bayside Road, Gibraltar, GX11 1AA.

The Company operates two trading platforms: (a) a trading platform for "cryptocurrencies", i.e., digital assets that do not constitute securities (e.g. Bitcoin and Ethereum), which the Company developed and is being operated through one of its wholly owned subsidiaries, INX Digital, Inc. (the "INX Digital Trading Platform" and "INX Digital", respectively); and (b) a trading platform for "digital securities," i.e., digital assets that constitute securities under applicable securities laws (e.g. the INX Token and tokens of other issuers who chose to issue digital securities), operated through another subsidiary, INX Securities, LLC (the "INX Securities Trading Platform" and "INX Securities", respectively).

Currently, the Company has 7 wholly owned subsidiaries:

- INX Digital (defined above), a Delaware corporation;
- INX Services, Inc., a Delaware corporation (which currently is a dormant entity);
- INX Solutions Limited, a Gibraltar corporation (which currently is a dormant entity);
- Midgard Technologies Ltd., an Israeli corporation;
- INX Securities (defined above) (f/k/a Openfinance Securities, LLC.), a Pennsylvania limited liability company;
- I.L.S. Brokers Ltd., an Israeli corporation ("ILSB"); and
- ILSB UK Limited, an UK corporation.

INX Digital is qualified to operate as a money transmitter in 28 US states, the District of Columbia, and Puerto Rico. The Company intends to obtain money transmitter licenses or otherwise become qualified to operate in most US states and territories by the end of 2022.

INX Securities is registered in the United States as a broker-dealer, FINRA member, and operates and is recognized as an Alternative Trading System by the SEC. The Company listed the INX Token on the INX Securities Trading Platform in July 2021.

The Company offers professional traders and institutional investors trading platforms with established practices common in other regulated financial services markets, such as customary trading and settlement procedures, regulatory compliance, capital and liquidity reserves and operational transparency.

### **Token Offering**

The public offering (the “Token Offering”) of INX's security tokens (the “INX Tokens”) was registered under the United States Securities Act of 1933. In such registration, the INX Token is deemed to be an “equity security” under relevant SEC rules and regulations. The Company full F-1 prospectus and periodic reports are publicly available on the SEC’s EDGAR system, and on its website, in accordance with US federal securities laws. During the Token Offering, from September 2020 to April 2021, the Company raised approximately \$84 million in gross proceeds (as further elaborated below) from INX Token sales, received from over 7,200 institutional and retail investors.

### **OFN Asset Purchase**

On January 12, 2021, the Company entered into an asset purchase agreement (the “OFN Asset Purchase Agreement”) with Openfinance Holdings, Inc. and certain subsidiaries of Openfinance Holdings, Inc. (collectively, “OFN”). The consideration paid by INX as part of the OFN Acquisition to the shareholders was \$3,252,000. Pursuant to the OFN Asset Purchase Agreement, on May 10, 2021, the Company acquired various assets of OFN, including the entire share capital of OFN Securities, LLC (“OFN Securities”), a Pennsylvania limited liability Company, that is a registered in the United States as a broker-dealer, is a member of FINRA and operates and is recognized as an Alternative Trading System (“ATS”) by the SEC. following the closing of the acquisition, the Copmany now includes Openfinance broker-dealer/ATS – including its digital security listings and client base – among its wholly-owned subsidiaries.

### **Acquisition of I.L.S. Brokers Ltd. acquisition**

On June 9, 2021, the Company entered into a share purchase agreement with the shareholders of I.L.S. Brokers Ltd., a Company incorporated under the laws of the State of Israel (“ILSB”) for the purchase of all of the issued outstanding shares of ILSB (the “ILSB Acquisition”). The consideration paid by the Company as part of the ILSB Acquisition to the shareholders was \$4,327,000.

### **Securities Exchange Agreement and Financing**

On March 31, 2021, INX, Valdy Investments Ltd. (“Valdy”), the securityholders of INX (the “INX Securityholders”), PI Financial Corp. and Eight Capital entered into a securities exchange agreement, as amended on July 23, 2021 and amended and restated on November 3, 2021 (the “Securities Exchange Agreement”). Pursuant to the terms of the Securities Exchange Agreement, Valdy will acquire all of the issued and outstanding securities of INX from the INX Securityholders by way of a securities exchange (the “Transaction”). Upon completion of the Transaction, INX will become a wholly-owned subsidiary of Valdy and the combined entity (the “Resulting Issuer”) will continue the business of INX.

On April 1, 2021, INX completed a private placement of 31,680,000 INX Subscription Receipts at a price of CAD \$1.25 (equal to \$0.99) per INX Subscription Receipt for aggregate gross proceeds of CAD \$39,600 (equal to \$31,284) (the “INX Concurrent Financing”). On the closing of the INX Concurrent Financing, the gross proceeds from the INX Concurrent Financing (less 50% of the compensation paid to the agents in connection with the INX Concurrent Financing, as well as the reasonable costs and expenses of the agents payable by INX) were delivered to be held in escrow by Odyssey Trust Company in its capacity as subscription receipt agent.

Prior to the closing of the Transaction (the “Closing”), the Company will consolidate the issued and outstanding Valdy Shares (the “Consolidation”) on the basis of one (1) post-Consolidation Valdy Share for every 2.726667 pre-Consolidation Valdy Shares outstanding on a fully-diluted basis such that immediately prior to the Closing, there shall be outstanding no more than 5,124,740 Valdy Shares on a fully-diluted basis.

Immediately prior to the Closing and upon satisfaction of all conditions precedent to the Transaction, each Subscription Receipt will be automatically converted into a unit comprised of one ordinary share in the capital of INX (“INX Shares” and each such INX Share, an “INX Financing Share”) and one-half of one common share purchase warrant of INX (each whole warrant, an “INX Financing Warrant”), and the escrowed proceeds of the Concurrent Financing will be released to INX. Each INX Financing Warrant is exercisable into one additional INX Share for two years from closing of the Concurrent Financing at an exercise price of \$1.88 per share.

In connection with the completion of the Transaction, Valdy will change its name to “The INX Digital Company, Inc.”.

On January 10, 2022, the Transaction was completed, pursuant to which Valdy acquired all of the issued and outstanding securities of INX from the INX Securityholders by way of a securities exchange, in accordance with the terms and conditions of the Securities Exchange Agreement.

On January 10, 2022, the INX Escrow Release Conditions were satisfied, and the Subscription Receipt Agent released the INX Escrowed Funds (less the balance of the INX Agents’ Commission and the reasonable costs and expenses of the Agents by INX) to INX, and each INX Subscription Receipt automatically converted into one INX Unit.

### **Security Trading Platform**

On July 2021, the Company listed the INX Token on the INX Securities Trading Platform through OFN Platform.

### **Digital Trading Platform**

INXD launched a cryptocurrency trading platform on April 29, 2021, which was developed by the Company and is operated by INX Digital, the Company’s wholly owned subsidiary. Currently, seven types of cryptocurrencies are supported for trading on the INX Digital platform, including BTC, ETH, ZEC, LTC, USDC, GYEN and ZUSD.



## **Quarterly Highlights and Results**

### **Nine months ended September 30, 2021**

#### ***Revenues***

The Company generated \$1,325,000 in revenue for the nine months ended September 30, 2021, consisting of \$1,254,000 in revenue from ILSB and \$71,000 from trading fees on the INX Securities Trading Platform.

#### ***Total Operating Expenses***

Operating expenses for the nine months ended September 30, 2021 were \$27,226,000 and they consist of research and development, sales and marketing and general and administrative expenses. Research and development expenses amounted to \$2,011,000 which include the cost of development of the Company INX Digital and INX Securities Trading Platform and primarily comprised of costs of the Company's research and development personnel and other development-related expenses. Sales and marketing expenses amounted to \$2,844,000 and primarily comprised of costs of personnel and other marketing costs incurred in connection with the Token offering. General and administrative expenses amounted to \$22,371,000 which included costs of personnel, Stock and Token based compensation, and costs associated with the registration of the Company's platform, as well as legal and other services related to the Token Offering.

#### ***Loss***

The Company's loss and loss per share, basic and diluted for the nine months ended September 30, 2021, was approximately \$269,141,000 and \$18.45, respectively.

#### ***Operating Cash Flow (Negative)***

The Company's Operating Cash Flow for the nine months ended September 30, 2021, was approximately negative \$19,193,000.

### **Three months ended September 30, 2021**

#### ***Revenue***

The Company generated \$1,075,000 in revenue for the three months ended September 30, 2021, consisting of \$1,008,000 from ILSB and \$67,000 from trading fees on the INX Securities Trading Platform.

### ***Total Operating Expenses***

Operating expenses for the three months ended September 30, 2021 were \$8,864,000 and consisted of research and development, sales and marketing and general and administrative expenses. Research and development expenses, which amounted to \$816,000 included the cost of development of the Company's trading platforms and primarily comprised of costs of research and development personnel and other development-related expenses. Sales and marketing expenses amounted to \$752,000 and were primarily comprised of costs of personnel and other marketing costs incurred in connection with the Token Offering. General and administrative expenses, which amounted to \$7,296,000, included the costs of personnel, stock and token based compensation, and costs associated with the registration of the Company's platform, as well as legal and other services related to the Token Offering.

### ***Loss***

The Company's loss and loss per share, basic and diluted for the three months ended September 30, 2021, was approximately \$249,532,000 and \$16.24, respectively.

### **Summary of Financial Information**

The following table presents an overview of the Company's results of operations for the three and nine months ended September 30, 2021, and 2020:

(U.S. Dollars in thousands, except share and per share data)

	<b>Nine months ended September 30,</b>		<b>Three months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
Revenues (primarily from brokerage fees)	\$ 1,325	\$ -	\$ 1,075	\$ -
Research and development	2,011	451	816	134
Sales and marketing	2,844	186	752	282
General and administrative	22,371	2,468	7,296	1,523
Loss from operations	25,901	3,105	7,789	1,939
Fair value adjustment of INX Token liability	243,223	6,579	241,762	5,777
Finance (income) expense	17	23	(19)	8
Loss and total comprehensive loss	\$ 269,141	\$ 9,707	\$ 249,532	\$ 7,724
Loss per share, basic and diluted	\$ 18.45	\$ 0.83	\$ 16.24	\$ 0.58
Weighted average number of shares outstanding, basic and diluted	14,581,571	11,693,464	15,359,216	13,234,485

## **Comparison for the nine months ended September 30, 2021, and 2020**

### *Revenue*

The Company generated \$1,325,000 in revenue for the nine months ended September 30, 2021, compared to \$0 for the nine months ended September 30, 2020. Revenues increased \$1,254,000 from ILSB and \$71,000 from trading fees on the INX Securities Trading Platform.

### *Research and Development Expenses*

The Company incurred \$2,011,000 in research and development expenses for the nine months ended September 30, 2021, compared to \$451,000 for the nine months ended September 30, 2020. Research and Development expenses increased by \$1,560,000 for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020. This increase was primarily driven by increases of \$345,000 and \$123,000 in share-based and token-based compensation expense, respectively, and an increase of \$1,092,000 in personnel cost.

### *Sales and Marketing Expenses*

The Company incurred \$2,844,000 in sales and marketing expenses for the nine months ended September 30, 2021, compared to \$186,000 for the nine months ended September 30, 2020. Sales and marketing expenses increased by \$2,658,000 for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020. This increase was primarily driven by an increase of \$1,077,000 in personnel costs, and an increase of \$1,581,000 in other marketing costs in connection with the Token Offering.

### *General and Administrative expenses*

The Company incurred \$22,371,000 in general and administrative expenses for the nine months ended September 30, 2021, compared to \$2,468,000 for the nine months ended September 30, 2020. The increase of \$19,903,000 was primarily driven by increases of \$3,699,000 and \$4,190,000 in share-based and token-based compensation expense, respectively, an increase of \$3,478,000 in personnel costs, an increase of \$6,223,000 in legal and offering services, an increase of \$389,000 in compliance and registration fees and an increase of \$1,924,000 in other operational costs.

### *Financial liabilities at fair value through profit or loss - INX Token liability:*

The Company's balance sheet as of September 30, 2021, includes financial liability for INX Token holders in the amount of \$348,734,000. On September 30, 2021, the Company measured the INX Token fair value based on the closing market price of INX Token as for September 30, 2021 (*see further details in Note 4 in the interim financial statements*). The Company incurred \$243,223,000 in fair value adjustments of INX Token liability in profit or loss for the nine months ended September 30, 2021, compared to \$6,579,000 for the nine months ended September 30, 2020.

Changes in fair value of the liabilities noted above are recorded in profit or loss in the Company's consolidated statements of comprehensive loss.

### *Loss and total comprehensive loss*

The Company's loss and total comprehensive loss for the nine months ended September 30, 2021, was \$269,141,000 compared to net loss of \$9,707,000 for the nine months ended September 30, 2020, an increase of \$259,434,000.

### **Comparison for the three months ended September 30, 2021, and 2020**

#### *Revenue*

The Company generated \$1,075,000 in revenue for the three months ended September 30, 2021, compared to \$0 for the nine months ended September 30, 2020. Revenues increased \$1,008,000 from ILSB and \$67,000 from trading fees on the INX Securities Trading Platform.

#### *Research and Development Expenses*

The Company incurred \$816,000 in research and development expenses for the three months ended September 30, 2021, compared to \$134,000 for the three months ended September 30, 2020. Research and Development expenses increased by \$682,000 for the three months ended September 30, 2021, compared to the three months ended September 30, 2020. This increase was primarily a result of an increase in payroll and third-party contractors of \$530,000 and stock and token based compensation of \$152,000.

#### *Sales and Marketing Expenses*

The Company incurred \$752,000 in sales and marketing expenses for the three months ended September 30, 2021, compared to \$282,000 for the three months ended September 30, 2020. Sales and marketing expenses increased by \$470,000 for the three months ended September 30, 2021, compared to the three months ended September 30, 2020. This increase was primarily driven by an increase of \$430,000 in personnel costs and \$40,000 in other marketing costs.

#### *General and Administrative expenses*

The Company incurred \$7,296,000 in general and administrative expenses for the three months ended September 30, 2021, compared to \$1,523,000 for the for the three months ended September 30, 2020. The increase of \$5,773,000 was primarily due to an increase of \$1,746,000 in personnel costs, increases of \$3,402,000 in share-based and token-based compensation expense, respectively, an increase of \$1,338,000 other operation costs and set off by a decrease of \$713,000 in legal expenses in respect of the Token Offering.

#### *Financial liabilities at fair value through profit or loss - INX Token liability:*

The Company's balance sheet as of September 30, 2021, includes a financial liability for INX Token holders, in the amount of \$348,734,000. On September 30, 2021, The Company measured the INX Token fair value based on the closing market price of INX Token as for September 30, 2021 (*see further details in Note 4 in the interim financial statements*). The Company incurred \$241,762,000 in fair value adjustments of INX Token liability in profit or loss for the three months ended September 30, 2021, compared to \$5,777,000 for the three months ended September 30, 2020.

### *Loss and total comprehensive loss*

Loss and total comprehensive loss for the three months ended September 30, 2021, was \$249,532,000 compared to net loss of \$7,724,000 for the three months ended September 30, 2020, an increase of \$241,808,000.

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Cash and cash equivalents	24,712,000	7,581,000
Reserve Fund	27,829,000	-
Current assets	55,779,000	8,053,000
Current liability	359,749,000	29,831,000
Working capital	(303,970,000)	(21,778)
Adjusted working capital (1)	54,234,000	6,577,000
Shareholder's deficit	(285,242,000)	(21,746,000)

(1) Adjusted Working Capital defined as Working Capital excluding INX Token liability and INX Token Warrant Liability, which represents a non-cash fair value measured liability.

### *Cash and Cash equivalents*

As of September 30, 2021, the Company had total of \$24,712,000 cash and cash equivalents, an increase of \$17,131,000 from December 31, 2020.

### *Total Current Assets*

Total Current Assets increased to \$55,779,000, primarily a result of \$44,960,000 increase in cash and cash equivalents and Reserve fund.

### *Total Assets*

Total assets as of September 30, 2021, and December 31, 2020 was \$75,744,000 and \$8,085,000, respectively. An increase of \$67,659,000 was primarily due to an increase in cash and cash equivalents and reserve fund of \$44,960,000 as a result of IPO completion, an increase of \$4,167,000 in intangible assets as a result of the acquisition of ILSB and OFN as described in Note 3 in the interim financial statements, an increase of \$693,000 in accounts receivables, and an increase in crypto currencies of \$738,000.

## Total Liabilities

### **INX Token Valuation**

The fair value of each INX Token as of September 30, 2021, and September 30, 2020, was \$2.86 and \$0.90, respectively.

The fair value as of September 30, 2021 was \$2.86 per token based on the closing market price of INX Token as for September 30, 2021. The level in the fair value hierarchy is level 1.

The fair value as of September 30, 2020 was \$0.90 per token based on the price of the Token Offering. The level in the fair value hierarchy is level 1.

Certain INX Token holders are subject to lock-up agreements that restrict such holder's ability to sell or transfer their INX Tokens for periods of 6 to 24 months. For the purpose of determining the fair value of the INX token liability, the Company considered the restriction which apply on such token holders by discounting the offering price with a discount rate reflecting the lack of marketability during the lock-up period. The level in the fair value hierarchy with respect for such token holder is level 2.

The fair value as of December 31, 2020 was determined by management and the board of directors of the Company based on a valuation derived from a capital raise pursuant to the terms of a SAFE approved by the board of directors in February 2020. In determining the fair value of the INX Token from these transactions, the Company used various inputs and assumptions in performing an underlying comparison of the shareholder's and INX Token holder's participation rights in the Company's earning distribution. The significant inputs and assumptions are the price of the ordinary share of the Company, the volatility used in valuing the Company's share options and INX Token warrants, the expected term of the INX Token warrants, the number of INX Tokens expected to be issued in the Token Offering and the weighted average probability as to the amount of funds to be raised in the Token Offering. The level in the fair value hierarchy is level 3. The board of directors of the Company considered each of the following factors in determining the offering price:

- The Company's offering of INX Tokens is unique both for the traditional securities markets as well as within the blockchain community. at the time at which prior valuations were conducted, the Company and the public could not have known whether the Company would be able to have the registration statement of which its prospectus is a part be declared effective.
- The Company anticipated that it will be able to commence operations in the third quarter of 2021.
- The price of the INX Token in the Token Offering is intended to reflect the value of the INX Token upon the successful completion of the Token Offering.
- The successful completion of the Token Offering would provide the Company with access to public equity, provide enhanced operational flexibility and strengthen the Company's brand recognition, all of which contribute to an increased value of the INX Token.

## Critical Accounting Policies and Estimates

In accordance with IFRS, in preparing its financial statements, the Company must make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of net revenues and expenses during the reported period. The Company develops and periodically changes these estimates and assumptions based on historical experience and on various other factors that the Company believes are reasonable under the circumstances. Actual results may differ from these estimates.

The critical accounting policies requiring estimates, assumptions, and judgments that the Company believes have the most significant impact on its financial statements are described below.

### *Financial liabilities at fair value through profit or loss - INX Token liability:*

Based on the terms of the INX Token, the INX Token is a hybrid financial instrument. The host instrument is a financial liability due to the right of the INX Token holder to effectively redeem the INX Token in consideration as payment for services. The INX Token is considered a puttable instrument which is a financial liability in accordance with IAS 32, Financial Instruments: Presentation.

The Company's obligation to distribute annually to the INX Token holders 40% of the Company's Adjusted Operating Cash Flow is an embedded derivative. The Company views the Company's operating cash flows as a financial variable, and therefore, the embedded derivative requires bifurcation pursuant to IFRS 9 (IAS 39 for the period to December 31, 2017). The Company elected in accordance with IAS 39 (which election remains in effect upon adoption of IFRS 9) to designate the entire financial liability (including the embedded derivative) at fair value through profit and loss.

Accordingly, the INX Token liability is re-measured to fair value at the end of each reporting period. The changes in fair value are recognized in profit or loss. IFRS 9, Financial Instruments, replaces IAS 39 for annual periods beginning on January 1, 2018 and accordingly starting January 1, 2018, the Company applied IFRS 9 retrospectively, without adjusting the comparative information, which continues to be reported under IAS 39. According to IFRS 9, changes in the fair value of a financial liability designated as at fair value through profit or loss which are attributable to the change in credit risk of that liability are presented in other comprehensive income. All other changes in fair value of that liability are presented in profit or loss. The change in the fair value of the INX Token liability attributable to changes in credit risk, excluding those changes in credit risk attributable to the embedded derivative, are immaterial for all reported periods and therefore no amounts have been included in other comprehensive income in respect of credit risk.

When the INX Token is used to pay for services provided by the Company, the respective portion of the INX Token liability is derecognized, and revenue is recognized. The fair value of INX Tokens issued in consideration for services to be provided to the Company is recognized as compensation expense as the services are provided.

## Liquidity and Capital Resources

As of September 30, 2021, the Company has working capital of (\$303,970,000) and adjusted working capital of \$54,234,000 (excluding INX Token liability and INX Token warrant liability).

As of September 30, 2021, the Company has approximately \$24,712,000 in cash and cash equivalents and 27,829,000 in reserve fund.

During the nine months ended September 30, 2021, the Company's overall position of cash increased by \$44,960,000. The increase in cash can be attributed to the following: (a) an amount of \$82,194,000 provided by financing activities, mainly from the Token Offering; (b) an amount of \$45,870,000 used in investing activities mainly from Purchase of investment property in an amount of \$11,828,000 and \$5,232,000 used in the acquisition of ILSB and OFN; and (c) an amount of \$19,193,000 used in operating activities.

To date, the Company has generated no cash from operations. The Company has financed its operations through debt issuances and equity investments made by its shareholders and by the funds that the Company has received as a result of the sale of INX Tokens.

The Company's future expenditures and capital requirements will depend on numerous factors, including the progress of its development efforts and the growth its trading platforms and related businesses.

## Outstanding Share Data

As of January 17, 2022, the following securities were outstanding:

	<b>Total Outstanding</b>
Shares	47,635,875

## Controls and Procedures

The Company's management, with the participation of our President and Chief Financial Officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon that evaluation, the Company's management has concluded that, as of December 31, 2020, the Company's disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our President and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Section 404 of the Sarbanes-Oxley Act requires that we evaluate and report on the Company's system of internal controls beginning with our annual report on Form 20-F for the



year ending December 31, 2021. Only in the event that we are deemed to be a large, accelerated filer or an accelerated filer would we be required to comply with the independent registered public accounting firm attestation requirement. Further, for as long as we remain an emerging growth company as defined in the JOBS Act, the Company intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirement.

If the Company fail to maintain effective internal control over financial reporting in the future, the Company management and our independent registered public accounting firm may not be able to conclude that we have effective internal control over financial reporting at a reasonable assurance level. This could in turn result in the loss of investor confidence in the reliability of the Company's financial statements and negatively impact the trading price of our securities.

Furthermore, we have incurred and may need to incur additional costs and use additional management and other resources in an effort to comply with Section 404 of the Sarbanes-Oxley Act and other requirements going forward.

The Company has not completed an assessment, nor have the Company auditors tested its systems of internal controls. The Company may have internal controls that need improvement in areas such as:

- staffing for financial, accounting and external reporting areas, including segregation of duties;
- reconciliation of accounts;
- proper recording of expenses and liabilities in the period to which they relate;
- evidence of internal review and approval of accounting transactions;
- documentation of processes, assumptions and conclusions underlying significant estimates; and
- documentation of accounting policies and procedures.

Because it will take time, management involvement and perhaps outside resources to determine what internal control improvements are necessary for us to meet regulatory requirements and market expectations for the Company operation of a blockchain asset exchange business, the Company may incur significant expenses in meeting its public reporting responsibilities, particularly in the areas of designing, enhancing, or remediating internal and disclosure controls. Doing so effectively may also take longer than the Company expects, thus increasing the Company exposure to financial fraud or erroneous financial reporting.

## **Transactions with Related Parties**

The Company's related parties consist of the directors, executive officers and companies owned in whole or in part by them. Transactions are measured at the exchange amount, which is the amount agreed to by the parties. The directors and officers of the Company have consulting contracts on a month-to-month basis and may be terminated by either party.

## **Off-Balance Sheet Arrangements**

As of January 17, 2022, the Company did not have any off-balance sheet arrangements as defined in Item 303(a)(4) (ii) of Regulation S-K.

## **Quantitative and Qualitative Disclosures about Market Risk**

### *Foreign Exchange Risk*

The Company's functional currency and the reporting currency is the US dollar. The Company incurs charges on its operations for settlement in currencies other than its functional currency and any gain or loss arising on such transactions is recorded in operations for the period. The Company is not currently exposed to significant foreign exchange risk.

### *Interest Rate Risk*

The Company has not been exposed to material risks due to changes in market interest rates, and the Company has not used any derivative financial instruments to manage its interest risk exposure.

The Company may invest in interest-earning instruments. Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall.

### *Credit Risk*

The Company is exposed to credit risk from the Company's financing activities, including deposits with banks and financial institutions and other financial instruments. As a result, the Company is subject concentrations of credit risk. As of September 30, 2021 substantially all of INX's cash and cash equivalents were held at major financial institutions. The Company believes that these financial institutions are of high credit quality and continually monitor the credit worthiness of these financial institutions.

## **JOBS Act**

With less than \$1.07 billion in revenues during the Company last fiscal year, the Company qualifies as an emerging growth company under the JOBS Act. An emerging growth company may take advantage of specified provisions in the JOBS Act that provide exemptions or reductions of its regulatory burdens related to reporting and other requirements that are otherwise applicable generally to public companies. These provisions include an exemption from the auditor attestation requirement in the assessment of the Company internal control over financial reporting pursuant to the Sarbanes-Oxley Act. In addition, under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has irrevocably elected not to avail itself of this exemption from new or revised accounting standards. The Company would cease to be an emerging growth company if the Company have more than \$1.07 billion in annual revenue, The Company is deemed to be a large, accelerated filer, or the Company issues more than \$1.0 billion of non-convertible debt over a three-year period.

**SCHEDULE "E"**  
**ANNUAL FINANCIAL STATEMENTS OF VALDY INVESTMENTS LTD.**

(See attached)

**VALDY INVESTMENTS LTD.**

Financial Statements

For the years ended December 31,  
2020 and 2019

(Expressed in Canadian Dollars)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Valdy Investments Ltd.

### *Opinion*

We have audited the accompanying financial statements of Valdy Investments Ltd. (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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



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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

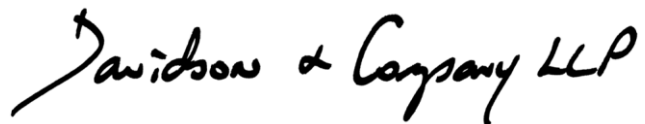
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Guy Thomas.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountant

February 4, 2021

**VALDY INVESTMENTS LTD.**  
**Statement of Financial Position**  
(Expressed in Canadian Dollars)

As at	December 31, 2020	December 31, 2019
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	425,298	460,824
<b>TOTAL ASSETS</b>	425,298	460,824
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	22,648	8,853
<b>Total Liabilities</b>	22,648	8,853
<b>EQUITY</b>		
Share capital (Note 3)	548,120	548,120
Equity reserves (Note 3)	75,846	75,846
Deficit	(221,316)	(171,995)
<b>Total Equity</b>	402,650	451,971
<b>TOTAL LIABILITIES AND EQUITY</b>	425,298	460,824

Nature and continuance of operations (*Note 1*)

**On behalf of the Board of Directors:**

\_\_\_\_\_  
"Johnny Ciampi"

Director

\_\_\_\_\_  
"James Decker"

Director

The accompanying notes are an integral part of the financial statements.



**VALDY INVESTMENTS LTD.**  
**Statement of Loss and Comprehensive Loss**  
(Expressed in Canadian Dollars)

	<b>For the year ended December 31, 2020</b>	<b>For the year ended December 31, 2019</b>
	\$	\$
<b>OPERATING EXPENSES</b>		
Office expense	-	190
Professional fees	36,639	66,325
Share-based payment (Note 3)	-	62,644
Transfer agent and filing fees	12,682	27,814
<b>Loss and comprehensive loss for the year</b>	<b>(49,321)</b>	<b>(156,973)</b>
<b>Basic and diluted loss per common share</b>	<b>(0.01)</b>	<b>(0.05)</b>
<b>Weighted average number of common shares outstanding</b>	<b>4,500,000</b>	<b>3,361,644</b>

The accompanying notes are an integral part of the financial statements.

**VALDY INVESTMENTS LTD.**  
**Statement of Changes in Shareholders' Equity**  
(Expressed in Canadian Dollars)

	Share Capital		Equity Reserves	Deficit	Total equity
	Number of Shares outstanding	Amount	Share-based payments		
		\$	\$	\$	\$
<b>Balance at December 31, 2018</b>	2,000,000	100,000	-	(15,022)	84,978
Shares issued for private placement	5,000,000	500,000	-	-	500,000
Share issuance costs	-	(51,880)	13,202	-	(38,678)
Share-based payment	-	-	62,644	-	62,644
Loss for the year	-	-	-	(156,973)	(156,973)
<b>Balance at December 31, 2019</b>	7,000,000	548,120	75,846	(171,995)	451,971
Loss for the year	-	-	-	(49,321)	(49,321)
<b>Balance at December 31, 2020</b>	7,000,000	548,120	75,846	(221,316)	402,650

The accompanying notes are an integral part of the financial statements.

**VALDY INVESTMENTS LTD.**  
**Statement of Cash Flows**  
(Expressed in Canadian Dollars)

	For the year ended December 31, 2020	For the year ended December 31, 2019
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	(49,321)	(156,973)
Items not affecting cash:		
Share-based payment	-	62,644
Changes in non-cash working capital item:		
Accounts payable and accrued liabilities	13,795	1,353
Cash used in operating activities	<u>(35,526)</u>	<u>(92,976)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds from issuance of shares, net of share issuance costs	<u>-</u>	461,322
Cash provided by financing activity	<u>-</u>	461,322
<b>Change in cash during the year</b>	<b>(35,526)</b>	<b>368,346</b>
<b>Cash, beginning of year</b>	<u>460,824</u>	<u>92,478</u>
<b>Cash, end of year</b>	<u>425,298</u>	<u>460,824</u>
<b>Cash paid during the year for:</b>		
Interest	-	-
Taxes	-	-

**Supplemental cash flow information:**

	<b>December 31, 2020</b>	December 31, 2019
Warrants issued as agent fees	<u>\$Nil</u>	<u>\$13,202</u>

The accompanying notes are an integral part of the financial statements.

## **VALDY INVESTMENTS LTD.**

### **Notes to the Financial Statements**

For the years ended December 31, 2020 and 2019

---

#### **1. Nature and Continuance of Operations**

Valdy Investments Ltd. (the "Company") was incorporated under the provincial *Business Corporations Act* (British Columbia) on August 22, 2018 and its registered office is at 4619 West 3<sup>rd</sup> Avenue, Vancouver, BC V6R 1N5. The Company completed its initial public offering ("IPO") during fiscal 2019 and is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by the exercising of an option or by any concomitant transaction ("Qualifying Transaction"). The purpose of such an acquisition is to satisfy the related conditions of a Qualifying Transaction under the Exchange rules.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company's shares from trading. These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and reclassification of assets and liabilities that might be necessary should the Company be unable to continue operates. Management estimates it has sufficient funds to operate for the next twelve months.

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

#### **2. Significant Accounting Policies**

##### **(a) Statement of Compliance**

The financial statements of the Company comply with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). In addition, these financial statements have been prepared using the accrual basis of accounting.

These financial statements were approved by the Board of Directors for issuance on February 4, 2021.

##### **(b) Basis of Presentation**

These financial statements have been prepared on the historical cost basis and are presented in Canadian dollars, which is the Company's presentation currency.

##### **(c) Significant Judgments, Estimates and Assumptions**

The preparation of these financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual outcomes could differ from these estimates.

## **VALDY INVESTMENTS LTD.**

### **Notes to the Financial Statements**

For the years ended December 31, 2020 and 2019

---

#### **2. Significant Accounting Policies (continued)**

##### (c) Significant Judgments, Estimates and Assumptions (continued)

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.

The preparation of these financial statements requires management to make judgements regarding the going concern of the Company, as disclosed in Note 1, and share-based payments. The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model which incorporates market data, and which involves uncertainty and subjectivity in estimates used by management in the assumptions.

##### (d) Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

##### (e) Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is recognized in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized on temporary differences arising from the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realized or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the reporting date. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

##### (f) Loss Per Share

Basic loss per share is computed by dividing net earnings (loss) by the weighted average number of outstanding common shares for the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments. In periods where a loss is reported all outstanding options, warrants and other convertible instruments are excluded from the calculation of diluted loss per share, as they are all anti-dilutive.

All of the escrow shares are considered contingently returnable until the Company completes a Qualifying Transaction and accordingly, are not considered to be outstanding shares for the purposes of the loss per share calculation.

**VALDY INVESTMENTS LTD.**

**Notes to the Financial Statements**

For the years ended December 31, 2020 and 2019

---

**2. Significant Accounting Policies (continued)**

(g) Financial Instruments

**Financial assets**

The Company classifies its financial assets in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company’s accounting policy for each of the categories is as follows:

**Financial assets at FVTPL:** Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in profit or loss.

**Financial assets at FVTOCI:** Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in which they arise.

**Financial assets at amortized cost:** A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset’s contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

**Impairment of financial assets at amortized cost:** The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The Company has classified its financial instruments as follows:

- Cash: FVTPL
- Trade payable and accrued liabilities: Amortized cost

## **VALDY INVESTMENTS LTD.**

### **Notes to the Financial Statements**

For the years ended December 31, 2020 and 2019

---

#### **3. Share Capital**

(a) Authorized:

Unlimited Common Shares without par value

Unlimited Preferred Shares without par value

(b) *Issued share capital:*

*Changes in share capital during the year ended December 31, 2020:*

No share capital transactions for the year end December 31, 2020.

*Changes in share capital for the year ended December 31, 2019:*

On January 24, 2019, the Company completed a private placement offering, pursuant to which the Company issued 2,500,000 common shares at \$0.10 per share for total proceeds of \$250,000.

On May 27, 2019 the Company completed its IPO and issued 2,500,000 common shares for gross proceeds of \$250,000. The Company paid agent commissions of \$25,000 and an administrative fee of \$5,250.

The Company granted the Agent 250,000 agent's warrants in connection with the IPO, where each agent's warrant is exercisable into one common share at \$0.10 expiring May 27, 2021.

The agent's warrants have been assigned a fair value of \$13,202 or \$0.05 per agent's warrant. The fair value of the agent's warrant was estimated using the Black-Scholes option pricing model assuming a life expectancy of 2 years, a risk-free rate of 1.59%, a forfeiture rate of 0%, and volatility of 100%.

The Company also paid \$8,428 in cash as share issuance costs relating to the IPO.

(c) *Escrow:*

The Company has 2,500,000 common shares subject to an escrow agreement as at December 31, 2020 and December 31, 2019, whereby 10% of the shares will be released from escrow upon the completion of the Qualifying Transaction. An additional 15% of the escrowed common shares will be released on each six-month anniversary thereafter unless otherwise permitted by the Exchange. Common shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions to the extent of options exercised prior to the completion of a qualifying transaction. Escrowed shares may be subject to cancellation if the qualifying transaction is not completed within 24 months from the date of listing.

(d) *Share-based payments:*

Stock Option Plan

The Company has a rolling stock option plan ("the Plan") which is applicable to directors, officers, employees and consultants. Under the Plan, the total outstanding stock options that may be granted are limited to 10% of the outstanding common shares of the Company at any one time. The exercise price of an option shall not be less than the discounted market price at the time of granting as prescribed by the policies of the Exchange. The maximum term of stock options is ten years from the grant date. Vesting terms are at the discretion of the directors.

Common shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions to the extent of options exercised prior to the completion of a Qualifying Transaction.

**VALDY INVESTMENTS LTD.****Notes to the Financial Statements**

For the years ended December 31, 2020 and 2019

**3. Share Capital (continued)***(d) Share-based payments:(continued)*

As at December 31, 2020, the following stock options were outstanding:

	Number of Stock Options	Weighted Average Exercise Price
Balance December 31, 2018	-	\$ -
Granted	700,000	0.10
<b>Balance, December 31, 2020 and 2019</b>	<b>700,000</b>	<b>\$ 0.10</b>

During the year ended December 31, 2020, the Company issued nil stock options.

During the year ended December 31, 2019, the Company issued 700,000 stock options to officers and directors (being key management personnel) of the Company with an exercise price of \$0.10 per share, at a fair value of \$62,644. The weighted average fair value per option was \$0.09. The fair value of the options is estimated using the Black-Scholes option pricing model assuming a life expectancy of 10 years, a risk-free rate of 1.59%, a forfeiture rate of 0%, and volatility of 100%.

A summary of the Company's stock options outstanding and exercisable as at December 31, 2020 is as follows:

Expiry Date	Number of Stock Options	Exercise Price	Remaining Life (in years)
May 27, 2029	700,000	\$0.10	8.41
<b>Outstanding and exercisable</b>	<b>700,000</b>		

*(e) Share Purchase Warrants*

As at December 31, 2020, the following stock warrants were outstanding:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2018	-	\$ -
Granted	250,000	0.10
<b>Balance, December 31, 2020 and 2019</b>	<b>250,000</b>	<b>\$ 0.10</b>

As at December 31, 2020, the following share purchase warrants were outstanding:

Number of Warrants	Weighted Average Exercise Price	Expiry Date	Remaining Life (in years)
250,000	\$ 0.10	May 27, 2021	0.40



## **VALDY INVESTMENTS LTD.**

### **Notes to the Financial Statements**

For the years ended December 31, 2020 and 2019

---

#### **4. Capital Disclosures**

The Company's capital consists of share capital. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete a Qualifying Transaction. The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

- to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and
- to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at year end, except as discussed below.

Until the completion of a Qualifying Transaction, the gross proceeds realized from the sale of all securities may only be used to identify and evaluate assets or businesses for, and obtain shareholders' approval for, a proposed Qualifying Transaction, with the exception that no more than the lesser of 30% of the gross proceeds from the sale of securities issued by a CPC and \$210,000 may be used to cover prescribed costs of issuing securities and administrative and general expenses.

#### **5. Financial Instruments**

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

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

The Company's cash is measured as level 1 input. The carrying value of accounts payable and accrued liabilities approximates the fair value due to its short-term nature.

#### **6. Financial Risk Management**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

##### *Overview*

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to short term nature.

##### *Credit Risk*

Credit Risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held with reputable institutions in Canada.

##### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2020, the Company had a cash balance of \$425,298 to pay liabilities of \$22,648.

**VALDY INVESTMENTS LTD.****Notes to the Financial Statements**

For the years ended December 31, 2020 and 2019

**6. Financial Risk Management (continued)***Market Risks*

The Company will be subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. For the year ended December 31, 2020, the Company held no financial instruments subject to significant foreign exchange or interest rate risks.

**7. Income Taxes**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2020	2019
Loss for the year	\$ (49,321)	\$ (156,973)
Expected income tax (recovery)	(13,000)	(42,000)
Permanent difference	-	17,000
Share issue costs	-	(11,000)
Change in unrecognized deductible temporary differences	13,000	36,000
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's deferred tax assets are as follows:

	2020	2019
Deferred tax assets		
Incorporation costs	\$ 7,000	\$ 7,000
Share issuance costs	7,000	8,000
Non-capital losses	39,000	25,000
	53,000	40,000
Unrecognized deferred tax assets	(53,000)	(40,000)
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's deductible temporary differences and unused tax losses that have not been recognized in the statements of financial position are as follows:

	2020	Expiry Date Range	2019	Expiry Date Range
<b>Temporary Differences</b>				
Incorporation costs	\$ 26,000	No expiry date	\$ 25,000	No expiry date
Share issue costs	26,000	2038 to 2042	31,000	2038 to 2041
Non-capital losses available for future periods	145,000	2032 to 2040	92,000	2037 to 2039

**SCHEDULE "F"**  
**ANNUAL MD&A OF VALDY INVESTMENTS LTD.**

(See attached)

**VALDY INVESTMENTS LTD.  
(A Capital Pool Company)**

**FORM 51-102FI  
MANAGEMENT DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2020**

The following management discussion and analysis for Valdy Investments Ltd. ("the Company") is prepared as of February 4, 2021 and should be read together with the audited financial statements for years ended December 31, 2020 and 2019, and related notes attached thereto (financial statements), which were prepared in accordance with the International Financial Reporting Standards ("IFRS"). All dollar figures included therein and in the following MD&A are quoted in Canadian dollars.

All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information related to the Company is available for view on SEDAR under the Company's profile at [www.sedar.com](http://www.sedar.com).

**Description of Business**

Valdy Investments Ltd. (the "Company") was incorporated under the provincial Business Corporations Act (British Columbia) on August 22, 2018 and its registered office is at 4619 West 3rd Avenue, Vancouver, BC V6R 1N5. The Company completed its initial public offering ("IPO") during fiscal 2019 and is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by the exercising of an option or by any concomitant transaction ("Qualifying Transaction"). The purpose of such an acquisition is to satisfy the related conditions of a Qualifying Transaction under the Exchange rules.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company's shares from trading. These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and reclassification of assets and liabilities that might be necessary should the Company be unable to continue operates. Management estimates it has sufficient funds to operate for the next twelve months.

For the year ended December 31, 2020, the Company has no share capital transactions.

Changes in share capital for the year ended December 31, 2019:

On January 24, 2019, the Company completed a private placement offering, pursuant to which the Company issued 2,500,000 common shares at \$0.10 per share for total proceeds of \$250,000.

On May 27, 2019 the Company completed its IPO and issued 2,500,000 common shares for gross proceeds of \$250,000. The Company paid agent commissions of \$25,000 and an administrative fee of \$5,250.

The Company granted the Agent 250,000 agent's warrants in connection with the IPO, where each agent's warrant is exercisable into on common share at \$0.10 expiring May 27, 2021.

The agent's warrants have been assigned a fair value of \$13,202 or \$0.05 per agent's warrant. The fair value of the agent's warrant was estimated using the Black-Scholes option pricing model assuming a life expectancy of 2 years, a risk-free rate of 1.59%, a forfeiture rate of 0%, and volatility of 100%.

The Company also paid \$8,428 in cash as share issuance costs relating this IPO.

During the year ended December 31, 2019, the Company issued 700,000 stock options to officers and directors of the Company with an exercise price of \$0.10 per share, at a fair value of \$62,644 (2018 - \$Nil). The weighted average fair value per option was \$0.09. The fair value of the options is estimated using the Black-Scholes option pricing model assuming a life expectancy of 10 years, a risk-free rate of 1.59%, a forfeiture rate of 0%, and volatility of 100%.

### Overall Performance

As at December 31, 2020, the Company had \$425,298 (December 31, 2019 - \$460,824) in cash and working capital was \$402,650 (December 31, 2019 - \$451,971).

The Company incurred a loss comprehensive loss of \$49,321 (December 31, 2019 - \$156,973) during the year ended December 31, 2020, which included professional fees of \$36,639 (2019 - \$66,325), transfer agent and filing fees of \$12,682 (2019 - \$27,814), and share-based payment of \$Nil (2019 - \$62,644).

### Selected Annual Information

The following information is derived from the financial statements of the Company for the years ended December 31, 2020, 2019 and 2018.

	December 31, 2020 \$	December 31, 2019 \$	December 31, 2018
Loss and comprehensive loss	(49,321)	(156,973)	(15,022)
Basic and diluted loss per share	(0.01)	(0.05)	(0.07)
Total assets	425,298	460,824	92,478
Total liabilities	22,648	8,853	7,500

For the year ended, December 31, 2020 there is a decrease in loss and comprehensive loss compared to September 30, 2019. The decrease is due to the Company completing its initial public offering as a capital pool company on May 27, 2019 and incurring more professional fees relating to bring a company public. Currently, the Company is conserving cash looking for a qualifying transaction.

### Summary of Quarterly Reports

	Three Months Ended			
	December 31, 2020 \$	September 30, 2020 \$	June 30, 2020 \$	March 31, 2020 \$
Interest income	Nil	Nil	Nil	Nil
Net loss	(20,076)	(9,748)	(5,634)	(13,863)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

	Three Months Ended			
	December 31, 2019 \$	September 30, 2019 \$	June 30, 2019 \$	March 31, 2019 \$
Interest income	Nil	Nil	Nil	Nil
Net loss	(8,156)	(9,248)	(106,566)	(33,003)
Basic and diluted loss per share	(0.00)	(0.00)	(0.02)	(0.02)

During the three-month period ended December 31, 2020, the Company incurred recurring transactions of the Company are discussed as follows: professional fees and transfer agent and filing fees relating to maintaining a public company. The change from period to period relates to the professional fees or transfer agent and filing fees relating to a public company and its listing requirements.

### Related Party Transactions

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

During the year ended December 31, 2020, there was no compensation paid to key management.

During the year ended December 31, 2019, the Company issued 700,000 stock options to officers and directors (being key management personnel) of the Company with an exercise price of \$0.10 per share, at a fair value of \$62,644. The weighted average fair value per option was \$0.09. The fair value of the options is estimated using the Black-Scholes option pricing model assuming a life expectancy of 10 years, a risk-free rate of 1.59%, a forfeiture rate of 0%, and volatility of 100%.

### Liquidity and Capital Resources

The financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

As At	December 31, 2020 \$	December 31, 2019 \$
Cash	425,298	460,824
Payables	22,648	8,853
Working capital	402,650	451,971
Shareholders' equity	402,298	451,971

Net cash used in operating activities for the year was \$35,526 (2019 – \$92,976). This amount consists of a net operating loss of \$49,321 (2019 - \$156,973). Changes in non-cash working capital consists of a change in accounts payable and accrued liabilities of \$13,795 (2019 – \$1,353).

There were no investing activities during the current and comparative year end.

The Company completed private placements during the year ended December 31, 2020, net of share issuance costs of \$Nil (2019 – \$461,323).

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company has sufficient funds to cover anticipated administrative expenses throughout the year. It will continue to focus on identifying and evaluating assets or a business to acquire which will serve as its Qualifying Transaction.

## **Financial Instruments and Risk Management**

The following is the accounting policy for financial assets under IFRS 9:

### Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

*Financial assets at FVTPL:* Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in profit or loss.

*Financial assets at FVTOCI:* Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in which they arise.

*Financial assets at amortized cost:* A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

*Impairment of financial assets at amortized cost:* The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The Company has classified its financial instruments as follows:

- Cash: FVTPL
- Trade payable and accrued liabilities: Amortized cost

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

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

The Company's cash is measured as level 1 input. The carrying value of accounts payable and accrued liabilities approximates the fair value due to its short-term nature.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

#### *Overview*

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to short term nature.

#### *Credit Risk*

Credit Risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held with reputable institutions in Canada.

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2020, the Company had a cash balance of \$425,298 to pay liabilities of \$22,648.

#### *Market Risks*

The Company will be subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. For the year ended December 31, 2020, the Company held no financial instruments subject to significant foreign exchange or interest rate risks.

### **Capital Management**

The Company's capital consists of share capital. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete a Qualifying Transaction. The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

- to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and
- to maintain investor, creditor and market confidence in order to sustain the future development of the business.



The Company is not subject to any externally or internally imposed capital requirements at year end, except as discussed below.

Until the completion of a Qualifying Transaction, the gross proceeds realized from the sale of all securities may only be used to identify and evaluate assets or businesses for, and obtain shareholders approval for, a proposed Qualifying Transaction, with the exception that no more than the lesser of 30% of the gross proceeds from the sale of securities issued by a CPC and \$210,000 may be used to cover prescribed costs of issuing securities and administrative and general expenses.

### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements as at December 31, 2020 or as at February 4, 2021.

### **Proposed Transactions**

The Company does not have any proposed transactions as at December 31, 2020 or as at February 4, 2021.

### **Subsequent Event**

Subsequent to December 31, 2020, the Company announced a non-brokered private placement financing of 4,583,333 common shares at a price of \$0.06 per share for gross proceeds of \$275,000.

### **Outstanding Share Data**

	Number	Exercise Price	Expiry Date
Common Shares	7,000,000	n/a	n/a
Stock Options	700,000	\$0.10	May 27, 2029
Warrants	250,000	\$0.10	May 27, 2021

The Company has 2,500,000 common shares subject to an escrow agreement as at December 31, 2020. Whereby 10% of the shares will be released from escrow upon the completion of the Qualifying Transaction. An additional 15% of the escrowed common shares will be released on each six-month anniversary thereafter unless otherwise permitted by the Exchange. Common shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions to the extent of options exercised prior to the completion of a qualifying transaction. Escrowed shares may be subject to cancellation if the qualifying transaction is not completed within 24 months from the date of listing.

### **Critical Judgement and Estimates**

The details of the Company's accounting policies are presented in Note 2 of the financial statements ended December 31, 2020. The accounting policies applied in preparation of the financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2020.

## **Management's responsibility for the financial statements**

Information provided in this report, including the financial statements, is the responsibility of management. In the preparation of the statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

## **Risks and Uncertainties**

The Company has neither a history of earnings nor has it paid any dividends and it is unlikely to generate earnings or pay dividends in the immediate or foreseeable future. The Company was only recently incorporated and does not own any ongoing business operations and has no assets other than cash. The Company has not identified a proposed Qualifying Transaction and has not entered into an Agreement in Principle. There is no assurance that the Company will identify and successfully negotiate the acquisition of any potential corporations, properties, assets or businesses, or any interests therein, nor that any such opportunities or businesses acquired will be profitable. Moreover, additional funds may be required to successfully complete an acquisition, and the Company may not be able to obtain such financing or may not be able to raise sufficient funds to take a meaningful position in a potential target. If the acquisition is financed by the issuance of shares from the Company's treasury, control of the Company may change and shareholders may suffer additional dilution. The directors and the officers of the Company will only be devoting a portion of their time to the affairs of the Company. Potential conflicts of interest may result from the ordinary course of business of the Company and of the directors and the officers of the Company.

The TSX-V may suspend from trading or delist the common shares where the Company has failed to complete a Qualifying Transaction within 24 months of the date of listing. The Company may be issued an interim cease trade order if the common shares are suspended delisted from trading on the TSX-V. In addition, delisting of the common shares will result in the cancellation of all of the currently issued and outstanding common shares held by insiders that are discount seed shares within the meaning of the CPC Policy.

## **COVID-19**

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While COVID-19 has had minimal impact on the Company's operations to date, due to the Company's small workforce and ability to implement measures such as working remotely and implementing appropriate social distancing and cleaning regimes in its workplaces, the pandemic has caused significant uncertainty and turbulence in the capital markets. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or its ability to raise funds.

## **Outlook**

The Company's current objectives are to identify and evaluate assets or a business to acquire which will serve as its Qualifying Transaction subject to shareholder and regulatory approval.

## **Corporate Governance**

The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Audit Committee of the Company fulfills its role of ensuring the integrity of the reported information through its review of the interim and audited annual financial statements prior to their submission to the Board of Directors for approval. The Audit Committee, comprised of three directors, all of whom are independent, meets with management

of the Company on a quarterly basis to review the financial statements, including the MD&A, and to discuss other financial, operating and internal control matters as required.

### **Forward-Looking Statements**

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These forward-looking statements include statements regarding the future price of gold, the timing and amount of estimated future production, costs of production, capital expenditures, the success of exploration activities, permitting time lines, currency fluctuations, the requirements of future capital, drill results and the estimation of mineral resources and reserves. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained into this report should not be unduly relied upon. These statements speak only as of the date of this report. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the supply and demand for, deliveries of, and the level and volatility of prices of gold as well as petroleum products;
- the availability of financing for the Company's development of the Project on reasonable terms;
- the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the ability to attract and retain skilled staff;

These forward-looking statements involve risks and uncertainties relating to, among other things, changes in commodity and, particularly, gold prices, access to skilled mining development personnel, results of exploration and development activities, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals, actual performance of facilities, equipment and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors hereinabove. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.



**VALDY INVESTMENTS LTD.  
(A Capital Pool Company)**

**FORM 51-102FI  
MANAGEMENT DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

The following management discussion and analysis for Valdy Investments Ltd. ("the Company") is prepared as of February 21, 2020 and should be read together with the audited financial statements for year ended December 31, 2019 and related notes attached thereto (financial statements), which were prepared in accordance with the International Financial Reporting Standards ("IFRS"). All dollar figures included therein and in the following MD&A are quoted in Canadian dollars.

Additional information related to the Company is available for view on SEDAR under the Company's profile at [www.sedar.com](http://www.sedar.com).

**Description of Business**

Valdy Investments Ltd. (the "Company") was incorporated under the provincial *Business Corporations Act* (British Columbia) on August 22, 2018 and its registered office is at 4619 West 3<sup>rd</sup> Avenue, Vancouver, BC V6R 1N5. The Company completed its initial public offering ("IPO") during fiscal 2019 and is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by the exercising of an option or by any concomitant transaction ("Qualifying Transaction"). The purpose of such an acquisition is to satisfy the related conditions of a Qualifying Transaction under the Exchange rules.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company's shares from trading. These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and reclassification of assets and liabilities that might be necessary should the Company be unable to continue operates. Management estimates it has sufficient funds to operate for the next twelve months.

On January 24, 2019, the Company completed a private placement offering, pursuant to which the Company issued 2,500,000 common shares at \$0.10 per share for total proceeds of \$250,000.

On May 27, 2019 the Company completed its IPO and issued 2,500,000 common shares for gross proceeds of \$250,000. The Company paid agent commissions of \$25,000 and an administrative fee of \$5,250.

The Company granted the Agent 250,000 agent's warrants in connection with the IPO, where each agent's warrant is exercisable into on common share at \$0.10 expiring May 27, 2021.

The agent's warrants have been assigned a fair value of \$13,202 or \$0.05 per agent's warrant. The fair value of the agent's warrant was estimated using the Black-Scholes option pricing model assuming a life expectancy of 2 years, a risk-free rate of 1.59%, a forfeiture rate of 0%, and volatility of 100%.

The Company also paid \$8,428 in cash as share issuance costs relating this IPO.

During the period ended December 31, 2019, the Company issued 700,000 stock options to officers and directors of the Company with an exercise price of \$0.10 per share, at a fair value of \$62,644 (2018 - \$Nil). The weighted average fair value per option was \$0.09. The fair value of the options is estimated using the Black-Scholes option pricing model assuming a life expectancy of 10 years, a risk-free rate of 1.59%, a forfeiture rate of 0%, and volatility of 100%.

### Overall Performance

As at December 31, 2019, the Company had \$460,824 (December 31, 2018 - \$92,478) in cash and working capital was \$451,971 (December 31, 2018 – \$84,978).

The Company incurred a net loss of \$156,973 (from incorporation on August 22, 2018 to December 31, 2018 - \$15,022) during the twelve-month period ended December 31, 2019, which included professional fees of \$66,325 (2018 - 15,022), share-based payments of \$62,644 (2018 - \$Nil) and transfer agent and filing fees of \$27,814 (2018 - \$Nil).

### Selected Annual Information

The following information is derived from the financial statements of the Company for the year ended December 31, 2019 and the period from incorporation on August 22, 2018 to December 31, 2018.

	December 31, 2019 \$	December 31, 2018
Loss and comprehensive loss	(156,973)	(15,022)
Basic and diluted loss per share	(0.05)	(0.07)
Total assets	460,824	92,478
Total liabilities	8,853	7,500

As the Company was incorporated on August 22, 2018 there is only two years to present. For the year ended December 31, 2019, the Company incurred a net loss of \$156,973 (2018 - \$15,022). The increase in expenses can be mainly attributed to an increase in share-based payments of \$62,644 resulting from options granted, and professional fees of \$51,303 and transfer agent and filing fees of \$27,814, both relating to completion of the Company's private placement and prospectus offering.

### Summary of Quarterly Reports

	Three Months Ended	
	December 31, 2019 \$	September 30, 2019 \$
Interest income	Nil	Nil
Net loss	(8,156)	(9,248)
Basic and diluted loss per share	(0.01)	(0.01)

	Three Months Ended			
	June 30	March 31,	December 31,	September
	2019	2019	2018	30, 2018
	\$	\$	\$	\$
Interest income	Nil	Nil	Nil	Nil
Net loss	(91,544)	(48,025)	Nil	(15,022)
Basic and diluted loss per share	(0.04)	(0.05)	(0.00)	(0.00)

As the Company was incorporated on August 22, 2018 there is only six quarters to present. During the three-month period ended December 31, 2019, the Company incurred costs in relation to maintaining a public company, relating to legal and accounting services as well as transfer agent and filing fees.

#### Fourth Quarterly Results

The Company recognized comprehensive loss of \$8,156 (2018 – \$Nil) during the three months ended December 31, 2019. Significant trends and accounts contributing to the recurring transactions of the Company are discussed as follows: professional fees and transfer agent and filing fees relating to maintaining a public company.

#### Related Party Transactions

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

During the period ended December 31, 2019, the Company issued 700,000 stock options to officers and directors (being key management personnel) of the Company with an exercise price of \$0.10 per share, at a fair value of \$62,644. The weighted average fair value per option was \$0.09. The fair value of the options is estimated using the Black-Scholes option pricing model assuming a life expectancy of 10 years, a risk-free rate of 1.59%, a forfeiture rate of 0%, and volatility of 100%.

There was no compensation paid to key management during the period from incorporation on August 22, 2018 to December 31, 2019.

#### Liquidity and Capital Resources

The financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

As At	December 31, 2019 \$	December 31, 2018 \$
Working capital	451,971	84,978
Deficit	171,995	15,022
Cash	460,824	92,478
Current liabilities	8,853	7,500
Shareholders' equity (deficiency)	451,971	84,978

Net cash used in operating activities for the year was \$92,976 (2018 – \$7,522). This amount consists of a net operating loss of \$156,973 (2018 - \$15,022) less share-based payment of \$62,644 (2018 - \$Nil). Changes in non-cash working capital consists of a decrease in accounts payable and accrued liabilities of \$1,353 (2018 – \$7,500).

There were no investing activities during the current and comparative period.

The Company completed private placements during the year ended December 31, 2019, net of share issuance costs of \$461,322 (2018 – \$100,000).

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company has sufficient funds to cover anticipated administrative expenses throughout the year. It will continue to focus on identifying and evaluating assets or a business to acquire which will serve as its Qualifying Transaction.

## **Financial Instruments and Risk Management**

The following is the accounting policy for financial assets under IFRS 9:

### Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

*Financial assets at FVTPL:* Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in profit or loss.

*Financial assets at FVTOCI:* Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in which they arise.

*Financial assets at amortized cost:* A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date, and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

*Impairment of financial assets at amortized cost:* The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.



The Company has classified its financial instruments as follows:

- Cash: FVTPL
- Trade payable and accrued liabilities: Amortized cost

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

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

The Company's cash is measured as level 1 input. The carrying value of accounts payable and accrued liabilities approximates the fair value due to its short term nature.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

#### *Overview*

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to short term nature.

#### *Credit Risk*

Credit Risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held with reputable institutions in Canada.

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company had a cash balance of \$460,824 to pay liabilities of \$8,853.

#### *Market Risks*

The Company will be subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. For the period ended December 31, 2019, the Company held no financial instruments subject to significant foreign exchange or interest rate risks.

### **Capital Management**

The Company's capital consists of share capital. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete a Qualifying Transaction. The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

- to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and
- to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at period end, except as discussed below.

Until the completion of a Qualifying Transaction, the gross proceeds realized from the sale of all securities may only be used to identify and evaluate assets or businesses for, and obtain shareholders approval for, a proposed Qualifying Transaction, with the exception that no more than the lesser of 30% of the gross proceeds from the sale of securities issued by a CPC and \$210,000 may be used to cover prescribed costs of issuing securities and administrative and general expenses.

### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements as at December 31, 2019 or as at February 21, 2020.

### **Proposed Transactions**

The Company does not have any proposed transactions as at December 31, 2019 or as at February 21, 2020.

### **Subsequent Event**

The Company does not have any subsequent events as at December 31, 2019 or as at February 21, 2020.

### **Outstanding Share Data**

	Number	Exercise Price	Expiry Date
Common Shares	7,000,000	n/a	n/a
Stock Options	700,000	\$0.10	May 27, 2029
Warrants	250,000	\$0.10	May 27, 2021

The Company has 2,500,000 common shares subject to an escrow agreement as at December 31, 2019. Whereby 10% of the shares will be released from escrow upon the completion of the Qualifying Transaction. An additional 15% of the escrowed common shares will be released on each six-month anniversary thereafter unless otherwise permitted by the Exchange. Common shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions to the extent of options exercised prior to the completion of a qualifying transaction. Escrowed shares may be subject to cancellation if the qualifying transaction is not completed within 24 months from the date of listing.

### **Critical Judgement and Estimates**

The details of the Company's accounting policies are presented in Note 2 of the financial statements ended December 31, 2019. The accounting policies applied in preparation of the condensed interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the period ended December 31, 2019.

### **Management's responsibility for the financial statements**

Information provided in this report, including the financial statements, is the responsibility of management. In the preparation of the statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

### **Risks and Uncertainties**

The Company has neither a history of earnings nor has it paid any dividends and it is unlikely to generate earnings or pay dividends in the immediate or foreseeable future. The Company was only recently incorporated and does not own any ongoing business operations and has no assets other than cash. The Company has not identified a proposed Qualifying Transaction and has not entered into an Agreement in Principle. There is no assurance that the Company will identify and successfully negotiate the acquisition of any potential corporations, properties, assets or businesses, or any interests therein, nor that any such opportunities or businesses acquired will be profitable. Moreover, additional funds may be required to successfully complete an acquisition, and the Company may not be able to obtain such financing or may not be able to raise sufficient funds to take a meaningful position in a potential target. If the acquisition is financed by the issuance of shares from the Company's treasury, control of the Company may change and shareholders may suffer additional dilution. The directors and the officers of the Company will only be devoting a portion of their time to the affairs of the Company. Potential conflicts of interest may result from the ordinary course of business of the Company and of the directors and the officers of the Company.

The TSX-V may suspend from trading or delist the common shares where the Company has failed to complete a Qualifying Transaction within 24 months of the date of listing. The Company may be issued an interim cease trade order if the common shares are suspended delisted from trading on the TSX-V. In addition, delisting of the common shares will result in the cancellation of all of the currently issued and outstanding common shares held by insiders that are discount seed shares within the meaning of the CPC Policy.

### **Outlook**

The Company's current objectives are to identify and evaluate assets or a business to acquire which will serve as its Qualifying Transaction subject to shareholder and regulatory approval.

### **Corporate Governance**

The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Audit Committee of the Company fulfills its role of ensuring the integrity of the reported information through its review of the interim and audited annual financial statements prior to their submission to the Board of Directors for approval. The Audit Committee, comprised of three directors, all of whom are independent, meets with management of the Company on a quarterly basis to review the financial statements, including the MD&A, and to discuss other financial, operating and internal control matters as required.

### **Forward-Looking Statements**

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue",

"estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These forward-looking statements include statements regarding the future price of gold, the timing and amount of estimated future production, costs of production, capital expenditures, the success of exploration activities, permitting time lines, currency fluctuations, the requirements of future capital, drill results and the estimation of mineral resources and reserves. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained into this report should not be unduly relied upon. These statements speak only as of the date of this report. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the supply and demand for, deliveries of, and the level and volatility of prices of gold as well as petroleum products;
- the availability of financing for the Company's development of the Project on reasonable terms;
- the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the ability to attract and retain skilled staff;

These forward-looking statements involve risks and uncertainties relating to, among other things, changes in commodity and, particularly, gold prices, access to skilled mining development personnel, results of exploration and development activities, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals, actual performance of facilities, equipment and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors hereinabove. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

**SCHEDULE "G"**  
**INTERIM FINANCIAL STATEMENTS OF VALDY INVESTMENTS LTD.**

(See attached)

**VALDY INVESTMENTS LTD.**

Condensed Interim Financial Statements

For the nine-month period ended

September 30, 2021

(Unaudited)

(Expressed in Canadian Dollars)

**VALDY INVESTMENTS LTD.**  
**Condensed Interim Statement of Financial Position**  
(Expressed in Canadian Dollars)  
(Unaudited)

As at	<b>September 30, 2021</b>	December 31, 2020
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	680,854	425,298
<b>TOTAL ASSETS</b>	<b>680,854</b>	<b>425,298</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	63,843	22,648
<b>Total Liabilities</b>	<b>63,843</b>	<b>22,648</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 3)	1,055,579	548,120
Equity reserves (Note 3)	-	75,846
Deficit	(438,568)	(221,316)
<b>Total Equity</b>	<b>617,011</b>	<b>402,650</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>680,854</b>	<b>425,298</b>

Nature and continuance of operations (*Note 1*)  
Proposed transaction (*Note 7*)

**On behalf of the Board of Directors:**

\_\_\_\_\_  
"Johnny Ciampi"  
Director

\_\_\_\_\_  
"James Decker"  
Director

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

**VALDY INVESTMENTS LTD.**  
**Condensed Interim Statement of Loss and Comprehensive Loss**  
(Expressed in Canadian Dollars)  
(Unaudited)

	<b>Three months ended September 30, 2021</b>	Three months ended September 30, 2020	<b>Nine months ended September 30, 2021</b>	Nine months ended September 30, 2020
	\$	\$	\$	\$
<b>OPERATING EXPENSES</b>				
Office expense	-	-	121	-
Professional fees	23,468	9,218	163,151	19,706
Share-based payment (Note 3)	-	-	30,094	-
Transfer agent and filing fees	1,142	530	23,886	9,539
<b>Loss and comprehensive loss for the period</b>	<b>(24,610)</b>	<b>(9,748)</b>	<b>(217,252)</b>	<b>(29,245)</b>
<b>Basic and diluted loss per common share</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.02)</b>	<b>(0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>9,333,333</b>	<b>4,500,000</b>	<b>8,728,937</b>	<b>4,500,000</b>

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



**VALDY INVESTMENTS LTD.**  
**Condensed Interim Statement of Changes in Shareholders' Equity**  
(Expressed in Canadian Dollars)  
(Unaudited)

	Share Capital		Equity Reserves		Total equity
	Number of Shares outstanding	Amount	Share-based payments	Deficit	
		\$	\$	\$	\$
<b>Balance at December 31, 2019</b>	7,000,000	548,120	75,846	(171,995)	451,971
Comprehensive loss for the period	-	-	-	(29,245)	(29,245)
<b>Balance at September 30, 2020</b>	7,000,000	548,120	75,846	(201,240)	422,726
Comprehensive loss for the period	-	-	-	(20,076)	(20,076)
<b>Balance at December 31, 2020</b>	7,000,000	548,120	75,846	(221,316)	402,650
Shares issued for private placement	4,583,333	275,000	-	-	275,000
Share issuance costs	-	(2,231)	-	-	(2,231)
Share-based payment	-	-	30,094	-	30,094
Shares issue for exercise of options	1,150,000	103,750	-	-	103,750
Shares issue for exercise of warrants	250,000	25,000	-	-	25,000
Reversal of reserves	-	105,940	(105,940)	-	-
Comprehensive loss for the period	-	-	-	(217,252)	(217,252)
<b>Balance at September 30, 2021</b>	12,983,333	1,055,579	-	(438,568)	617,011

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

**VALDY INVESTMENTS LTD.**  
**Condensed Interim Statement of Cash Flows**  
(Expressed in Canadian Dollars)  
(Unaudited)

For the nine-month period ended September 30,	<b>2021</b>	2020
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	(217,252)	(29,245)
Item not affecting cash:		
Share-based payment	30,094	-
Changes in non-cash working capital item:		
Accounts payable and accrued liabilities	41,195	5,337
Cash used in operating activities	<u>(145,963)</u>	<u>(23,908)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds from issuance of shares, net of share issuance costs	<u>401,519</u>	-
Cash provided by financing activity	<u>401,519</u>	-
<b>Change in cash during the period</b>	255,556	(23,908)
<b>Cash, beginning of period</b>	<u>425,298</u>	<u>460,824</u>
<b>Cash, end of period</b>	<u>680,854</u>	<u>436,916</u>
<b>Cash paid during the period for:</b>		
Interest	-	-
Taxes	-	-

**Supplemental cash flow information for the period ended September 30, 2021 (none for the period ended September 30, 2020):**

Fair value transfer on exercise of options and warrants	\$105,940
---	-----------

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

## **VALDY INVESTMENTS LTD.**

### **Notes to the Condensed Interim Financial Statements**

For the periods ended September 30, 2021 and 2020

---

#### **1. Nature and Continuance of Operations**

Valdy Investments Ltd. (the "Company") was incorporated under the provincial *Business Corporations Act* (British Columbia) on August 22, 2018 and its registered office is at 4619 West 3<sup>rd</sup> Avenue, Vancouver, BC V6R 1N5. The Company completed its initial public offering ("IPO") during fiscal 2019 and is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by the exercising of an option or by any concomitant transaction ("Qualifying Transaction"). The purpose of such an acquisition is to satisfy the related conditions of a Qualifying Transaction under the Exchange rules.

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

The Company has entered into a proposed transaction with a digital assets company as described in note 7 that will not be approved by the Exchange and accordingly the Company will delist from the Exchange and seek to relist on another exchange.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company's shares from trading. These condensed interim financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The condensed interim financial statements do not include adjustments to amounts and reclassification of assets and liabilities that might be necessary should the Company be unable to continue operates. Management estimates it has sufficient funds to operate for the next twelve months.

#### **2. Significant Accounting Policies**

##### **(a) Statement of Compliance**

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Report Standards and International Accounting Standards ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim financial statements were approved by the Board of Directors for issuance on November 5, 2021.

##### **(b) Basis of Presentation**

These condensed interim financial statements have been prepared on the historical cost basis and are presented in Canadian dollars, which is the Company's presentation currency.

##### **(c) Significant Judgments, Estimates and Assumptions**

The preparation of these condensed interim financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities at the date of the condensed interim financial statements and reported amounts of expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors

## VALDY INVESTMENTS LTD.

### Notes to the Condensed Interim Financial Statements

For the periods ended September 30, 2021 and 2020

---

that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

#### 2. Significant Accounting Policies (continued)

Actual outcomes could 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.

The preparation of these condensed interim financial statements requires management to make judgements regarding the going concern of the Company, as disclosed in Note 1, and share-based payments. The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model which incorporates market data, and which involves uncertainty and subjectivity in estimates used by management in the assumptions.

(d) Financial Instruments

#### Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

**Financial assets at FVTPL:** Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in profit or loss.

(d) Financial Instruments (continued)

**Financial assets at FVTOCI:** Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in which they arise.

**Financial assets at amortized cost:** A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

**Impairment of financial assets at amortized cost:** The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The Company has classified its financial instruments as follows:

- Cash: FVTPL
- Trade payable and accrued liabilities: Amortized cost

## VALDY INVESTMENTS LTD.

### Notes to the Condensed Interim Financial Statements

For the periods ended September 30, 2021 and 2020

---

#### 3. Share Capital

(a) Authorized:

Unlimited Common Shares without par value

Unlimited Preferred Shares without par value

(b) *Issued share capital:*

*Changes in share capital during the period ended September 30, 2021*

On February 5, 2021, the Company completed a private placement, pursuant to which the Company issued 4,583,333 common shares at \$0.06 per share for total proceeds of \$275,000. The Company paid \$2,231 in cash as share issuance costs relating to the private placement.

On April 27, 2021, the Company issued 250,000 common shares for warrants exercised for gross proceeds of \$25,000.

On April 27, 2021, the Company issued 1,150,000 common shares for stock options exercised for gross proceeds of \$103,750.

*Changes in share capital during the year ended December 31, 2020:*

No share capital transactions for the year end December 31, 2020.

(c) *Escrow:*

The Company has 3,650,000 common shares subject to an escrow agreement as at September 30, 2021, whereby 10% of the shares will be released from escrow upon the completion of the Qualifying Transaction. An additional 15% of the escrowed common shares will be released on each six-month anniversary thereafter unless otherwise permitted by the Exchange. Common shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions to the extent of options exercised prior to the completion of a qualifying transaction. Escrowed shares may be subject to cancellation if the qualifying transaction is not completed.

(d) *Share-based payments:*

Stock Option Plan

The Company has a rolling stock option plan ("the Plan") which is applicable to directors, officers, employees and consultants. Under the Plan, the total outstanding stock options that may be granted are limited to 10% of the outstanding common shares of the Company at any one time. The exercise price of an option shall not be less than the discounted market price at the time of granting as prescribed by the policies of the Exchange. The maximum term of stock options is ten years from the grant date. Vesting terms are at the discretion of the directors.

Common shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions to the extent of options exercised prior to the completion of a Qualifying Transaction.

**VALDY INVESTMENTS LTD.****Notes to the Condensed Interim Financial Statements**

For the periods ended September 30, 2021 and 2020

**3. Share Capital (continued)***(d) Share-based payments:(continued)*

During the period ended September 30, 2021, the following transactions relating to stock options were outstanding:

	Number of Stock Options	Weighted Average Exercise Price
Balance December 31, 2020 and 2019	700,000	\$ 0.10
Granted	450,000	0.08
Exercised	(1,150,000)	0.09
Balance, September 30, 2021	-	\$ -

During the period ended September 30, 2021, the Company issued 450,000 stock options to officers and directors (being key management personnel) of the Company with an exercise price of \$0.075 per share, at a fair value of \$30,094 (2020 - \$Nil). The weighted average fair value per option was \$0.07. The fair value of the options is estimated using the Black-Scholes option pricing model assuming a life expectancy of 10 years, a risk-free rate of 0.99%, a forfeiture rate of 0%, and volatility of 100%.

As at September 30, 2021, no stock options were outstanding.

*(e) Share Purchase Warrants*

During the period ended September 30, 2021, the following transactions related to stock warrants:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 20120 and 2019	250,000	\$ 0.10
Granted	-	-
Exercised	(250,000)	0.10
Balance, September 30, 2021	-	\$ -

As at September 30, 2021, no share purchase warrants were outstanding.

## **VALDY INVESTMENTS LTD.**

### **Notes to the Condensed Interim Financial Statements**

For the periods ended September 30, 2021 and 2020

---

#### **4. Capital Disclosures**

The Company's capital consists of share capital. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete a Qualifying Transaction. The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

- to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and
- to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at period end, except as discussed below.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange Policy 2.4.

#### **5. Financial Instruments**

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

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

The Company's cash is measured as level 1 input. The carrying value of accounts payable and accrued liabilities approximates the fair value due to its short-term nature.

#### **6. Financial Risk Management**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

##### *Overview*

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to short term nature.

##### *Credit Risk*

Credit Risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held with reputable institutions in Canada.

##### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2021, the Company had a cash balance of \$680,854 to pay liabilities of \$63,843.

## **VALDY INVESTMENTS LTD.**

### **Notes to the Condensed Interim Financial Statements**

For the periods ended September 30, 2021 and 2020

---

#### **6. Financial Risk Management (continued)**

##### *Market Risks*

The Company will be subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. For the period ended September 30, 2021, the Company held no financial instruments subject to significant foreign exchange or interest rate risks.

#### **7. Proposed transaction**

Subsequent to September 30, 2021, the Company:

During the period ended September 30, 2021, the Company entered into a definitive securities exchange agreement (the "Original Securities Exchange Agreement") dated March 31, 2021 with INX Limited ("INX"), a company incorporated under the laws of Gibraltar and the securityholders of INX (the "INX Securityholders"), whereby the Company proposed to acquire all of the issued and outstanding securities of INX (the "Transaction"). The Original Securities Exchange Agreement was amended by the Company, INX, PI Financial Corp. and Eight Capital entering into an Amendment to the Securities Exchange Agreement dated as of July 23, 2021 (the "Amendment", and together with the Original Securities Exchange Agreement, the "Amended Agreement") to, among other things, extend the deadline for completion of the Transaction to January 24, 2022, subject to possible earlier termination. Subsequently, the Company, INX, PI Financial Corp. and Eight Capital entered into an Amended and Restated Securities Exchange Agreement dated as of November 3, 2021 (the "Amended and Restated Securities Exchange Agreement") which replaced and superseded the Amended Agreement.

Following entry into the Original Securities Exchange Agreement, Valdy engaged with and made submissions to the Exchange with respect to the previously disclosed proposed Qualifying Transaction with INX. Following discussions with the Exchange, Valdy will not be able to complete the proposed Qualifying Transaction on the Exchange. Accordingly, the Company has entered into the Amended and Restated Securities Exchange Agreement and Valdy has applied to voluntarily delist its common shares from the Exchange, subject to approval by written consent from the majority of the minority shareholders of Valdy and approval of the Exchange.

Following delisting from the Exchange, Valdy intends to complete the Transaction with INX, whereby INX will become a wholly-owned subsidiary of the Company, and the combined entity (the "Resulting Issuer"), and apply to list the common shares of the Resulting Issuer on a recognized exchange (as defined under Canadian securities laws) other than the Exchange (the "Recognized Exchange"). The Transaction will result in a reverse takeover transaction with the current shareholders of INX controlling the Company. The Resulting Issuer will continue the business of INX, being creation of a global regulated hub for digital assets on the blockchain, offering technology and related services for both primary and secondary markets.

Valdy has not yet submitted any application for listing to a Recognized Exchange. Effective on delisting of the Valdy common shares from the Exchange, Valdy will cease to be a Capital Pool Company, certain escrowed securities held by Non-Arm's Length Parties to Valdy will be cancelled in accordance with Exchange Policy 2.4 and Valdy's escrow agreement, and any other securities remaining in escrow must be cancelled on the 10th anniversary of the delisting in accordance with the terms of the escrow agreement.



## **VALDY INVESTMENTS LTD.**

### **Notes to the Condensed Interim Financial Statements**

For the periods ended September 30, 2021 and 2020

---

#### **7. Proposed transaction (continued)**

Following delisting from the Exchange, Valdy also intends to seek approval from its shareholders, in accordance with undertakings previously given to securities regulatory authorities, to use the Company's funds to pursue a transaction, such as the amended transaction with INX, that is not a Qualifying Transaction. Once this shareholder approval is obtained, and the other conditions for completion of the Transaction have been satisfied, Valdy and INX intend to complete the Transaction and subsequently complete a listing on the Recognized Exchange.

As of the date hereof, the Company has yet to receive conditional approval for the Transaction by a Recognized Exchange and there is no assurance that approval for the Transaction will be granted by the Recognized Exchange.

Prior to the Closing, the Company will consolidate its issued and outstanding common shares (the "Consolidation") such that immediately prior to the Closing, there shall be outstanding no more than 3,844,743 common shares on a fully-diluted basis.

The Securities Exchange Agreement provides that, on the Closing, the Company will acquire all of the issued and outstanding securities of INX from the INX Securityholders by way of a securities exchange as follows:

i) the Company will issue to the former shareholders of INX up to 192,754,167 post-Consolidation common shares (each, a "Valdy Share" and each such Valdy Share issued as consideration, a "Valdy Consideration Share") on a partially diluted basis, reflecting the exercise of the INX Legacy Warrants (as defined below). The Valdy Consideration Shares issued to holders of INX Financing Shares shall be issued on a 1:1 basis, and all other Valdy Consideration Shares will be issued on the basis of 10.4871348 Valdy Consideration Shares for each INX Share (the "Conversion Ratio").

ii) the holders of outstanding options to purchase INX Shares (each, an "INX Option") shall surrender for cancellation each INX Option held by them, and for each INX Option so surrendered, Valdy shall issue to such holder an option to acquire a post-Consolidation Valdy Share (each, a "Valdy Consideration Option") having terms equivalent to the surrendered INX Option with respect to vesting conditions and expiry date, and adjusted pursuant to the Conversion Ratio in respect of exercise price and the number of Valdy Shares issuable upon exercise thereof;

iii) the holders of outstanding warrants to purchase INX Shares (each, an "INX Legacy Warrant") shall surrender for cancellation each INX Legacy Warrant held by them, and for each INX Legacy Warrant so surrendered, Valdy shall issue to such holder an warrant to acquire post-Consolidation Valdy Shares (each, a "Valdy Consideration Warrant,")having terms equivalent to the surrendered INX Legacy Warrant with respect to expiry date, and adjusted pursuant to the Conversion Ratio in respect of exercise price and the number of Valdy Shares issuable upon exercise thereof; and

iv) each of the warrants to purchase INX Shares issued pursuant to the Concurrent Financing (each, an "INX Financing Warrant") shall, in accordance with its terms, become exercisable to purchase an equivalent number of post-Consolidation Valdy Shares at the same exercise price as the INX Shares to which such warrant was previously exercisable for. In connection with the Transaction, the Company will change its name to The INX Digital Company Inc., or such other name as is determined by INX.

**VALDY INVESTMENTS LTD.**

**Notes to the Condensed Interim Financial Statements**

For the periods ended September 30, 2021 and 2020

---

**7. Proposed transaction (continued)**

The completion of the Transaction is subject to the satisfaction of various conditions as are standard for a transaction of this nature, including delisting of the Valdy Shares from the Exchange. This transaction will result in a reverse takeover transaction with the current shareholders of INX controlling the Company.

On Closing, the Resulting Issuer expects to enter into five year advisory agreements (each, an “Advisory Agreement”) with James Decker and Johnny Ciampi (each, an “Advisor”). Each Advisory Agreement will provide for the issuance of 1,000,000 immediately vesting options to purchase shares of the Resulting Issuer (each, an “Advisor Option”) under the Resulting Issuer’s stock option plan to the applicable Advisor, with 500,000 Advisor Options being exercisable at a price of \$1.25 per share and 500,000 Advisor Options being exercisable at a price of \$2.50 per share, and all Advisor Options expiring on the date that is five years from the Closing.

In connection with the Transaction, the Company has entered into a finder’s fee agreement with Peter Hough, pursuant to which the Company has agreed to issue 650,000 Valdy Shares (approximately 238,386 Valdy Shares on a post-Consolidation basis) to Mr. Hough on Closing subject to the approval of the Recognized Exchange.

**SCHEDULE "H"**  
**INTERIM MD&A OF VALDY INVESTMENTS LTD.**

(See attached)

**VALDY INVESTMENTS LTD.  
(A Capital Pool Company)**

**FORM 51-102FI  
MANAGEMENT DISCUSSION AND ANALYSIS  
PERIOD ENDED SEPTEMBER 30, 2021**

The following management discussion and analysis for Valdy Investments Ltd. ("the Company") is prepared as of November 5, 2021 and should be read together with the unaudited condensed interim financial statements for the nine-month period ended September 30, 2021 and related notes attached thereto (financial statements), which were prepared in accordance with the International Financial Reporting Standards ("IFRS"). The reader should also refer to the Company's audited financial statements and accompanying notes for the year ended December 31, 2020.

All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information related to the Company is available for view on SEDAR under the Company's profile at [www.sedar.com](http://www.sedar.com).

**Description of Business**

Valdy Investments Ltd. (the "Company") was incorporated under the provincial Business Corporations Act (British Columbia) on August 22, 2018 and its registered office is at 4619 West 3rd Avenue, Vancouver, BC V6R 1N5. The Company completed its initial public offering ("IPO") during fiscal 2019 and is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by the exercising of an option or by any concomitant transaction ("Qualifying Transaction"). The purpose of such an acquisition is to satisfy the related conditions of a Qualifying Transaction under the Exchange rules. During the period ended September 30, 2021, the Company has entered into a proposed transaction with a digital assets company as described below in the proposed transaction section that will not be approved by the Exchange and accordingly the Company will de-list from the Exchange and seek to relist on another exchange.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company's shares from trading. These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and reclassification of assets and liabilities that might be necessary should the Company be unable to continue operates. Management estimates it has sufficient funds to operate for the next twelve months.

**Proposed Transaction:**

During the period ended September 30, 2021, the Company entered into a definitive securities exchange agreement (the "Original Securities Exchange Agreement") dated March 31, 2021 with INX Limited ("INX"), a company incorporated under the laws of Gibraltar and the securityholders of INX (the "INX Securityholders"), whereby the Company proposed to acquire all of the issued and outstanding securities of INX (the "Transaction"). The Original Securities Exchange Agreement was amended by the Company, INX, PI Financial Corp. and Eight Capital entering into an Amendment to the Securities Exchange Agreement dated as of July 23, 2021 (the "Amendment", and together with the Original Securities

Exchange Agreement, the "Amended Agreement") to, among other things, extend the deadline for completion of the Transaction to January 24, 2022, subject to possible earlier termination. Subsequently, the Company, INX, PI Financial Corp. and Eight Capital entered into an Amended and Restated Securities Exchange Agreement dated as of November 3, 2021 (the "Amended and Restated Securities Exchange Agreement") which replaced and superseded the Amended Agreement.

Following entry into the Original Securities Exchange Agreement, Valdy engaged with and made submissions to the Exchange with respect to the previously disclosed proposed Qualifying Transaction with INX. Following discussions with the Exchange, Valdy will not be able to complete the proposed Qualifying Transaction on the Exchange. Accordingly, the Company has entered into the Amended and Restated Securities Exchange Agreement and Valdy has applied to voluntarily delist its common shares from the Exchange, subject to approval by written consent from the majority of the minority shareholders of Valdy and approval of the Exchange.

Following delisting from the Exchange, Valdy intends to complete the Transaction with INX, whereby INX will become a wholly-owned subsidiary of the Company, and the combined entity (the "Resulting Issuer"), and apply to list the common shares of the Resulting Issuer on a recognized exchange (as defined under Canadian securities laws) other than the Exchange (the "Recognized Exchange"). The Transaction will result in a reverse takeover transaction with the current shareholders of INX controlling the Company. The Resulting Issuer will continue the business of INX, being creation of a global regulated hub for digital assets on the blockchain, offering technology and related services for both primary and secondary markets.

Valdy has not yet submitted any application for listing to a Recognized Exchange. Effective on delisting of the Valdy common shares from the Exchange, Valdy will cease to be a Capital Pool Company, certain escrowed securities held by Non-Arm's Length Parties to Valdy will be cancelled in accordance with Exchange Policy 2.4 and Valdy's escrow agreement, and any other securities remaining in escrow must be cancelled on the 10th anniversary of the delisting in accordance with the terms of the escrow agreement.

Following delisting from the Exchange, Valdy also intends to seek approval from its shareholders, in accordance with undertakings previously given to securities regulatory authorities, to use the Company's funds to pursue a transaction, such as the amended transaction with INX, that is not a Qualifying Transaction. Once this shareholder approval is obtained, and the other conditions for completion of the Transaction have been satisfied, Valdy and INX intend to complete the Transaction and subsequently complete a listing on the Recognized Exchange.

Prior to delisting from the Exchange, and subject to approval of a majority of the disinterested shareholders of Valdy and to approval of the Exchange, Valdy also seeks to amend its escrow agreement to provide for the immediate release of an aggregate of 500,000 shares held by arm's length pro group members. If the requisite approvals are obtained, Valdy intends to amend the escrow agreement and have these shares released from escrow as soon as reasonably practicable and in any event no sooner than November 12, 2021 and prior to delisting from the Exchange.

In connection with the Transaction, INX completed an equity financing (the "Concurrent Financing") on April 1, 2021, by way of a private placement of 31,680,000 subscription receipts (each, a "Subscription Receipt") at \$1.25 per Subscription Receipt for aggregate gross proceeds of \$39,600,000. The Concurrent Financing was comprised of a brokered portion (the "Brokered Concurrent Financing"), pursuant to which up to 22,823,400 Subscription Receipts were issued, and a non-brokered portion (the "Non-Brokered Concurrent Financing"), pursuant to which up to 8,856,600 Subscription Receipts were issued.

Pursuant to the Brokered Concurrent Financing, a syndicate of agents led by PI Financial Corp. and Eight Capital (together, the "Co-Lead Agents"), and including Beacon Securities Limited and Cormark Securities Inc. (together with the Co-Lead Agents, the "Agents") will be paid a cash commission equal to 6% of the

gross proceeds of the Concurrent Financing, provided that a commission of 3% will be paid in respect of sales to identified investors agreed upon by INX and the Co-Lead Agents (up to a maximum of \$5,000,000 of such sales) (the “President’s List Purchasers”). The Agents will also receive compensation options (the “Compensation Options”) exercisable into that number of Resulting Issuer shares as is equal to 6% of the total number of Subscription Receipts issued pursuant to the Brokered Concurrent Financing (3% in respect of Subscription Receipts issued to the President’s List Purchasers). Each Compensation Option will be exercisable at \$1.25 per Resulting Issuer share for up to 24 months following closing of the Transaction. Pursuant to the Non-Brokered Concurrent Financing, the Agents will be paid a corporate finance fee equal to up to \$664,245, and 531,396 finance warrants on terms equivalent to the Compensation Options

Immediately prior to closing of the Transaction (the “Closing”) and upon satisfaction of all conditions precedent to the Transaction, each Subscription Receipt will be automatically converted into a unit comprised of one ordinary share in the capital of INX (“INX Shares” and each such INX Share, an “INX Financing Share”) and one-half of one common share purchase warrant of INX (each whole warrant, an “INX Financing Warrant”), and the escrowed proceeds of the Concurrent Financing will be released to INX. Each INX Financing Warrant is exercisable into one additional INX Share for two years from closing of the Concurrent Financing at an exercise price of \$1.88 per share

In addition, INX has obtained approval from its subscription receipt holders to extend the escrow release deadline for the \$39,600,000 in proceeds raised by INX in connection with the Transaction. The deadline is extended from July 28, 2021 to November 25, 2021 with an option to extend to January 24, 2022 at the discretion of the co-lead agents. As of the date hereof, the Company has yet to receive conditional approval for the Transaction by a Recognized Exchange and there is no assurance that approval for the Transaction will be granted by the Recognized Exchange.

Prior to the Closing, the Company will consolidate its issued and outstanding common shares (the “Consolidation”) such that immediately prior to the Closing, there shall be outstanding no more than 3,844,743 common shares on a fully-diluted basis.

The Securities Exchange Agreement provides that, on the Closing, the Company will acquire all of the issued and outstanding securities of INX from the INX Securityholders by way of a securities exchange as follows:

i) the Company will issue to the former shareholders of INX up to 192,754,167 post-Consolidation common shares (each, a “Valdy Share” and each such Valdy Share issued as consideration, a “Valdy Consideration Share”) on a partially diluted basis, reflecting the exercise of the INX Legacy Warrants (as defined below). The Valdy Consideration Shares issued to holders of INX Financing Shares shall be issued on a 1:1 basis, and all other Valdy Consideration Shares will be issued on the basis of 10.4871348 Valdy Consideration Shares for each INX Share (the “Conversion Ratio”).

ii) the holders of outstanding options to purchase INX Shares (each, an “INX Option”) shall surrender for cancellation each INX Option held by them, and for each INX Option so surrendered, Valdy shall issue to such holder an option to acquire a post-Consolidation Valdy Share (each, a “Valdy Consideration Option”) having terms equivalent to the surrendered INX Option with respect to vesting conditions and expiry date, and adjusted pursuant to the Conversion Ratio in respect of exercise price and the number of Valdy Shares issuable upon exercise thereof;

iii) the holders of outstanding warrants to purchase INX Shares (each, an “INX Legacy Warrant”) shall surrender for cancellation each INX Legacy Warrant held by them, and for each INX Legacy Warrant so surrendered, Valdy shall issue to such holder an warrant to acquire post-Consolidation Valdy Shares (each, a “Valdy Consideration Warrant,”)having terms equivalent to the surrendered INX Legacy Warrant with respect to expiry date, and adjusted pursuant to the Conversion Ratio in respect of exercise price and the number of Valdy Shares issuable upon exercise thereof; and

iv) each of the warrants to purchase INX Shares issued pursuant to the Concurrent Financing (each, an “INX Financing Warrant”) shall, in accordance with its terms, become exercisable to purchase an equivalent number of post-Consolidation Valdy Shares at the same exercise price as the INX Shares to which such warrant was previously exercisable for. In connection with the Transaction, the Company will change its name to The INX Digital Company Inc., or such other name as is determined by INX.

The completion of the Transaction is subject to the satisfaction of various conditions as are standard for a transaction of this nature, including delisting of the Valdy Shares from the Exchange. This transaction will result in a reverse takeover transaction with the current shareholders of INX controlling the Company.

On Closing, the Resulting Issuer expects to enter into five year advisory agreements (each, an “Advisory Agreement”) with James Decker and Johnny Ciampi (each, an “Advisor”). Each Advisory Agreement will provide for the issuance of 1,000,000 immediately vesting options to purchase shares of the Resulting Issuer (each, an “Advisor Option”) under the Resulting Issuer’s stock option plan to the applicable Advisor, with 500,000 Advisor Options being exercisable at a price of \$1.25 per share and 500,000 Advisor Options being exercisable at a price of \$2.50 per share, and all Advisor Options expiring on the date that is five years from the Closing.

In connection with the Transaction, the Company has entered into a finder’s fee agreement with Peter Hough, pursuant to which the Company has agreed to issue 650,000 Valdy Shares (approximately 238,386 Valdy Shares on a post-Consolidation basis) to Mr. Hough on Closing subject to the approval of the Recognized Exchange.

#### **Changes in share capital during the period ended September 30, 2021**

On February 5, 2021, the Company completed a private placement, pursuant to which the Company issued 4,583,333 common shares at \$0.06 per share for total proceeds of \$275,000. The Company paid \$2,231 in cash as share issuance costs relating to the private placement.

On April 27, 2021, the Company issued 250,000 common shares for warrants exercised for gross proceeds of \$25,000.

On April 27, 2021, the Company issued 1,150,000 common shares for stock options exercised for gross proceeds of \$103,750.

For the year ended December 31, 2020, the Company had no share capital transactions.

During the period ended September 30, 2021, the Company issued 450,000 stock options to officers and directors (being key management personnel) of the Company with an exercise price of \$0.075 per share, at a fair value of \$30,094. The weighted average fair value per option was \$0.07. The fair value of the options is estimated using the Black-Scholes option pricing model assuming a life expectancy of 10 years, a risk-free rate of 0.99%, a forfeiture rate of 0%, and volatility of 100%.

#### **Overall Performance**

As at September 30, 2021, the Company had \$680,854 (December 31, 2020 - \$425,298) in cash and working capital was \$617,011 (December 31, 2020 – \$402,650).

Nine months ended September 30, 2021 and 2020

The Company incurred a loss and comprehensive loss of \$217,252 (September 30, 2020- \$29,245) during the nine-month period ended September 30, 2021, which included professional fees of \$163,151 (2020 – 19,706), share-based payments of \$30,094 (2020 - \$Nil) and transfer agent and filing fees of \$23,886 (2020 - \$9,539). The increase in loss is mainly due to increased legal services associated with the

definitive agreement intended to constitute the Company's qualifying transaction.

Three months ended September 30, 2021 and 2020

The Company incurred a loss and comprehensive loss of \$24,610 (September 30, 2020- \$9,748) during the three-month period ended September 30, 2021, which included professional fees of \$23,468 (2020 – \$9,218), share-based payments of \$Nil (2020 - \$Nil) and transfer agent and filing fees of \$1,142 (2020 - \$530). The increase in loss is mainly due to increased legal services associated with the definitive agreement intended to constitute the Company's qualifying transaction.

### Selected Annual Information

The following information is derived from the financial statements of the Company for the years ended December 31, 2020, 2019 and 2018.

	December 31, 2020 \$	December 31, 2019 \$	December 31, 2018
Loss and comprehensive loss	(49,321)	(156,973)	(15,022)
Basic and diluted loss per share	(0.01)	(0.05)	(0.07)
Total assets	425,298	460,824	92,478
Total liabilities	22,648	8,853	7,500

For the year ended, December 31, 2020 there is a decrease in loss and comprehensive loss compared to December 31, 2019. The decrease is due to the Company completing its initial public offering as a capital pool company on May 27, 2019 and incurring more professional fees relating to bring a company public.

### Summary of Quarterly Reports

	Three Months Ended			
	September 30, 2021 \$	June 30, 2021 \$	March 31, 2021 \$	December 31, 2020 \$
Interest income	Nil	Nil	Nil	Nil
Net loss	(24,610)	(50,903)	(141,739)	(20,076)
Basic and diluted loss per share	(0.00)	(0.01)	(0.00)	(0.00)

	Three Months Ended			
	September 30, 2020 \$	June 30, 2020 \$	March 31, 2020 \$	December 31, 2019 \$
Interest income	Nil	Nil	Nil	Nil
Net loss	(9,748)	(5,634)	(13,863)	(8,156)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)



## Related Party Transactions

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

During the period ended September 30, 2021, there was no compensation paid to key management.

During the year ended December 31, 2020, there was no compensation paid to key management.

During the period ended September 30, 2021, the Company issued 450,000 stock options to officers and directors (being key management personnel) of the Company with an exercise price of \$0.075 per share, at a fair value of \$30,094. The weighted average fair value per option was \$0.07. The fair value of the options is estimated using the Black-Scholes option pricing model assuming a life expectancy of 10 years, a risk-free rate of 0.99%, a forfeiture rate of 0%, and volatility of 100%.

## Liquidity and Capital Resources

The financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

As At	September 30, 2021 \$	December 31, 2020 \$
Cash	680,854	425,298
Payables	63,843	22,648
Working capital	617,011	402,650
Shareholders' equity	617,011	402,298

Net cash used in operating activities for the period was \$145,963 (2020 – \$23,908). This amount consists of a net operating loss of \$217,252 (2020 - \$29,245). Changes in non-cash working capital consists of a change in accounts payable and accrued liabilities of \$41,195 (2020 – \$5,337) and share-based payments \$30,094 (2020 - \$Nil).

There were no investing activities during the current and comparative period end.

The Company completed a private placement during the period ended September 30, 2021, net of share issuance costs of \$272,769 (2020 – \$Nil). The Company issued 250,000 common shares for warrants exercised for gross proceeds of \$25,000. The Company issued 1,150,000 common shares for stock options exercised for gross proceeds of \$103,750.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company has sufficient funds to cover anticipated administrative expenses throughout the year. It will continue to focus on identifying and evaluating assets or a business to acquire which will serve as its Qualifying Transaction.

## **Financial Instruments and Risk Management**

The following is the accounting policy for financial assets under IFRS 9:

### Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company’s accounting policy for each of the categories is as follows:

*Financial assets at FVTPL:* Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in profit or loss.

*Financial assets at FVTOCI:* Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in which they arise.

*Financial assets at amortized cost:* A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset’s contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

*Impairment of financial assets at amortized cost:* The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The Company has classified its financial instruments as follows:

- Cash: FVTPL
- Trade payable and accrued liabilities: Amortized cost

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

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

The Company’s cash is measured as level 1 input. The carrying value of accounts payable and accrued liabilities approximates the fair value due to its short-term nature.

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework.

### *Overview*

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to short term nature.

### *Credit Risk*

Credit Risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held with reputable institutions in Canada.

### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2021, the Company had a cash balance of \$680,854 to pay liabilities of \$63,843.

### *Market Risks*

The Company will be subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. For the period ended September 30, 2021, the Company held no financial instruments subject to significant foreign exchange or interest rate risks.

## **Capital Management**

The Company's capital consists of share capital. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete a Qualifying Transaction. The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

- to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and
- to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at year end, except as discussed below.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange Policy 2.4.

## **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements as at September 30, 2021 or as at November 5, 2021.

## Outstanding Share Data

The following table summarizes the outstanding share capital as of the date of the MD&A:

	Number	Exercise Price	Expiry Date
Common Shares	12,983,333	n/a	n/a
Stock Options	Nil	n/a	n/a
Warrants	Nil	n/a	n/a

The Company has 3,650,000 common shares subject to an escrow agreement as at September 30, 2021. Whereby 10% of the shares will be released from escrow upon the completion of the Qualifying Transaction. An additional 15% of the escrowed common shares will be released on each six-month anniversary thereafter unless otherwise permitted by the Exchange. Common shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions to the extent of options exercised prior to the completion of a qualifying transaction. Escrowed shares may be subject to cancellation if the qualifying transaction is not completed.

## Critical Judgement and Estimates

The details of the Company's accounting policies are presented in Note 2 of the financial statements ended December 31, 2021. The accounting policies applied in preparation of the financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2020.

## Management's responsibility for the financial statements

Information provided in this report, including the financial statements, is the responsibility of management. In the preparation of the statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

## Risks and Uncertainties

The Company has neither a history of earnings nor has it paid any dividends and it is unlikely to generate earnings or pay dividends in the immediate or foreseeable future. The Company was only recently incorporated and does not own any ongoing business operations and has no assets other than cash. The Company has not identified a proposed Qualifying Transaction and has not entered into an Agreement in Principle. There is no assurance that the Company will identify and successfully negotiate the acquisition of any potential corporations, properties, assets or businesses, or any interests therein, nor that any such opportunities or businesses acquired will be profitable. Moreover, additional funds may be required to successfully complete an acquisition, and the Company may not be able to obtain such financing or may not be able to raise sufficient funds to take a meaningful position in a potential target. If the acquisition is financed by the issuance of shares from the Company's treasury, control of the Company may change and shareholders may suffer additional dilution. The directors and the officers of the Company will only be devoting a portion of their time to the affairs of the Company. Potential conflicts of interest may result from the ordinary course of business of the Company and of the directors and the officers of the Company.

## **COVID-19**

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While COVID-19 has had minimal impact on the Company's operations to date, due to the Company's small workforce and ability to implement measures such as working remotely and implementing appropriate social distancing and cleaning regimes in its workplaces, the pandemic has caused significant uncertainty and turbulence in the capital markets. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or its ability to raise funds.

## **Outlook**

The Company's current objectives are to identify and evaluate assets or a business to acquire which will serve as its Qualifying Transaction subject to shareholder and regulatory approval.

## **Corporate Governance**

The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Audit Committee of the Company fulfills its role of ensuring the integrity of the reported information through its review of the interim and audited annual financial statements prior to their submission to the Board of Directors for approval. The Audit Committee, comprised of three directors, all of whom are independent, meets with management of the Company on a quarterly basis to review the financial statements, including the MD&A, and to discuss other financial, operating and internal control matters as required.

## **Forward-Looking Statements**

Certain statements contained in this MD&A constitute forward-looking information and forward-looking statements within the meaning of applicable securities legislation (collectively "forward-looking statements"). Forward-looking information may include financial and other projections, as well as statements regarding future events, plans, objectives or economic performance, or the assumption underlying any of the foregoing. The use of any of the words "may", "would", "could", "will", "likely", "except", "anticipate", "believe", "intend", "plan", "forecast", "project", "estimate", and other similar expressions are intended to identify forward-looking statements.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements expressed or implied by the forward-looking information. In evaluating these statements, the prospective purchasers should not place undue reliance on any such forward-looking information and should specifically consider various factors, including the risks outlined under 'Risk Factors'. Further, any forward-looking statement speaks only as of the date on which such statement is made. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

**SCHEDULE "I"**  
**THE INX CONTRACT AUDIT**

(See attached)



Quantstamp, Inc.  
December 16, 2019

Attn: Jonathan Azeroual  
INX Limited

Re: Audit of INX Limited ERC-20 Token

Dear Jonathan,

Quantstamp, Inc. are pleased to have been engaged by INX Limited to conduct an audit of the ERC-20 token contract provided for review. Quantstamp's objective was to evaluate the INX Limited ERC20 repository for security-related issues, code quality, and adherence to specification and best practices. Possible issues we looked for included (but are not limited to):

- Transaction-ordering dependence
- Timestamp dependence
- Mishandled exceptions and call stack limits
- Unsafe external calls
- Integer overflow / underflow
- Number rounding errors
- Reentrancy and cross-function vulnerabilities
- Denial of service / logical oversights
- Access control
- Centralization of power
- Business logic contradicting the specification
- Code clones, functionality duplication
- Gas usage
- Arbitrary token minting

After review, in consultation with our security auditors, and in accordance with our security best practice framework, we hereby provide the report of our findings certifying the security of the token contract, attached as Exhibit A.

Sincerely,

Richard Ma, CEO

NOTICE: The services provided by Quantstamp to Client and the information and deliverables provided in this report may be limited based on the applicable assumptions, access, capabilities, and state of technology. Quantstamp cannot (and does not) guarantee that any materials reviewed in this audit, including any smart contracts, software, or tokens, is (or will be) bug free. The content contained in the report is current as of the date appearing on the report and is subject to change without notice, unless indicated otherwise by Quantstamp; however, Quantstamp does not guarantee or warrant the accuracy, timeliness, or completeness of any report you access using the internet or other means, and assumes no obligation to update any information following publication.

**EXHIBIT A -- QUANTSTAMP CERTIFICATE**





December 16th 2019 – Quantstamp Verified

## Tokensoft - INX

This smart contract audit was prepared by Quantstamp, the protocol for securing smart contracts.

### Executive Summary

Type	Token
Auditors	Alex Murashkin, Senior Software Engineer Leonardo Passos, Senior Research Engineer Jan Gorzny, Blockchain Researcher
Timeline	2019-12-03 through 2019-12-12
EVM	Constantinople
Languages	Solidity
Methods	Architecture Review, Unit Testing, Functional Testing, Computer-Aided Verification, Manual Review
Specification	<a href="#">README.md</a>

Repository	Commit
<a href="#">inx_1404_token</a>	<a href="#">9f13fd8</a>
<a href="#">inx_1404_token</a>	<a href="#">16da643</a>

Changelog	<ul style="list-style-type: none"> <li>• 2019-12-11 - Initial report (<a href="#">16da643</a>)</li> <li>• 2019-12-12 - Report for the diff (<a href="#">16da643</a>..<a href="#">9f13fd8</a>)</li> </ul>
-----------	--

**Overall Assessment**

The code is fairly well-structured and, for the most part, well-documented. We identified four findings of various severity levels. The two low-level issues include uses of `block.timestamp` and high level of power centralization in the contracts. These were acknowledged by the contract owners and documented as of the commit [9f13fd8](#). Two findings were initially marked as "undetermined" due to the lack of necessary information in the specification, however, as of commit [9f13fd8](#), were resolved.

In addition, we recommended some improvements to the documentation, which were partially implemented as of commit [9f13fd8](#).

Total Issues	4 (1 Fixed)
High Risk Issues	0 (0 Fixed)
Medium Risk Issues	0 (0 Fixed)
Low Risk Issues	2 (0 Fixed)
Informational Risk Issues	0 (0 Fixed)
Undetermined Risk Issues	2 (1 Fixed)



High	The issue puts a large number of users' sensitive information at risk, or is reasonably likely to lead to catastrophic impact for client's reputation or serious financial implications for client and users.
Medium	The issue puts a subset of users' sensitive information at risk, would be detrimental for the client's reputation if exploited, or is reasonably likely to lead to moderate financial impact.
Low	The risk is relatively small and could not be exploited on a recurring basis, or is a risk that the client has indicated is low-impact in view of the client's business circumstances.
Informational	The issue does not post an immediate risk, but is relevant to security best practices or Defence in Depth.
Undetermined	The impact of the issue is uncertain.

Unfixed	Acknowledged the existence of the risk, and decided to accept it without engaging in special efforts to control it.
Acknowledged	the issue remains in the code but is a result of an intentional business or design decision. As such, it is supposed to be addressed outside the programmatic means, such as: 1) comments, documentation, README, FAQ; 2) business processes; 3) analyses showing that the issue shall have no negative consequences in practice (e.g., gas analysis, deployment settings).
Fixed	Adjusted program implementation, requirements or constraints to eliminate the risk.

## Summary of Findings

ID	Description	Severity	Status
QSP-1	Block Timestamp Manipulation	▼ Low	Acknowledged
QSP-2	Privileged Roles and Ownership	▼ Low	Acknowledged
QSP-3	Unclear Expected Locking Behaviour	? Undetermined	Acknowledged
QSP-4	Unclear Expected Token Supply	? Undetermined	Fixed

## Quantstamp Audit Breakdown

Quantstamp's objective was to evaluate the repository for security-related issues, code quality, and adherence to specification and best practices.

Possible issues we looked for included (but are not limited to):

- Transaction-ordering dependence
- Timestamp dependence
- Mishandled exceptions and call stack limits
- Unsafe external calls
- Integer overflow / underflow
- Number rounding errors
- Reentrancy and cross-function vulnerabilities
- Denial of service / logical oversights
- Access control
- Centralization of power
- Business logic contradicting the specification
- Code clones, functionality duplication
- Gas usage
- Arbitrary token minting

### Methodology

The Quantstamp auditing process follows a routine series of steps:

1. Code review that includes the following
  - i. Review of the specifications, sources, and instructions provided to Quantstamp to make sure we understand the size, scope, and functionality of the smart contract.
  - ii. Manual review of code, which is the process of reading source code line-by-line in an attempt to identify potential vulnerabilities.
  - iii. Comparison to specification, which is the process of checking whether the code does what the specifications, sources, and instructions provided to Quantstamp describe.
2. Testing and automated analysis that includes the following:
  - i. Test coverage analysis, which is the process of determining whether the test cases are actually covering the code and how much code is exercised when we run those test cases.
  - ii. Symbolic execution, which is analyzing a program to determine what inputs cause each part of a program to execute.
3. Best practices review, which is a review of the smart contracts to improve efficiency, effectiveness, clarify, maintainability, security, and control based on the established industry and academic practices, recommendations, and research.
4. Specific, itemized, and actionable recommendations to help you take steps to secure your smart contracts.

### Toolset

The notes below outline the setup and steps performed in the process of this audit.

#### Setup

Tool Setup:

- [Maian](#)
- [Truffle](#)
- [Ganache](#)
- [SolidityCoverage](#)
- [Mythril](#)
- [Truffle-Flattener](#)
- [Securify](#)
- [Slither](#)

Steps taken to run the tools:

1. Installed Truffle: `npm install -g truffle`
2. Installed Ganache: `npm install -g ganache-cli`
3. Installed the solidity-coverage tool (within the project's root directory): `npm install --save-dev solidity-coverage`
4. Ran the coverage tool from the project's root directory: `./node_modules/.bin/solidity-coverage`
5. Flattened the source code using `truffle-flattener` to accommodate the auditing tools.
6. Installed the Mythril tool from Pypi: `pip3 install mythril`
7. Ran the Mythril tool on each contract: `myth -x path/to/contract`
8. Ran the Securify tool: `java -Xmx6048m -jar securify-0.1.jar -fs contract.sol`
9. Cloned the MAIAN tool: `git clone --depth 1 https://github.com/MAIAN-tool/MAIAN.git maian`
10. Ran the MAIAN tool on each contract: `cd maian/tool/ && python3 maian.py -s path/to/contract contract.sol`
11. Installed the Slither tool: `pip install slither-analyzer`
12. Run Slither from the project directory `slither .`

## Assessment

### Findings

#### QSP-1 Block Timestamp Manipulation

**Severity:** Low

**Status:** Acknowledged

**File(s) affected:** `capabilities/Timelockable.sol`

**Description:** Projects may rely on block timestamps for various purposes. However, it's important to realize that miners individually set the timestamp of a block, and attackers may be able to manipulate timestamps for their own purposes. If a smart contract relies on a timestamp, it must take this into account.

The locking mechanism is based on `block.timestamp`. Miners who happen to hold INX tokens could delay the release of tokens of other token holders as a means to get a trading advantage.

#### **Recommendation:**

1. Changing the logic to rely on `block.number` as a means to control locking/releasing instead of `block.timestamp`
2. Requiring large minimum locking period in order to minimize the effect of timestamp manipulation.

**Update:** Tokensoft has acknowledged the use of `block.timestamp` and noted: "The `block.timestamp` is used to determine if a Timelock is expired, the `block.timestamp` is set by miners and not guaranteed to be accurate, it can differ from the true time by as much as 15 seconds." in `README.md` as of commit `9f13fd8`.

#### QSP-2 Privileged Roles and Ownership

**Severity:** Low

**Status:** Acknowledged

**Description:** Smart contracts will often have `owner` variables to designate the person with special privileges to make modifications to the smart contract.

In this case, the owner is capable of granting any Ethereum account (including the owner themselves) an ability to revoke tokens from an arbitrary account or time-locking tokens of an arbitrary account. If an owner's private key is compromised, all users become automatically at risk.

Consequently, for the purposes of this audit, we assume that the administrator and price feeds are available, honest, and not compromised.

**Recommendation:** While the owner privileges are documented in the `README.md` file, the centralization of power needs to be made clear to the end-users also.

**Update:** Tokensoft has acknowledged the owner variables that designate a person with special privileges can make modifications to the smart contract. They have noted "The Owner account specified at the time of deployment will be the only owner account by default. Since Owners can assign Revoker, Timelocker, and Whitelister privileges to themselves they have the ability to unilaterally impact trading capabilities and even token balances for all users." in `README.md` as of commit `9f13fd8`.

### QSP-3 Unclear Expected Locking Behaviour

Severity: *Undetermined*

Status: Acknowledged

File(s) affected: [capabilities/Timelockable.sol](#)

**Description:** Repeated calls to the `lock` method override the previous locks set for the given token holder. It is unclear if this behaviour is expected. In addition, if multiple `lock(...)` transactions are sent at the same time, a hypothetical miner holding the tokens could choose to mine the transaction that is more favourable to the miner, thus making the contract vulnerable to transaction ordering.

**Recommendation:**

1. Documenting the expected behaviour when `lock` is called multiple times
2. If the transaction ordering behaviour is undesired, consider adding `increaseLock(...)` and `decreaseLock(...)` methods

**Update:** Tokensoft has acknowledged the issue and added the following comment on transaction ordering to [README.md](#): "Care should be taken not to send out multiple 'lock' transactions at once as the last transaction mined will be the values that are persisted." as of commit [9f13fd8](#).

### QSP-4 Unclear Expected Token Supply

Severity: *Undetermined*

Status: Fixed

File(s) affected: [InxToken.sol](#)

**Description:** [InxToken.sol](#), L21 (commit [16da643](#)): the comment says `Token supply - 2 Hundred Thousand Tokens, with 18 decimal precision`, while the constant `HUNDRED_THOUSAND` is set to `100000000`, which is one hundred million, thus making `TOKEN_SUPPLY` being two hundred million.

**Recommendation:**

1. Documenting the expected behaviour and fixing the code comments, if applicable
2. Making a code change to the constant, if applicable.

**Update:** Tokensoft has adjusted variable naming as of commit [9f13fd8](#). Tokensoft has documented the token supply in the [README](#): "On deployment, all tokens will be transferred to the owner account passed in during deployment. The total supply will be 200,000,000 tokens."

### Automated Analyses

#### Maian

Maian detected no issues.

#### Mythril

Mythril detected two instances of "Dependence on predictable environment variable" referencing uses of `block.timestamp` in [capabilities/Timelockable.sol](#). This potential issue was described in the finding [QSP-1](#).

#### Securify

Securify detected multiple instances of `LockedEther` which were deemed to be false-positive upon manual inspection.

#### Slither

Slither reported a few instances of "Dangerous comparisons" referencing uses of `block.timestamp` in [capabilities/Timelockable.sol](#). This potential issue was described in the finding [QSP-1](#). Other findings reported by Slither were deemed as not having security implications.

### Adherence to Specification

The code mostly matches the comments and the [README](#) documentation. The major case of a mismatch was written in the finding [QSP-4 Unclear Expected Token Supply](#).

## Code Documentation

Most of the code is well-documented, however, there are instances that could use improvement:

1. [README.md](#), L58 (commit [16da643](#)): it is likely that the command to run coverage is `npm run solcover` rather than `npm run coverage`
2. Files under the `roles` folder are missing code comments
3. [RestrictionMessages.sol](#), L11, [Whitelistable.sol](#), L20 and L24 (commit [16da643](#)), and the corresponding test files: "white list" should likely be "whitelist"
4. [Pausable.sol](#), L22 and L30 (commit [16da643](#)): "owner" in `called by the owner` should likely be reworded to disambiguate from the `owner` role - **Fixed**.

## Adherence to Best Practices

The code mostly adheres to the best coding practices, however, highlighted a few cases that could use improvement:

- Use of `block.timestamp` as noted in the finding QSP-1 - **Acknowledged**
- Input validation is missing:
  - `restrictions/TransferRestrictions.sol`, L21 (commit 16da643): potentially, needs a check whether `_validators` is a non-zero address - **Fixed**
  - `capabilities/Timelockable.sol`, L31 (commit 16da643): recommended checking that `amount` is greater than 0
  - `capabilities/Timelockable.sol`, L46 (commit 16da643): recommended checking that `amountToRelease` is greater than 0
  - `InxToken.sol`, L51 (commit 16da643): recommended checking that `_newRestrictionsAddress` is a non-zero address
- All role definitions (such as `PauserRole`, `TimelockerRole`, etc.) in the `roles` folder look similar to each other and could use refactoring. However, given the state of the project and the timeline, it could be impractical.

## Test Results

### Test Suite Results

All tests pass.

Contract: 1404 Restrictions

- ✓ should deploy
- ✓ should fail if TransferRestrictions are not set (106ms)
- ✓ should fail with non whitelisted accounts (307ms)
- ✓ should fail if tokens are timelocked (362ms)
- ✓ should fail if contract is paused (275ms)
- ✓ should handle unknown error codes

Contract: InxToken

- ✓ should deploy
- ✓ owner owns 200,000,000 inx
- ✓ should have correct details set (57ms)
- ✓ should mint tokens to owner (64ms)
- ✓ should mint tokens to different owner (53ms)

Contract: OwnerRole

- ✓ should deploy and set owner
- ✓ should allow an owner to add/remove owners (121ms)
- ✓ should not allow a non owner to add/remove owners (358ms)
- ✓ should not allow an owner to add 0x0 owner
- ✓ should emit events for adding owners (54ms)
- ✓ should emit events for removing owners (76ms)

Contract: Pausable

- ✓ should allow the pauser to pause/unpause (140ms)
- ✓ should not allow non pausers to pause/unpause (382ms)
- ✓ should block transfers when paused and allow transfers when unpaused (445ms)

Contract: PauserRole

- ✓ Owner should be able to add/remove pauser (103ms)
- ✓ Non owner should not be able to add/remove pauser
- ✓ Add pauser should fire event
- ✓ Remove pauser should fire event (75ms)

Contract: Revocable

- ✓ Revoker should be able to revoke tokens from any account (327ms)
- ✓ Non revokers should not be able to revoke tokens (303ms)
- ✓ should emit event when tokens are revoked (275ms)

Contract: RevokerRole

- ✓ Owner should be able to add/remove revoker (103ms)
- ✓ Non owner should not be able to add/remove revoker
- ✓ Add revoker should fire event
- ✓ Remove revoker should fire event (85ms)

Contract: Timelockable

- ✓ Owner should be able to lock/release tokens (695ms)
- ✓ Owner should be able to update timelocks (206ms)
- ✓ Owner should be able to release timelocks (183ms)
- ✓ Expired timelocks should not prevent transfers (3393ms)
- ✓ Non owners should not be able to lock/release tokens (555ms)
- ✓ should emit event when tokens are locked (128ms)
- ✓ should emit event when tokens are released (262ms)

Contract: TimelockerRole

- ✓ Owner should be able to add/remove timelocker (162ms)
- ✓ Non owner should not be able to add/remove timelocker
- ✓ Add timelocker should fire event (46ms)
- ✓ Remove timelocker should fire event (88ms)
- ✓ Owner should be able to add/remove whitelister (174ms)
- ✓ Non owner should not be able to add/remove whitelister
- ✓ Add whitelister should fire event (48ms)
- ✓ Remove whitelister should fire event (109ms)

Contract: Transfers

- ✓ should deploy
- ✓ All users should be blocked from sending to non whitelisted non role-assigned accounts (404ms)
- ✓ Initial transfers should fail but succeed after white listing (520ms)

✓ Initial transferFroms should fail but succeed after white listing (676ms)

Contract: Upgrade Restrictions

- ✓ should deploy
- ✓ The TransferRestrictions cannot be deployed with the \_validators param of 0x0 (60ms)
- ✓ The TransferRestrictions address should be updateable by owners (119ms)
- ✓ The TransferRestrictions address should no be updateable by non owners (738ms)
- ✓ Restricted transfers should succeed after removing restrictions (331ms)
- ✓ Updating restriction should fire event (183ms)

Contract: Whitelitable

- ✓ Whitelister should be able to set whitelist (89ms)
- ✓ Only transfer between whitelisted accounts should succeed (283ms)

Contract: WhitelisterRole

- ✓ Owner should be able to add/remove whitelister (272ms)
- ✓ Non owner should not be able to add/remove whitelister
- ✓ Add whitelister should fire event (184ms)
- ✓ Remove whitelister should fire event (212ms)

62 passing (34s)

## Code Coverage

Test coverage is fairly high and meets our expectations. While having a perfect branch coverage is not a requirement, it is recommended to inspect the uncovered branches and consider adding tests if these cases are deemed to be significant.

File	% Stmts	% Branch	% Funcs	% Lines	Uncovered Lines
<b>contracts/</b>	100	100	100	100	
InxToken.sol	100	100	100	100	
<b>contracts/1404/</b>	100	100	100	100	
IERC1404.sol	100	100	100	100	
IERC1404Validators.sol	100	100	100	100	
<b>contracts/capabilities/</b>	100	78.57	100	100	
Pausable.sol	100	100	100	100	
Revocable.sol	100	100	100	100	
Timelockable.sol	100	78.57	100	100	
Whitelitable.sol	100	100	100	100	
<b>contracts/restrictions/</b>	95.83	94.44	100	95.83	
RestrictionMessages.sol	100	100	100	100	
TransferRestrictions.sol	100	100	100	100	
TransferRestrictionsNone.sol	80	50	100	80	40
<b>contracts/roles/</b>	100	83.33	100	100	
OwnerRole.sol	100	75	100	100	
PauserRole.sol	100	100	100	100	
RevokerRole.sol	100	100	100	100	
TimelockerRole.sol	100	100	100	100	
WhitelisterRole.sol	100	50	100	100	
<b>All files</b>	<b>99.19</b>	<b>87.5</b>	<b>100</b>	<b>99.23</b>	

## Appendix

### File Signatures

The following are the SHA-256 hashes of the reviewed files. A file with a different SHA-256 hash has been modified, intentionally or otherwise, after the security review. You are cautioned that a different SHA-256 hash could be (but is not necessarily) an indication of a changed condition or potential vulnerability that was not within the scope of the review.

#### Contracts

```
e1d2e1d04bcebbcc02e37da6521bc53fd8cc0ee7cc1e558b29319b1eb3a1a045 ./contracts/InxToken.sol
ff98ae1d2490675979a38b1e5fe5bcf6b9b7f9f2b36dc3a3f8e1f2531bd9eb41 ./contracts/Migrations.sol
f1f6789294c59c5fee1cb934f1ea261b48459f9ef3b79a2761e8dda20dc2246b ./contracts/roles/OwnerRole.sol
f25b8a14b92ab8144a45937908fa0e269ab37ab8d9384f8424d99dbf90988d8c ./contracts/roles/PauserRole.sol
53d299a2c408b47bf587dc657d43ddd22c97b05bec5d2bf2db0e20a159424c2b ./contracts/roles/RevokerRole.sol
647a7aba7f1c189597f61f9f9dc7f7cb62b6717d411669295f33c178abd6f869 ./contracts/roles/TimelockerRole.sol
046a7d94fac7f496f2e6bdd0255fa827798e52e6a366921219f6fa10fc6a6ef6 ./contracts/roles/WhitelisterRole.sol
3f476d6315b0be711775df7b2fc9ed456d43252a2a8096ecfbc4d33348b477a4
./contracts/restrictions/RestrictionMessages.sol
4762631b03c6342473d2caa6a560d7231678814b22d800e2794980a6398e1756
./contracts/restrictions/TransferRestrictions.sol
8c7cac731e71f83e8e2bbbed9b26f8372f99d8a6bf948e4d50710e5c7d0182545
./contracts/restrictions/TransferRestrictionsNone.sol
84f0b4598c79a5f916b20cf813a0dbfffb5e624841b47ea8f56d1f8dcafb77748 ./contracts/capabilities/Pausable.sol
2c08143bc37b8616cc8b3980ca5eac13d5cb18b1b2f77c42a09fab1adedfec32 ./contracts/capabilities/Revocable.sol
10713f9259bcc5ba6cd3a7a291f3a6aad327374d1895ba284737d1195382b23c ./contracts/capabilities/Timelockable.sol
ace121652c3e1fc36d92ff351c0f5d68a2d82fca23de04a15c51bd888dd5681c ./contracts/capabilities/Whitelistable.sol
b7aa075ea5571d9111ffdfecd6cc9a421e6713734a83fe9078b050e29264eefc ./contracts/1404/IERC1404.sol
653818e01543f0854ab84aa6a36ae99a15a51a5e378bea926365b6149481e0b3 ./contracts/1404/IERC1404Validators.sol
```

#### Tests

```
a6c3a83b8fdb32658f754b60b3101fd6d4d651cfcd13709bf50375eb0e23b8d2 ./test/1404Restrictions.js
60e44aa135123552b9ffac884117431c639a0bd1d9b251b06b6c57189216d46e ./test/InxToken.js
989c01e15599e529b54517d0cc2ec11691b7843171fd90859549eae135c79896 ./test/OwnerRole.js
59d6f018b3dfc56a250277a213d183a370bcd56b27a484748b8b42ac06c1a8a1 ./test/Pausable.js
3a5dbab0dbcbe6cf62237f45e21d83dd3a5785a17aa1efbe6c59ecf56e06f884 ./test/PauserRole.js
b9f3a86658b0259245c38530b4befab046b7d9dd9dbf5050db10f847bc2b21cc ./test/Revocable.js
ec073d650358c9e64670f21df48259faa6ddb79ca0e01a56b4c5f901f5bc2c6b ./test/RevokerRole.js
b27f8fb8929eaab3a05940308e6b1f8125a4902932f8b075985a999a016ca76b ./test/Timelockable.js
6ad8c74243495a45cc04faeebe0a0058b49b55ddf10177a882a641eacd877479 ./test/TimelockerRole.js
25243b1a999c731db4448c1e66cec4fb41b90d5247fdeae200682b5383a0aff8 ./test/Transfers.js
a6e41032e9c032e67504e7b1a3302c8b4b81894251aaf8e120fd844add1a8d3f ./test/UpgradeRestrictions.js
2521ec05e245140b2663b96ea9158a04a559dbdbb88731e66a0503f38dc8cc7c ./test/Whitelistable.js
9341f53b54a93e2ef5d87fdaebf5c067e4bd5f3ac26e87ef0953a5380b15e739 ./test/WhitelistRole.js
```

## About Quantstamp

Quantstamp is a Y Combinator-backed company that helps to secure smart contracts at scale using computer-aided reasoning tools, with a mission to help boost adoption of this exponentially growing technology.

Quantstamp's team boasts decades of combined experience in formal verification, static analysis, and software verification. Collectively, our individuals have over 500 Google scholar citations and numerous published papers. In its mission to proliferate development and adoption of blockchain applications, Quantstamp is also developing a new protocol for smart contract verification to help smart contract developers and projects worldwide to perform cost-effective smart contract security audits.

To date, Quantstamp has helped to secure hundreds of millions of dollars of transaction value in smart contracts and has assisted dozens of blockchain projects globally with its white glove security auditing services. As an evangelist of the blockchain ecosystem, Quantstamp assists core infrastructure projects and leading community initiatives such as the Ethereum Community Fund to expedite the adoption of blockchain technology.

Finally, Quantstamp's dedication to research and development in the form of collaborations with leading academic institutions such as National University of Singapore and MIT (Massachusetts Institute of Technology) reflects Quantstamp's commitment to enable world-class smart contract innovation.

### Timeliness of content

The content contained in the report is current as of the date appearing on the report and is subject to change without notice, unless indicated otherwise by Quantstamp; however, Quantstamp does not guarantee or warrant the accuracy, timeliness, or completeness of any report you access using the internet or other means, and assumes no obligation to update any information following publication.

### Notice of confidentiality

This report, including the content, data, and underlying methodologies, are subject to the confidentiality and feedback provisions in your agreement with Quantstamp. These materials are not to be disclosed, extracted, copied, or distributed except to the extent expressly authorized by Quantstamp.

### Links to other websites

You may, through hypertext or other computer links, gain access to web sites operated by persons other than Quantstamp, Inc. (Quantstamp). Such hyperlinks are provided for your reference and convenience only, and are the exclusive responsibility of such web sites' owners. You agree that Quantstamp are not responsible for the content or operation of such web sites, and that Quantstamp shall have no liability to you or any other person or entity for the use of third-party web sites. Except as described below, a hyperlink from this web site to another web site does not imply or mean that Quantstamp endorses the content on that web site or the operator or operations of that site. You are solely responsible for determining the extent to which you may use any content at any other web sites to which you link from the report. Quantstamp assumes no responsibility for the use of third-party software on the website and shall have no liability whatsoever to any person or entity for the accuracy or completeness of any outcome generated by such software.

### Disclaimer

This report is based on the scope of materials and documentation provided for a limited review at the time provided. Results may not be complete nor inclusive of all vulnerabilities. The review and this report are provided on an as-is, where-is, and as-available basis. You agree that your access and/or use, including but not limited to any associated services, products, protocols, platforms, content, and materials, will be at your sole risk. Cryptographic tokens are emergent technologies and carry with them high levels of technical risk and uncertainty. The Solidity language itself and other smart contract languages remain under development and are subject to unknown risks and flaws. The review does not extend to the compiler layer, or any other areas beyond Solidity or the smart contract programming language, or other programming aspects that could present security risks. You may risk loss of tokens, Ether, and/or other loss. A report is not an endorsement (or other opinion) of any particular project or team, and the report does not guarantee the security of any particular project. A report does not consider, and should not be interpreted as considering or having any bearing on, the potential economics of a token, token sale or any other product, service or other asset. No third party should rely on the reports in any way, including for the purpose of making any decisions to buy or sell any token, product, service or other asset. To the fullest extent permitted by law, we disclaim all warranties, express or implied, in connection with this report, its content, and the related services and products and your use thereof, including, without limitation, the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. We do not warrant, endorse, guarantee, or assume responsibility for any product or service advertised or offered by a third party through the product, any open source or third party software, code, libraries, materials, or information linked to, called by, referenced by or accessible through the report, its content, and the related services and products, any hyperlinked website, or any website or mobile application featured in any banner or other advertising, and we will not be a party to or in any way be responsible for monitoring any transaction between you and any third-party providers of products or services. As with the purchase or use of a product or service through any medium or in any environment, you should use your best judgment and exercise caution where appropriate. You may risk loss of QSP tokens or other loss. FOR AVOIDANCE OF DOUBT, THE REPORT, ITS CONTENT, ACCESS, AND/OR USAGE THEREOF, INCLUDING ANY ASSOCIATED SERVICES OR MATERIALS, SHALL NOT BE CONSIDERED OR RELIED UPON AS ANY FORM OF FINANCIAL, INVESTMENT, TAX, LEGAL, REGULATORY, OR OTHER ADVICE.



**SCHEDULE "J"**  
**PRO FORMA FINANCIAL STATEMENTS OF THE RESULTING ISSUER**

(See attached)

**VALDY INVESTMENTS LTD.**

to be renamed

**THE INX DIGITAL COMPANY, INC.**

**UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

**As of September 30, 2021**

**(expressed in United states dollars in thousands, except for share and per share amounts)**

-----

**VALDY INVESTMENTS LTD.**  
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(Expressed in United States dollars in thousands)

**As of September 30, 2021**

ASSETS	VALDY INVESTMENTS LTD.	INX LIMITED	Pro forma adjustments	Note	Pro forma consolidated
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	538	24,712	29,496	3(c)	-
			1,500	3(i)	56,246
Reserve cash	-	27,829	-		27,829
Accounts receivables	-	693	-		693
Related parties	-	2,038	-		2,038
Prepaid expenses and other receivables	-	507	-		507
<b>Total current assets</b>	<b>538</b>	<b>55,779</b>	<b>30,996</b>		<b>87,313</b>
<b>NON-CURRENT ASSETS</b>					
Property and equipment, net	-	141	-		141
Crypto currencies	-	738	-		738
Long term investment	-	11,808	-		11,808
Investment in associate	-	150	-		150
Intangible assets	-	4,167	-		4,167
Goodwill	-	2,552	-		2,552
Right-of-use-assets, net	-	409	-		409
<b>Total assets</b>	<b>538</b>	<b>75,744</b>	<b>30,996</b>		<b>107,278</b>
<b>LIABILITIES AND EQUITY</b>					
<b>CURRENT LIABILITIES:</b>					
Account payables and accrued expenses	51	1,478	850	3(e)	2,379
INX Token liability	-	348,734	-		348,734
INX Token warrant liability	-	9,470	-		9,470
Warrant Liability	-	-	4,255	3(c)	-
			1,161	3(h)	5,416
Lease liabilities	-	67	-		67
<b>Total Current liabilities</b>	<b>51</b>	<b>359,749</b>	<b>6,266</b>		<b>366,066</b>
<b>NON-CURRENT LIABILITIES:</b>					
Lease liability	-	435	-		435
Contingent liability	-	802	-		802
	-	1,237	-		1,237

SHAREHOLDERS' DEFICIT

Ordinary shares of GBP 0.001 par value Authorized 100,000,000 shares at September 30,2021;

Issued and outstanding;	-	21	43		-
			7	3(h)	
			1	3(i)	72
Share premium	834	15,963	(834)	3(h)	
			5,024	3(h)	
			1,499	3(i)	
			25,443	3(c)	47,929
Reserve from transaction with controlling shareholder	-	582	-		582
Accumulated deficit	(347)	(301,808)	347	3(h)	-
			(5,705)	3(h)	
			(245)	3(d)	
			(850)	3(e)	(308,608)
Total Shareholders' Deficit	<u>487</u>	<u>(285,242)</u>	<u>24,730</u>		<u>(260,025)</u>
Total Liabilities and Shareholders' Deficit	<u>538</u>	<u>75,744</u>	<u>30,996</u>		<u>107,278</u>

**VALDY INVESTMENTS LTD.**  
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in United States dollars in thousands (except share and per share data))

**Nine months  
ended September 30, 2021**

	<b>VALDY INVESTMENTS LTD</b>	<b>INX LIMITED</b>	<b>Pro forma adjustments</b>	<b>Notes</b>	<b>Pro forma consoli- dated</b>
Revenues	-	1,325	-		1,325
Research and development	-	2,011	-		2,011
Sales and marketing	-	2,844	-		2,844
General and administrative	171	22,371	-		22,542
Transaction fees			850	3(e)	
			245	3(d)	
			1,161	3(g)	
	-	-	4,544	3(h)	6,800
Loss from operations	171	25,901	6,800		32,872
Fair value adjustment of INX			-		
Token liability	-	243,223			243,223
Finance expense	-	17	-		17
Loss and total comprehensive loss	171	269,141	6,800		276,112
Loss per share, basic and diluted	0.02	18.45	-		1.35
Weighted average number of shares outstanding, basic and diluted	8,728,937	14,581,571	-	4	204,136,150

**VALDY INVESTMENTS LTD.**  
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in United States dollars in thousands (except share and per share data)))

**Year ended**  
**December 31, 2020**

	<b>VALDY INVESTMENTS</b>		<b>Pro forma adjustments</b>	<b>Pro forma consolidated</b>
	<b>LTD</b>	<b>INX LIMITED</b>		
Revenues	-	-	-	-
Research and development	-	1,581	-	1,581
Sales and marketing	-	2,153	-	2,153
General and administrative	39	7,847	-	7,886
Transaction fees	-	-	850	3(e)
			245	3(d)
			1,161	3(g)
	-	-	4,544	3(h)
	-	-		6,800
Loss from operations	39	11,581	6,800	18,420
Fair value adjustment of INX Token liability	-	12,518	-	12,518
Fair value adjustment of INX Token warrants liability		209		209
Finance (income) expense	-	23	-	23
Loss and total comprehensive loss	39	24,331	6,800	31,170
Loss per share, basic and diluted	0.01	2.00	-	0.15
Weighted average number of shares outstanding, basic and diluted	4,500,000	12,152,006	-	204,136,150

## NOTE 1: PRO FORMA TRANSACTIONS

On March 31, 2021, INX Limited (“INX”), Valdy Investments Ltd. (“Valdy”), the security holders of INX (the “INX Security holders”), PI Financial Corp. and Eight Capital entered into a securities exchange agreement, as amended on July 23, 2021 and amended and restated on November 3, 2021 (the “Securities Exchange Agreement”). Pursuant to the terms of the Securities Exchange Agreement, Valdy will acquire all of the issued and outstanding securities of INX from the INX Security holders by way of a securities exchange (the “Transaction”). Upon completion of the Transaction, INX will become a wholly-owned subsidiary of Valdy and the combined entity (the “Resulting Issuer”) will continue the business of INX.

On April 1, 2021, INX completed a private placement of 31,680,000 INX Subscription Receipts (the “Subscription Receipts” ) at a price of CAD1.25 (equal to \$0.99) per INX Subscription Receipt for aggregate gross proceeds of CAD39,600,000 (equal to \$31,284) (the “INX Concurrent Financing”). The Company will record the financing upon the closing of the transaction (the “Closing”).

Prior to the Closing, the Company will consolidate the issued and outstanding Valdy Shares (the “Consolidation”) on the basis of one (1) post-Consolidation Valdy Share for every 2.7266667 pre-Consolidation Valdy Shares outstanding on a fully-diluted basis such that immediately prior to the Closing, there shall be outstanding no more than 5,124,740 Valdy Shares on a fully-diluted basis (including 1,280,000 shares issues to finder’s).

Immediately prior to the Closing and upon satisfaction of all conditions precedent to the Transaction, each INX Subscription Receipt will be automatically converted into a unit comprised of one ordinary share in the capital of INX (“INX Shares” and each such INX Share, an “INX Financing Share”) and one-half of one common share purchase warrant of INX (each whole warrant, an “INX Financing Warrant”), and the escrowed proceeds of the Concurrent Financing will be released to INX. Each INX Financing Warrant is exercisable into one additional INX Share for two years from the escrow release date at an exercise price of CAD1.88 per share. As the exercise price of the warrants is denominated in CAD and the functional currency of INX is US dollars, the warrant is accounted for as a derivative liability.

In connection with the completion of the Transaction, Valdy will change its name to “The INX Digital Company, Inc.”.

On the Closing, the Company will acquire all of the issued and outstanding securities of INX from the INX Security holders by way of a securities exchange as follows:

- a. the Company will issue to the shareholders of INX (excluding holders of INX Financing Shares) consideration of an aggregate of 167,331,410 post-Consolidation common shares in the capital of Valdy (each, a “Valdy Share” and each such Valdy Share issued as consideration, a “Valdy Consideration Share”). The Valdy Consideration Shares issued to holders of INX Financing Shares shall be issued on a 1:1 basis, and all other Valdy Consideration Shares will be issued on the basis of 10.4871348 Valdy Consideration Shares for each INX Share (the “Conversion Ratio”).

**NOTE 1: PRO FORMA TRANSACTIONS (Cont.)**

- b. the holders of outstanding options to purchase INX Shares (each, an “INX Option”) shall surrender for cancellation each INX Option held by them, and for each INX Option so surrendered, Valdy shall issue to such holder an option to acquire a post-Consolidation Valdy option (each, a “Valdy Consideration Option”) having terms equivalent to the surrendered INX Option with respect to vesting conditions and expiry date, and adjusted pursuant to the Conversion Ratio in respect of exercise price and the number of Valdy Shares issuable upon exercise thereof;
- c. the holders of outstanding warrants to purchase INX Shares (each, an “INX Legacy Warrant”) shall surrender for cancellation each INX Legacy Warrant held by them, and for each INX Legacy Warrant so surrendered, Valdy shall issue to such holder a warrant to acquire post-Consolidation Valdy warrant (each, a “Valdy Consideration Warrant,” and together with the Valdy Consideration Shares and the Valdy Consideration Options, the “Valdy Consideration Securities”) having terms equivalent to the surrendered INX Legacy Warrant with respect to expiry date, and adjusted pursuant to the Conversion Ratio in respect of exercise price and the number of Valdy Shares issuable upon exercise thereof; and
- d. each of the warrants to purchase INX Shares issued pursuant to the Concurrent Financing (each, an “INX Financing Warrant”) shall, in accordance with its terms, become exercisable to purchase an equivalent number of post-Consolidation Valdy Shares at the same exercise price as the INX Shares to which such warrant was previously exercisable for, and such INX Financing Warrant shall otherwise continue to be governed in accordance with its terms.

The completion of the Transaction is subject to the satisfaction of various conditions that are standard for a transaction of this nature, including:

- a) the Securities Exchange Agreement shall not have been terminated;
- b) there will not be in force any order or decree restraining or enjoining the consummation of the Transaction, or any proceeding in progress or threatened, which would, if successful, result in such an order;
- c) the de-listing of the Valdy Shares from the TSX Venture Exchange shall have been completed;
- d) all required regulatory and third party approvals will have been received, including the conditional approval of any recognized stock exchange in Canada for the Transaction;
- e) the Valdy Consideration Shares and the Valdy Consideration Warrants being freely tradeable pursuant to applicable securities laws;
- f) the Company shall have completed the Consolidation and the Name Change;
- g) the Concurrent Financing shall have been completed;
- h) Valdy will have executed an investor relations/market awareness contract with Creative Direct Marketing Group Inc. to take effect on the Closing on terms and conditions to be agreed to by INX, subject to requisite corporate approvals;
- i) INX not being subject to any debt obligations;



**NOTE 1: PRO FORMA TRANSACTIONS (Cont.)**

- j) INX shall have no more than 175,000,000 INX Shares issued and outstanding on a fully diluted basis, which amount shall include INX Shares issuable pursuant to any convertible securities, but excluding any commitments on INX pursuant to its employee stock option plan and any shares issuable pursuant to the Concurrent Financing;
- k) completion of all matters, and the satisfaction of all conditions (unless waived in writing), under the Securities Exchange Agreement required to be completed or satisfied on or before the Closing;
- l) the receipt of a favorable tax ruling from Israeli tax authorities;
- m) the shareholders of Valdy shall have approved, and Valdy shall have adopted, an updated stock option plan;
- n) the security holders of INX shall have approved the Transaction, and matters ancillary thereto; and
- o) no material adverse effect having occurred in respect of the Company or INX.

The following pro forma transactions have been recognized in the pro forma consolidated statement of financial position:

- The acquisition by Valdy of all issued and outstanding shares of INX in accordance with the terms of the Securities Exchange Agreement.
- The issuance of 31,680,000 INX Shares as a result of the conversion of the Subscription Receipts.

**NOTE 2: BASIS OF PRESENTATION**

(a) Pro forma consolidated statement of financial position:

The unaudited pro forma consolidated statement of financial position of Valdy as of September 30, 2021, and the unaudited pro forma consolidated statements of comprehensive loss for the nine months ended September 30, 2021 and for the year ended December 31, 2020 have been prepared, for illustrative purposes only, to give effect to the transactions described above pursuant to the assumptions and adjustments described in Note 3. All balances are expressed in US dollars unless otherwise stated.

For the purposes of preparing the consolidated statement of financial position for Valdy as of September 30, 2021, and the consolidated statements of comprehensive loss for the nine months ended September 30, 2021 and for the year ended December 31, 2020, have been translated from the Canadian dollar currency to U.S. dollar at the foreign exchange rate as of the end of the period and average rate, respectively.

This unaudited pro forma consolidated statement of financial position has been prepared based on the following financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board: (Except for the convenience translation above):

**NOTE 2: BASIS OF PRESENTATION (Cont.)**

- (b) Unaudited consolidated financial statements of INX as of September 30, 2021 and for the 9-month period ended September 30, 2021; and for the year ended December 31, 2020 (audited).
- (c) Valdy unaudited financial statements as of September 30, 2021 and for the 9-month periods ended September 30, 2021; and for the year ended December 31, 2020 (audited).

The unaudited pro forma consolidated financial statement has been prepared on a basis consistent with INX's significant accounting policies detailed in Note 2 of INX's audited consolidated financial statements for the year ended December 31, 2020. The pro forma consolidated statement of financial position as of September 30, 2021, has been prepared as if the transactions described in Note 3 had occurred on January 1, 2021. The pro forma consolidated statements of comprehensive loss have been prepared as if the transaction described in Note 3 had occurred in the beginning of each respective period.

The pro forma adjustments presented herein are preliminary and are based on available financial information and certain estimates and assumptions. Management believes that such assumptions provide a reasonable basis for presenting all the significant effects of the contemplated transactions, and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied to the unaudited pro forma consolidated financial statements. The actual adjustments to the consolidated financial statements of Valdy will differ from the pro forma adjustments herein.

The unaudited pro forma consolidated financial statements are not intended to reflect the financial performance or the financial position of Valdy, which would have resulted had the transactions occurred on the date indicated. The pro forma financial information is not necessarily indicative of financial performance that may be obtained in the future. The unaudited pro forma consolidated statement of financial position should be read in conjunction with the audited consolidated financial statements of INX for the year ended December 31, 2020, the audited financial statements of Valdy for the year ended December 31, 2020, and the notes thereto.

**NOTE 3: PRO FORMA ASSUMPTIONS AND ADJUSTMENTS**

The unaudited pro-forma consolidated financial statements incorporates the following pro forma assumptions and adjustments:

- a. Closing of the Concurrent Financing and the Transaction.
- b. As the transaction is not a business combination under IFRS 3, since Valdy is a nonoperating shell company, the transaction is a share-based payment transaction under IFRS 2, whereby INX is deemed to have issued shares in exchange for the net assets held by Valdy together with the listing status of Valdy. As the listing status does not qualify for recognition as an intangible asset, the excess of the fair value of the deemed shares issued to the original shareholders of Valdy over the fair value of the net assets of Valdy was recorded in the statement of comprehensive loss as listing expense.

**NOTE 3: PRO FORMA ASSUMPTIONS AND ADJUSTMENTS (Con.)**

- c. Concurrent with the transaction, INX will record a private placement of 31,680,000 INX subscription receipts for gross proceeds of \$31,284. On conversion, each unit will consist of one Ordinary Share in the capital of INX and one-half of one Common Share purchase warrant of INX exercisable for two years from the escrow release date at exercise price of CAD1.88 (\$1.49) per share. The warrants have been valued at \$4,255 using the Black&Scholes model with the following assumptions:

Risk-free rate:	0.53%
Dividend yield:	Nil
Volatility factor:	86.19%
Expected life:	2 years

- d. Agents of the Private Placement collectively received cash commissions of \$1,788, of which \$245 was allocated to the warrants and recorded as transaction fees in profit or loss. In addition, the agents received 1,810,740 Agent compensation options exercisable into one Resulting Issuer common share at exercise price of CAD1.25 (\$0.99). The warrants have been valued at \$652 using the Black&Scholes model with the following assumptions:

Risk-free rate:	0.53%
Dividend yield:	Nil
Volatility factor:	86.19%
Expected life:	2 years

- e. Cost associated with the transaction to be paid in cash are estimated to be \$850.
- f. The Valdy shares will be consolidated on the basis of 2.7266667 pre-Consolidation Valdy for one post-consolidation Valdy share such that immediately prior to the closing there shall be outstanding no more than 5,124,740 Valdy shares on a fully diluted basis (including 1,280,000 shares issues to finder's).
- g. Valdy entered into advisory agreements with two advisors, each of which provides for the issuance of 1,000,000 options to purchase shares of the Resulting Issuer (each, an "Advisor Option") under the Equity Incentive Plan to the applicable Advisor, with 500,000 Advisor Options being exercisable at a price of CAD1.25(\$0.99) per share and 500,000 Advisor Options being exercisable at a price of CAD2.50 (\$1.97) per share, and all Advisor Options expiring on the date that is five years from the Closing. The options have been valued at \$1,161 using the Black-Scholes model with the flowing assumptions:

Risk-free rate:	1.5%
Dividend yield:	Nil
Volatility factor:	99.37%
Expected life:	5 years

**NOTE 3: PRO FORMA ASSUMPTIONS AND ADJUSTMENTS (Con.)**

h. The fair value of the consideration is as follows:

	<b>Amount</b>
Deemed issuance of 5,124,740 ordinary shares to shareholders of Valdy (*)	\$4,379
Share based payments to Advisors	\$652
Cash and Cash equivalents	538
Accounts payables and accrued expenses	(51)
Net Assets	487
Listing expense	\$4,544

As part of accounting of the transaction the equity of Valdy is eliminated.

(\*) Fair value based on INX price per share received in the Concurrent Financing.

i. On December 31, 2021, one of the INX shareholders exercise 596,659 warrants into 596,659 shares at a price of \$2.51 in an amount of \$1,500.

**NOTE 4: PRO FORMA SHARE CAPITAL**

	<b>Notes</b>	<b>Number</b>	<b>Amount</b>
INX ordinary shares as of September 30, 2021 (*)		15,359,216	15,984
Exercise of warrants	2(i)	596,659	1,500
1 for 10.487 consolidation of INX shares		151,375,535	-
Shares held by existing Valdy shareholders post-consolidation	2(h)	5,124,740	5,031
Shares in connection with conversion of Subscription Receipts	2(c)	31,680,000	25,486
		<u>204,136,150</u>	<u>48,001</u>

**SCHEDULE "K"**  
**RESULTING ISSUER OMNIBUS EQUITY INCENTIVE COMPENSATION PLAN**

(See attached)

# THE INX DIGITAL COMPANY, INC.

## OMNIBUS EQUITY INCENTIVE COMPENSATION PLAN

This omnibus equity incentive compensation plan (the “Plan”) was adopted by the directors of The INX Digital Company Inc. (formerly Valdy Investments Ltd. (a Capital Pool Company)) on April 16, 2021, and made effective on May 14, 2021. Certain amendments to the Plan were approved on December 24, 2021.

### TABLE OF CONTENTS

OMNIBUS EQUITY INCENTIVE COMPENSATION PLAN .....	1
Part 1 INTERPRETATION .....	1
Part 2 PREAMBLE; PURPOSE OF PLAN.....	4
Part 3 GRANTING OR AMENDING OF AWARDS.....	5
Part 4 AWARDS.....	6
Part 5 CONDITIONS GOVERNING THE GRANTING AND EXERCISING OF awards.....	8
Part 6 RESERVE OF SHARES FOR Awards.....	12
Part 7 TERM OF AWARDS; EXERCISE .....	13
Part 8 CAPITALIZATION ADJUSTMENTS.....	14
Part 9 EXCHANGE’S RULES AND POLICIES APPLY .....	15
Part 10 AMENDMENT OF PLAN.....	15
Part 11 TRUSTEE .....	15
Part 12 TAXATION .....	17
Part 13 MISCELLANEOUS PROVISIONS.....	18
APPENDIX A NOTICE OF EXERCISE .....	1
APPENDIX B IRREVOCABLE PROXY AND POWER OF ATTORNEY.....	1
APPENDIX C U.S. APPENDIX TO THE PLAN .....	1
EXHIBIT A US OPTION AGREEMENT FORM.....	7
EXHIBIT B NOTICE OF EXERCISE (U.S. HOLDERS) .....	15
APPENDIX D ISRAELI APPENDIX TO THE PLAN .....	1
EXHIBIT A-1 ISRAELI OPTION AGREEMENT FORM – CONSULTANTS/SERVICE PROVIDERS .....	1
EXHIBIT A-2 ISRAELI OPTION AGREEMENT FORM – EMPLOYEE.....	2

### PART 1 INTERPRETATION

- 1.01 Definitions. In this Plan the following words and phrases shall have the following meanings, namely:
- (a) “**Act**” means the *Securities Act* (British Columbia), as amended from time to time.
  - (b) “**Associate**” shall have the meaning ascribed to such term in the Act.
  - (c) “**Award**” means, individually or collectively, a grant under the Plan of Options, Restricted Shares and Restricted Share Units, in each case subject to the terms of the Plan.
  - (d) “**Award Agreement**” means any written agreement, contract, or other instrument or document, including an electronic communication, as may from time to time be designated by the Company as evidencing any Award granted under this Plan, including, without limitation, the Option Agreement, the Restricted Share Agreement and the RSU Agreement.

- (e) **“Blackout Period”** means a period of time during which the grantee cannot sell Shares, due to applicable law or policies of the Company in respect of insider trading.
- (f) **“Board”** means the Board of Directors of the Company .
- (g) **“Cause”** means any of (i) a material breach by the grantee of the grantee’s obligations under any agreement with the Company or any subsidiary; (ii) the commission by the grantee of an act of fraud or embezzlement against the Company or any subsidiary or the willful taking of action injurious to the business or prospects of the Company or any subsidiary; (iii) the conviction of the grantee of a felony; and (iv) the grantee’s involvement in an act or omission which constitutes breach of trust between the grantee and the Company or any subsidiary.
- (h) **“Committee”** means a committee of the Board appointed in accordance with this Plan or, if no such committee is appointed, the Board itself.
- (i) **“Company”** means The INX Digital Company, Inc. (formerly Valdy Investments Ltd.)
- (j) **“Consultant”** means an individual, other than an Employee, senior officer or Director of the Company or of any of its subsidiaries, who:
  - (i) provides ongoing consulting, technical, management or other services to the Company or any of its subsidiaries, other than services provided in relation to a distribution of the Company’s securities,
  - (ii) provides the services under a written contract between the Company or any of its subsidiaries and the individual,
  - (iii) in the reasonable opinion of the Company spends or will spend a significant amount of time and attention on the affairs and business of the Company or any of its subsidiaries, and
  - (iv) has a relationship with the Company or any of its subsidiaries that enables the individual to be knowledgeable about the business and affairs of the Company.
- (k) **“Director”** means any director of the Company or of any of its subsidiaries.
- (l) **“Disinterested Shareholder Approval”** means that the proposal must be approved by a majority of the votes cast at the shareholders’ meeting other than votes attaching to securities beneficially owned by Insiders and their Associates to whom shares may be issued pursuant to this Plan and, for purposes of this Plan, holders of non-voting and subordinate voting securities (if any) will be given full voting rights on a resolution which requires disinterested shareholder approval.
- (m) **“Employee”** means:
  - (i) an individual who is considered an employee under the *Income Tax Act* (Canada) (i.e. for whom income tax, employment insurance and CPP deductions must be made at source),
  - (ii) an individual who works full-time for the Company or any of its subsidiaries providing services normally provided by an employee and who is subject to the same control and direction by the Company or any of its subsidiaries over the details and methods of work as an employee of the Company or any of its subsidiaries, but for whom income tax deductions are not made at source, and

- (iii) an individual who works for the Company or any of its subsidiaries, on a continuing and regular basis for a minimum amount of time per week, providing services normally provided by an employee and who is subject to the same control and direction by the Company or any of its subsidiaries over the details and methods of work as an employee of the Company or any of its subsidiaries, but for whom income tax deductions are not made at source.
- (n) **“Exchange”** means the the NEO Exchange or, if the Shares are no longer listed for trading on the NEO Exchange, such other stock exchange or quotation system on which the Shares are listed or quoted for trading.
- (o) **“Insider”** shall have the meaning ascribed to such term in the Act.
- (p) **“Investor Relations Activities”** means any activities or oral or written communications, by or on behalf of the Company or a shareholder of the Company that promote or reasonably could be expected to promote the purchase or sale of securities of the Company, but does not include:
  - (i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Company
    - A. to promote the sale of products or services of the Company, or
    - B. to raise public awareness of the Company,that cannot reasonably be considered to promote the purchase or sale of securities of the Company,
  - (ii) activities or communications necessary to comply with the requirements of
    - A. applicable securities laws,
    - B. the rules and policies of the NEO, if the Shares are listed only on the NEO, or the by-laws, rules or other regulatory instruments of any other self-regulatory body or exchange having jurisdiction over the Company,
  - (iii) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if
    - A. the communication is only through the newspaper, magazine or publication, and
    - B. the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer, or
  - (iv) activities or communications that may be otherwise specified by the NEO, if the Shares are listed only on the NEO.
- (q) **“Grant Date”** means, for any Award, the date specified by the Board as the grant date at the time it grants the Award or, if no such date is specified, the date upon which the Award was actually granted.



- (r) **"Market Value"** means at any date when the market value of Shares of the Company is to be determined, the closing price of the Shares on the trading day prior to such date on the principal stock exchange on which the Shares are listed, or if the Shares of the Company are not listed on any stock exchange, the value as is determined solely by the Board, acting reasonably and in good faith based on the reasonable application of a reasonable valuation method not inconsistent with the *Income Tax Act* (Canada).
  - (s) **"NEO"** means the Neo Exchange Inc.
  - (t) **"Officer"** means any senior officer of the Company or of any of its subsidiaries as defined in the *Securities Act* (British Columbia).
  - (u) **"Option"** has the meaning set forth in section 4.01 of this Plan.
  - (v) **"Person"** means a natural person, company, government or political subdivision or agency of a government; and where two or more Persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of an issuer, such syndicate or group shall be deemed to be a Person.
  - (w) **"Plan"** means this omnibus equity incentive compensation plan as from time to time amended including all schedules and exhibits hereto.
  - (x) **"Restricted Period"** has the meaning set forth in section 4.02 of this Plan.
  - (y) **"Restricted Shares"** has the meaning set forth in section 4.02 of this Plan.
  - (z) **"RSU"** or **"Restricted Share Unit"** has the meaning set forth in section 4.03 of this Plan.
  - (aa) **"Shares"** means common shares without par value in the capital of the Company.
- 1.02 Gender. Throughout this Plan, words importing the masculine gender shall be interpreted as including the female gender.

**PART 2**  
**PREAMBLE; PURPOSE OF PLAN**

- 2.01 Purpose. The purpose of this Plan, as amended from time to time, is to attract and retain Employees, Officers, Directors and Consultants and to motivate them to advance the interests of the Company by affording them the opportunity to acquire an equity interest in the Company through Awards granted under this Plan. The Plan is expected to benefit the Company's shareholders by enabling the Company to attract and retain personnel of the highest caliber by offering to them an opportunity to share in any increase in the value of the Shares to which they have contributed. The Company represents that Employees, Consultants, Officers, Directors or service providers who are granted Awards will be bona fide Employees, Consultants, Officers, Directors or service providers at the time of grant.
- 2.02 Foreign Participants. The Plan is designed to enable the provision of incentives as set forth herein to grantees in various jurisdictions, with respect to which the Board, in its sole discretion, shall determine the necessary changes to be made to the Plan and set forth the relevant conditions in the Award Agreements with the grantees in order to comply with the requirements of the tax regimes in any such other jurisdictions and its determination regarding these matters shall be final and binding.
- 2.03 Exclusivity of the Plan. Unless otherwise determined by the Board in any particular instance or as part of the Award Agreement, each grantee hereunder will be required to declare and agree that all prior

agreements, arrangements and/or understandings with respect to Shares of the Company or Awards which have not actually been issued or granted prior to execution of the Award Agreement shall be null and void and that only the provisions of the Plan and/or the Award Agreement shall apply. Notwithstanding the above, the adoption of this Plan, by itself, shall not be construed as amending, modifying or rescinding any incentive arrangement previously approved by the Board (if applicable) or as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of Awards otherwise than under this Plan, and such arrangements may be either applicable generally or only in specific cases, subject to compliance with policies of the Exchange.

**PART 3**  
**GRANTING OR AMENDING OF AWARDS**

- 3.01 Administration. This Plan shall be administered by the Board or, if the Board so elects, by a committee so designated by the Board, consisting of an odd number of members (the “**Committee**”). Any subsequent references herein to the Board shall also mean any such Committee if appointed and, unless the powers of the Committee have been specifically limited by law or otherwise, such Committee shall have all of the powers of the Board granted herein. Subject to applicable law and without derogating from the generality of the foregoing, the Board shall have plenary authority to determine: (i) the terms and conditions (which need not be identical) of all grant of Awards (including, without limitation, the terms and conditions of the issuance of Shares pursuant to the exercise thereof), including, without limitation, the purchase price of the Shares covered by each Award, (ii) the method of payment of the exercise price (whether by cash, check, shares, other securities or Awards, promissory note, a cashless exercise arrangement, or any combination of the foregoing), (iii) the individuals to whom, and the time or times at which, Awards shall be granted, (iv) the number of Shares to be subject to each Award, (v) when an Award can be exercised and whether in whole or in installments, (vi) and to make any other elections with respect to the Plan pursuant to applicable law.
- (a) Any directive or notice signed by a member of the Board authorized therefore by the Board shall constitute conclusive proof and authority for every act or decision of the Company.
  - (b) No Director or Officer of the Company shall be personally liable or obligated to any grantee as a result of any decision made and/or action taken with respect to the Plan or its interpretation or execution.
  - (c) Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and its subsidiaries operate or have employees or other individuals eligible for Awards or to facilitate the offering and administration of the Plan in such other countries, the Board, in its sole discretion, shall have the power and authority to: (i) determine which subsidiaries shall be covered by the Plan; (ii) determine which individuals outside of Canada are eligible to participate in the Plan; (iii) modify the terms and conditions of any Award granted to or held by individuals outside the of Canada to comply with applicable foreign laws or facilitate the offering and administration of the Plan in view of such foreign laws; (iv) establish subplans and appendices and modify exercise procedures and other terms and procedures, to the extent the Board determines such actions to be necessary or advisable; provided, however, that no such subplans and/or modifications shall increase the share limitations contained in Section 6.01 hereof and that Board approval will not be necessary for immaterial modifications to the Plan or any Award Agreement to ensure or facilitate compliance with the laws of the relevant foreign jurisdiction; and (v) take any action, before or after an Award is made, that the Board determines to be necessary or advisable to obtain approval or comply or facilitate compliance with any local governmental regulatory exemptions or approvals. Notwithstanding the foregoing, the Board may not take any actions hereunder, and no Awards shall be granted, that would violate the any applicable law.

- 3.02 Interpretation. The Board shall have plenary authority to construe and interpret the Plan, to prescribe, amend and rescind the rules and regulations relating to it and to make all other determinations deemed necessary or advisable for the administration of the Plan, subject to compliance and any applicable law and policies of the Exchange. All determinations and decisions of the Board pursuant to the provisions of the Plan and all related orders and resolutions of the Board shall be final, conclusive and binding on all Persons, including the Company, its shareholders, grantees and their estates and beneficiaries.
- 3.03 Delegation to a Committee. If the Board so elects pursuant to Section 3.01, a Committee shall administer the Plan on behalf of the Board in accordance with such terms and conditions as the Board may prescribe, consistent with this Plan. Once appointed, the Committee shall continue to serve until otherwise directed by the Board. From time to time, the Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and either appoint new members in their place or decrease the size of the Committee, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer the Plan. A majority of the members of the Committee shall constitute a quorum, and, subject to the limitations in this Part 3, all actions of the Committee shall require the affirmative vote of members who constitute a majority of such quorum. Members of the Committee may vote on any matters affecting the administration of the Plan or the grant of Awards pursuant to the Plan, except that no such member shall act upon the granting of an Award to himself or herself (but any such member may be counted in determining the existence of a quorum at any meeting of the Committee during which action is taken with respect to granting Awards to him or her).
- 3.04 Grant by Resolution. The Board, on its own initiative or, if a Committee of the Board shall have been appointed for the purpose of administering this Plan, upon the recommendation of such Committee, may by resolution designate those Consultants, Employees, Officers and Directors to whom Awards should be granted (unless the Committee has been authorized by the Board to pass such resolution in which case they may do as so authorized).
- 3.05 Terms of Awards. The resolution of the Board, or the Committee if applicable, shall specify the number of Shares that should be placed under an Award to each grantee, the price per Share to be paid upon exercise of the Award, the vesting schedule and the period during which such Award may be exercised, such period not to exceed ten (10) years.
- 3.06 Regulatory Approvals. The Board shall obtain all necessary regulatory approvals, which may be required under applicable securities laws or the rules or policies of the Exchange. The Board shall also take reasonable steps to ensure that no Awards granted under the Plan, or the exercise thereof, shall violate the securities laws of the jurisdiction in which any grantee resides.
- 3.07 Amendment of Awards. Awards may also be amended under this Plan, whether granted under this Plan or otherwise, and the terms of this Plan shall apply mutatis mutandis.

#### **PART 4**

#### **AWARDS**

- 4.01 Option Awards. The Board may award options to purchase Shares of the Company to any eligible grantee ("**Options**"). Each Option granted under this Plan shall be evidenced by a written agreement between the Company and the grantee (the "**Option Agreement**"), in such form as the Board shall from time to time approve. The Options shall be subject to all applicable terms of this Plan. The provisions of the various Option Agreements entered into under this Plan need not be identical. The Option Agreement shall comply with the provisions of the Plan and applicable law.
- (a) The exercise price of an Option granted under this Plan shall be fixed by the Board or the Committee, as applicable, when such Option is granted. However, the exercise price of an Option shall not be less than the Market Value of such shares on the Grant Date.

4.02 Restricted Shares. The Board may award restricted shares to any eligible grantee ("**Restricted Shares**"). Each grant of Restricted Shares under this Plan shall be evidenced by a written agreement between the Company and the grantee (the "**Restricted Share Agreement**"), in such form as the Board shall from time to time approve. The Restricted Shares shall be subject to all applicable terms of this Plan. The provisions of the various Restricted Shares Agreements entered into under this Plan need not be identical. The Restricted Share Agreement shall comply with the provisions of the Plan and applicable law.

- (a) Each Restricted Share Agreement shall state an amount of exercise price to be paid by the grantee, if any, in consideration for the issuance of the Restricted Shares and the terms of payment thereof, which may include, payment in cash or by issuance of promissory notes or other evidence of indebtedness on such terms and conditions as determined by the Board.
- (b) Restricted Shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution (in which case they shall be transferred subject to all restrictions then or thereafter applicable thereto), until such Restricted Shares shall have vested (the period from the date on which the Award is granted until the date of vesting of the Restricted Share thereunder being referred to herein as the "**Restricted Period**"). The Board may also impose such additional or alternative restrictions and conditions on the Restricted Shares, as it deems appropriate, including the satisfaction of performance criteria. Such performance criteria may include, but are not limited to, sales, earnings before interest and taxes, return on investment, earnings per Share, any combination of the foregoing or rate of growth of any of the foregoing, as determined by the Board or pursuant to the provisions of any Company policy required under mandatory provisions of applicable law. Certificates for Shares issued pursuant to Restricted Shares shall bear an appropriate legend referring to such restrictions, and any attempt to dispose of any such Shares in contravention of such restrictions shall be null and void and without effect. Such certificates may, if so determined by the Board, be held in escrow by an escrow agent appointed by the Board. In determining the Restricted Period of an Award, the Board may provide that the foregoing restrictions shall lapse with respect to specified percentages of the awarded Restricted Shares on successive anniversaries of the date of such Award.
- (c) Subject to such exceptions as may be determined by the Board, if the grantee's continuous employment or engagement with the Company or with any subsidiary thereof shall terminate for any reason prior to the expiration of the Restricted Period of an Award or prior to the timely payment in full of the exercise price of any Restricted Shares, any Shares remaining subject to vesting or with respect to which the purchase price has not been paid in full, shall thereupon be forfeited, transferred to, and redeemed, repurchased or cancelled by, as the case may be, subject to applicable laws and the grantee shall have no further rights with respect to such Restricted Shares.
- (d) During the Restricted Period, the grantee shall possess all incidents of ownership of such Restricted Shares, subject to Section 11.04 below, including the right to vote and receive dividends with respect to such Shares. All securities, if any, received by a grantee with respect to Restricted Shares as a result of any stock split, stock dividend, combination of Shares, or other similar transaction shall be subject to the restrictions applicable to the original Award.
- (e) Persons employed in Investor Relations Activities on behalf of the Company are not eligible for grants of Restricted Shares.

4.03 Restricted Share Units ("RSU"). An RSU is an award covering a number of Shares that is settled, if vested and (if applicable) exercised, by issuance of those Shares. An RSU may be awarded to any eligible grantee, subject and in accordance with applicable laws. The Award Agreement relating to the grant of RSUs under this Plan (the "**RSU Agreement**"), shall be in such form as the Board shall from time to time approve. The

RSUs shall be subject to all applicable terms of this Plan. The provisions of the various RSU Agreements entered into under this Plan need not be identical. RSUs may be granted in consideration of a reduction in the grantee's other compensation.

- (a) No payment of exercise price shall be required as consideration for RSUs, unless included in the Award Agreement or as required by applicable law.
- (b) The grantee shall not possess or own any ownership rights in the Shares underlying the RSUs and no rights as a shareholder shall exist prior to the actual issuance of Shares in the name of the grantee.
- (c) Settlement of vested RSUs shall be made in the form of Shares. The number of Shares underlying such RSUs shall be subject to adjustment pursuant hereto until the grant of RSUs is settled.
- (d) Persons employed in Investor Relations Activities on behalf of the Company are not eligible for grants of RSUs.

**PART 5**  
**CONDITIONS GOVERNING THE GRANTING AND EXERCISING OF AWARDS**

- 5.01 Expiry Date. Each Award shall, unless sooner terminated, expire on a date to be determined by the Board which will not exceed ten (10) years.
- 5.02 Blackout Periods. If on the date on which an Award is schedule to expire occurs during, or within ten (10) business days after the last day of a Blackout Period applicable to such grantee, then the expiry date of such Award shall be extended to the last day of such ten (10) business day period.
- 5.03 Different Exercise Periods, Prices and Number. The Board may, in its absolute discretion, upon granting Awards under this Plan, specify different time periods following the dates of granting the Awards during which the grantees may exercise their Awards to purchase Shares and may designate different exercise prices and numbers of Shares in respect of which each grantee may exercise his Award during each respective time period.
- 5.04 Number of Shares. The number of Shares reserved for issuance to any one person pursuant to Awards granted under this Plan, together with any Shares reserved for issuance pursuant to Awards granted to that person during the previous 12 months, shall not exceed 5% of the issued and outstanding Shares, calculated on the date an Award is granted.
- 5.05 Expiry on Termination or Cessation. Unless otherwise determined by the Board and/or set forth in grantee's Award Agreement, if the engagement of a grantee is terminated or if he ceases to serve as an Officer, Consultant, Employee or Director or service provider of the Company or of a subsidiary (as the case may be) prior to the complete exercise of an Award,
  - (a) by reason of death or disability (as determined by the Board in its absolute discretion), the Award shall remain exercisable for a period of one (1) year following such termination (but only to the extent exercisable at termination of engagement or appointment, as the case may be, and not beyond the scheduled expiration date);
  - (b) by reason of retirement, pursuant to applicable law with the approval of the Board, the Award shall remain exercisable for a period of one hundred and eighty (180) days following such termination (but only to the extent exercisable at termination of engagement or appointment, as the case may be, and not beyond the scheduled expiration date);

- (c) for any other reason other than for Cause, the Award shall remain exercisable for a period of ninety (90) days following the earlier of such termination or notice of termination (but only to the extent exercisable at the earlier of termination or notice of termination of engagement or appointment, as the case may be, and not beyond the scheduled expiration date); or
- (d) for Cause, as shall be determined by the Board, all Awards held by or on behalf of such grantee shall immediately expire upon the earlier of such termination or notice of termination.

Awards awarded under this Plan shall not be affected by any change of employment or engagement, as applicable, so long as the grantee continues to be an employee, director, officer, service provider, Consultant and/or advisor of the Company or a subsidiary (as the case may be). Notwithstanding the foregoing, the Board may, in its absolute discretion but subject to Section 7.01, extend the period of exercise of an Award by a grantee or grantees for such time as it shall determine either with or without conditions.

- 5.06 Leave of Absence. The Board may determine whether any given leave of absence constitutes a termination of employment engagement or appointment, as applicable.
- 5.07 Change in Time Commitment. In the event a grantee's regular level of time commitment in the performance of his or her services for the Company and any subsidiary is reduced (for example, and without limitation, if the grantee is an Employee of the Company and the Employee has a change in status from a full-time employee to a part-time employee or takes an extended leave of absence) after the Grant Date of any Award to the grantee, the Board may determine, to the extent permitted by applicable law, to make a corresponding reduction in the number of shares or cash amount subject to any portion of such Award that is scheduled to vest or become payable after the date of such change in time commitment. In the event of any such reduction, the grantee will have no right with respect to any portion of the Award that is so reduced or extended.
- 5.08 The Absence of an Obligation to Engage. Nothing in the Plan shall be interpreted as obliging the Company or any subsidiary to employ or otherwise engage the grantee and nothing in the Plan or any Award granted pursuant thereto shall confer upon any grantee any right to continue in the employment (or other engagement or appointment, as applicable) of the Company or any subsidiary or restrict the right of the Company or any subsidiary to terminate such employment (or other engagement or appointment, as applicable) at any time. The grantee shall have no claim whatsoever against the Company or any subsidiary as a result of the termination of his or hers employment (or other engagement or appointment, as applicable), including, without limitation, any claim that such termination causes any Awards to expire or otherwise terminate and/or prevents the grantee from exercising the Awards and/or from receiving or retaining any Shares pursuant to any agreement between him and the Company, or results in any loss due to an early imposition, or earlier than anticipated imposition, of tax or other liability pursuant to applicable law.
- 5.09 Agreement to Significant Event. As a condition to the receipt of an Award under this Plan, a grantee will be deemed to have agreed that the Award will be subject to the terms of any agreement governing a Significant Event (as such term defined under this Plan) involving the Company.
- 5.10 Assignment. No Award granted under this Plan or any right thereunder or in respect thereof shall be transferable or assignable otherwise than by will or pursuant to the laws of succession except that, if permitted by the rules and policies of the Exchange, a grantee shall have the right to assign any Award granted to him hereunder to a trust or similar legal entity established by such grantee.
- 5.11 Notice. Awards shall be exercised only in accordance with the terms and conditions of the Award Agreements under which they are respectively granted and shall be exercisable only by notice in writing to the Company at its principal place of business.

- 5.12 Payment. Subject to any vesting requirements described in each individual Award Agreement, Awards may be exercised in whole or in part at any time prior to their lapse or termination. The exercise price shall be payable upon the exercise of the Award in a form satisfactory to the Board, including, but not limited to, cash, Shares (actually or by attestation), other securities, other Awards or other property, or any combination thereof, having a Market Value on the exercise date equal to the applicable exercise price, in which payment of the exercise price with respect therof may be made or deem to have been made. The Board shall have the authority to postpone the date of payment on such terms as it may determine.
- 5.13 Share Certificate or DRS. As soon as practicable after due exercise of an Award, the Company shall issue a share certificate or direct registration statement (“**DRS**”) evidencing the Shares with respect to which the Award has been exercised. Until the issuance of such share certificate or DRS, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to such Shares, notwithstanding the exercise of the Award. No adjustment will be made for a dividend or other right for which the record date is prior to the date the share certificate or DRS is issued, except as provided in Part 8 hereof.
- 5.14 Dividends. The Shares issued as a result of the exercise of the Awards shall participate equally with the Company’s other Shares in every dividend which shall be declared and distributed subject to the following provisions:
- (a) A cash dividend shall be distributed only to persons registered in the register of shareholders as shareholders on the record date fixed for the distribution of the dividend.
  - (b) If applicable, a dividend with regard to Shares which are registered in the name of the Trustee shall be paid to the Trustee, subject to any lawful deduction of tax, whether such rate is at the usual rate applicable to a dividend or at a higher rate. The Trustee shall transfer the dividend to the grantee in accordance with instructions that he shall receive from the Company. Alternatively, the Company shall be entitled to pay the dividend directly to the grantee subject to the deduction of the applicable tax.
  - (c) Without derogating from the provisions of Section 5.11(b) hereof, the Company or the Trustee, if applicable, shall be entitled to set off and deduct at source from any dividend any sum that the grantee owes to the Company (including any subsidiary ) or the Trustee, if applicable, whether under the Plan or otherwise, and/or any sum that the grantee owes to the tax or other authorities.
- 5.15 Individuals. Awards may be granted only to an individual or to a company that is wholly-owned by an individual who is eligible for an Award grant. Only individuals who are Directors, Officers, Consultants, Employees or service providers may be granted Awards. If the grantee is a company, it must agree not to effect or permit any transfer of ownership or award of Shares nor to issue further shares of any class in the company to any other individual or entity as long as the Awards remains outstanding, except with the written consent of the Exchange.
- 5.16 Acceleration of an Award. Unless otherwise determined by the Board or set forth in the grantee’s Award Agreement:
- (a) Immediately prior to (a) the consummation of a Significant Event (as defined below) or (b) the adoption of any plan or proposal for the liquidation or dissolution of the Company, then, notwithstanding any contrary Vesting Periods (as such term is defined below) in any agreement or in this Plan, and unless in each case the applicable agreement provides otherwise, the Board may, but shall not be obligated to, determine that a certain portion of the outstanding Awards held by or for the benefit of any grantee and which have not yet vested shall be accelerated and become immediately vested and exercisable.

- (b) Each of the following shall be a “**Significant Event**”, (a) a takeover bid (as defined in the Act), which is successful in acquiring Shares, (b) a change of control of the Board resulting from the election by the members of the Company of less than a majority of the persons nominated for election by management of the Company, (c) any consolidation, plan of arrangement or amalgamation of the Company, other than a transaction in which the holders of Shares immediately prior thereto have the same, or substantially similar, proportionate ownership of Shares of the surviving or resulting entity immediately after the transaction and a transaction in which the holders of Shares immediately prior thereto own a majority of the voting power of the surviving or resulting entity; (c) any sale, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets or all or substantially all of the outstanding and issued Shares of the Company; or (d) the dissolution of the Company’s business or the liquidation of its assets,

5.17 Written Agreements. Every Award granted under this Plan shall be evidenced by a written agreement between the Company and the grantee agreement or other document as shall be determined by the Board, in the form approved by the Board from time to time, including without limitation the Option Agreement, the Restricted Share Agreement and the RSU Agreement (each an “**Award Agreement**”), and, where not expressly set out in the Award Agreement, the provisions of such Award Agreement shall conform to and be governed by this Plan. In the event of any inconsistency between the terms of the Award Agreement and this Plan, the terms of this Plan shall govern. The Award Agreement need not be identical with respect to each grantee. The following terms, however, shall apply to all Awards, and, mutatis mutandis, Shares, unless otherwise determined by the Board or set forth in the grantee’s Agreement:

- (a) The exercise price (if applicable) shall be paid by the grantee to the Company no later than the date of exercise of the Award.
- (b) The grantee, whether as a holder of an Award, or following the exercise of an Award, as a shareholder of the Company, and whether the Shares issued to the grantee are registered in his name or otherwise, shall have no right of first refusal to purchase Shares of the Company which may be offered for sale by shareholders of the Company, and shall have no pre-emptive rights to purchase Shares which are being allotted or shall in the future be allotted by the Company, to the extent any such rights otherwise exist.
- (c) The Award and/or the right to the Award and/or to the Shares are personal and except insofar as is specified in this Plan, and, may not be transferred, assigned, pledged, withheld, attached or otherwise charged either voluntarily or pursuant to any law, except by way of transfer pursuant to the laws of inheritance or as otherwise determined by the Board, and no power of attorney or deed of transfer, whether the same has immediate effect or shall take effect on a future date, shall be given with respect thereto. During the lifetime of the grantee the Award may only be exercised by the designated grantee or, if granted to the Trustee, by the Trustee on behalf of the designated grantee. A note as to the provisions of this sub-section or a legend may appear on any document which grants the Award and in particular in the Award Agreement, and also on any share certificate.
- (d) The right to exercise the Award shall be subject to a vesting schedule, and may be further subject to any performance goals and measurements as may be determined by the Board. Vesting shall be in installments, gradually over a period of four (4) years from the Grant Date of the Award or such other period or periods as determined by the Board. Unless otherwise determined, at the conclusion of each period for the exercise of the Award as determined in the Award Agreement (“**Vesting Periods**”), the Award may, from time to time, be exercised in relation to all the Shares allocated for that period in such manner that upon the first anniversary of the grant of the Award the Trustee shall, in the absence of a contrary determination in the Award Agreement, be



entitled to exercise on behalf of the grantee and at his request 1/4 (quarter) of the Awards and additional 1/16 at the end of each subsequent quarter over the course of the following three (3) years, provided that, unless otherwise determined by the Board or set forth in the respective Award Agreement, upon each of such vesting dates the grantee continues to be employed by, or provide services to, or serve as a director or officer of the Company or of a subsidiary on a continual basis from the date of the grant thereof.

- (e) In addition, during each of the Vesting Periods, the Award may be exercised in relation to all or part of the Shares allocated for any previous Vesting Period in which the Award was not fully exercised, provided that at the time of the exercise of the Award the grantee has continued to be employed by, or provide services to or serve as a director or officer of the Company or its subsidiaries on a continual basis from the date of the grant thereof and until the date of their exercise. After the end of the Vesting Periods and during the balance of the Award period, the Award may be exercised, from time to time, in relation to all or part of the Shares which have not at that time been exercised and which remain subject to the Award hereof and to any condition in the Award Agreement, including, without limitation, with respect to a minimum number of Shares with respect to which the Award may be exercised and any provision which determines the number of times that the Trustee may send the Company notice of exercise on behalf of the grantee in respect of the Award. Without derogating from any discretionary authority granted to the Board under the Plan, the Board shall be entitled at any time to shorten the vesting schedule or any Vesting Period.
- (f) Options issued to Consultants providing Investor Relations Activities must vest (and not otherwise be exercisable) in stages over a minimum of 12 months with no more than 1/4 of the Options vesting in any 3-month period.

## **PART 6**

### **RESERVE OF SHARES FOR AWARDS**

- 6.01 **Maximum Number of Shares Reserved Under Plan.** Subject to adjustment as provided in Part 8, the total number of Shares reserved and available for grant and issuance pursuant to Awards shall not exceed the number of Shares equal to 25,352,832. Such Shares may be in whole or in part, as the Board shall from time to time determine and subject to applicable law, authorized and un-issued or issued and fully paid Shares which shall have been purchased by the grantee hereunder with funds provided by the Company or reacquired by the Company, subject to applicable law. The aggregate number of shares to be delivered upon the exercise of all Awards granted under this Plan shall not exceed the maximum number of shares permitted under the rule of any stock exchange on which Shares are then listed or other regulatory body having jurisdiction. In addition, all Awards granted outside of this Plan, which are in existence on the effective date of this Plan, as amended, shall be counted as if granted under this Plan. The terms of this Plan shall not otherwise govern such pre-existing Awards.
- 6.02 **Sufficient Authorized Shares to be Reserved.** Whenever the articles of the Company limit the number of authorized Shares, a sufficient number of Shares shall be reserved by the Board to satisfy the exercise of Awards granted under this Plan or otherwise. If any Award granted under the Plan shall expire, terminate or be canceled for any reason without having been exercised in full, such Shares subject thereto shall again be available for the purposes of the Plan. For greater certainty, if any Award becomes fully vested and (if applicable) is exercised, such Shares subject thereto shall not again be available for the purposes of the Plan. Upon termination of the Plan, any such Shares which may remain un-issued and which are not subject to outstanding Awards shall cease to be reserved for the purposes of the Plan.
- 6.03 **Disinterested Shareholder Approval.** Unless Disinterested Shareholder Approval is obtained, under no circumstances shall this Plan, together with all of the Company's other previously established or proposed

stock options, stock option plans, employee stock purchase plans or any other compensation or incentive mechanisms involving the issuance or potential issuance of Shares, result in or allow at any time:

- (a) the number of Shares reserved for issuance pursuant to Awards granted to Insiders exceeding 10% of the outstanding Shares at the time of granting the Awards;
- (b) the issuance to Insiders, within a one year period, of a number of Shares exceeding 10% of the outstanding Shares at the time of granting the Awards;
- (c) issuance to any one Insider and such Insider's Associates, within a one year period, of a number of Shares exceeding 5% of the outstanding Shares at the time of granting the Awards; or
- (d) any reduction in the exercise price of Awards granted to any person who is an Insider at the time of the proposed reduction.

**PART 7**  
**TERM OF AWARDS; EXERCISE**

- 7.01 Term of the Plan. The term of each Award shall be for such period as the Board shall determine, but not more than ten (10) years from the Grant Date thereof or such shorter period as is prescribed in Part 5 hereof. Awards granted prior to termination of the Plan may, subject to the terms of the Plan and any Agreement, be exercised thereafter.
- 7.02 Additional Powers of the Board. Unless otherwise determined by the Board, in the event of: (i) the proposed liquidation or dissolution of the Company; or (ii) a Significant Event; then (A) all outstanding Awards held by or for the benefit of any grantee and which have vested as of such time (including, without limitation, any Awards accelerated pursuant to Section 5.17 above) but have not been exercised, will terminate and expire immediately prior to the consummation or closing of such proposed action, transaction or event, and (B) all outstanding Awards which are not vested as of such time will terminate and expire immediately prior to the consummation or closing of such proposed action, transaction or event. Without derogating from any other right or authority of the Board hereunder, the Board may, in connection with any proposed liquidation or dissolution, or in connection with any Significant Event as aforesaid, determine any other date and time upon which any outstanding Award will terminate and expire.
- 7.03 Grantee Exercise. A grantee who desires to exercise an Award granted to him or her, shall so notify the Company in writing in the form annexed hereto as **Appendix A** or in such other form as shall be approved by the Board from time to time. As a condition for the exercise of the Award, the grantee shall pay or otherwise make arrangements, to the Company's satisfaction for the payment of the tax and other obligatory payments applicable to her or him (including all sums payable by the Company arising out of or in connection with Company's Withholding Obligations to deduct tax and other obligatory payments at source) pursuant to applicable law and the provisions of the Plan. Upon receipt of all the requisite documents, approvals and payments from the grantee, including sufficient proof of payment or other arrangement with respect to the payment of any applicable taxes in form satisfactory to the Company, the Company shall allot the Shares in the name of the grantee.
- 7.04 Exercise on behalf of Grantee. If applicable, a grantee who desires that the Trustee exercise an Award granted to the grantee on his or her behalf shall so instruct the Company and the Trustee in writing in the form annexed hereto as **Appendix B** or in such other form as shall be approved by the Board from time to time. The notice shall be accompanied by payment of the full Option exercise price of such shares as provided in the Award Agreement. As a condition for the exercise of the Award, the grantee shall pay or otherwise make arrangements, to the Company and the Trustee satisfaction for the payment of the tax and other obligatory payments applicable to her or him (including all sums payable by the Company

arising out of or in connection with Company's Withholding Obligations to deduct tax and other obligatory payments at source) pursuant to applicable law and the provisions of the Plan. Upon receipt of all the requisite documents, approvals and payments from the grantee, including sufficient proof of payment or other arrangement with respect to the payment of any applicable taxes in form satisfactory to the Company and the Trustee, the Company shall allot the shares in the name of the Trustee for the benefit of the grantee.

- 7.05 Further Authorization. Without limiting the foregoing, the Board may, with the consent of the grantee, from time to time cancel all or any portion of any Award then subject to exercise, and the Company's obligation in respect of such Award may be discharged by: (i) payment to the grantee or to the Trustee on behalf of the grantee, if applicable, of an amount in cash equal to the excess, if any, of the Market Value of the relevant Shares at the date of such cancellation subject to the portion of the Award so canceled over the aggregate exercise price of such Shares; (ii) the issuance or transfer to the grantee or to the Trustee on behalf of the grantee, if applicable, of Shares of the Company with a Market Value at the date of such transfer equal to any such excess; or (iii) a combination of cash and Shares with a combined value equal to any such excess, all as determined by the Board in its sole discretion.

## **PART 8**

### **CAPITALIZATION ADJUSTMENTS**

- 8.01 Share Consolidation or Subdivision. In the event that the Shares are at any time subdivided or consolidated, the number of Shares reserved for an Award and the price payable for any Shares that are then subject to an Award shall be adjusted accordingly.
- 8.02 Stock Dividend. In the event that the Shares are at any time changed as a result of the declaration of a stock dividend thereon, the number of Shares reserved for an Award and the price payable for any Shares that are then subject to an Award may be adjusted by the Board to such extent as they deem proper in their absolute discretion.
- 8.03 Reorganization. Subject to any required action by its shareholders, if the Company shall be a party to an reorganization, amalgamation, plan of arrangement, dissolution or sale or lease of all or substantially all of its assets, whether or not the Company is the surviving or resulting entity, the Award shall be adjusted so as to apply to the securities to which the holder of the number of shares of capital stock of the Company subject to the Award would have been entitled by reason of such reorganization, amalgamation, plan of arrangement or sale or lease of all or substantially all of its assets, provided however that the Company may satisfy any obligations to a grantee hereunder by paying to the said grantee in cash the difference between the exercise price of all unexercised Awards granted hereunder and the fair market value of the securities to which the grantee would be entitled upon exercise of all unexercised Awards, regardless of whether all conditions of exercise relating to continuous employment have been satisfied. Adjustments under this paragraph or any determinations as to the fair market value of any securities shall be made by the Board, or any Committee thereof specifically designated by the Board to be responsible therefor, and any reasonable determination made by the said Board or Committee thereof shall be binding and conclusive.
- 8.04 Rights Offering. If at any time the Company grants to the holders of its capital stock rights to subscribe for and purchase pro rata additional securities of the Company or of any other corporation or entity, there shall be no adjustments made to the number of shares or other securities subject to an Award in consequence thereof and the said stock option of the grantee shall remain unaffected.

**PART 9**  
**EXCHANGE'S RULES AND POLICIES APPLY**

- 9.01 Exchange's Rules and Policies Apply. This Plan and the granting and exercise of any Awards hereunder are also subject to such other terms and conditions as are set out from time to time in the rules and policies on stock options of the Exchange and any securities commission having jurisdiction and such rules and policies shall be deemed to be incorporated into and become a part of this Plan. In the event of an inconsistency between the provisions of such rules and policies and of this Plan, the provisions of such rules and policies shall govern.

**PART 10**  
**AMENDMENT OF PLAN**

- 10.01 Board May Amend. Subject to any applicable shareholder or regulatory approval requirements, including any applicable requirements of Neo Exchange Inc., the Board may, by resolution, amend or terminate this Plan. Unless otherwise provided for herein or in the Award Agreement, any amendment or modification of the Plan shall be deemed included in the Plan with respect to Awards granted or Shares issued hereunder from time to time, provided, that, except as otherwise provided for herein, no such amendment or termination shall, except with the written consent of the grantees concerned, adversely affect the rights of such grantee under such Award.

**PART 11**  
**TRUSTEE**

- 11.01 Issuance of Shares. Shares issued upon exercise of an Award shall be issued to the grantee or to the Trustee (as such term is defined below), if applicable, in the name of the grantee and/or on his behalf, subject to the sole discretion of the Board.
- 11.02 Appointment of Trustee. The Board may appoint a Trustee for the purpose of this Plan (the "Trustee"). For as long as any Shares are held by a Trustee, for whatever reason, or registered in its name or for as long as the certificates representing any shares are held by the Trustee, on behalf of a grantee under this Plan, and without derogating from any provision of this Plan and subject to it, the Trustee alone shall be entitled to receive every notice to which a shareholder is entitled, or to demand any information and any financial and/or other report to which a shareholder is entitled from the Company, and only it or whomever shall be designated as a Proxy pursuant to Section 11.04 below, and attached as **Appendix C** hereto, shall be entitled to exercise every other right of the shareholders vis-a-vis the Company, including, without limitation, the right to participate and vote (or abstain) on all matters at all shareholders' meetings (whether ordinary or extraordinary) and the right to sign any resolution in writing in the name of the shareholders, if and when applicable.
- (a) The Trustee shall have all the powers provided by law, the trust agreement with the Company and the Plan and shall act pursuant to the provisions thereof, as they shall apply from time to time. The Board shall be entitled to replace the Trustee and/or to nominate another person to serve as a Trustee in lieu of the existing Trustee at its sole discretion, subject to applicable law, and that the new Trustee shall have the same powers and authority which this Plan grants the Trustee.
- (b) Without derogating from the provisions of this Part 11 and unless otherwise determined by the Board generally or in any particular instance, the Shares issued with respect to any Awards granted hereunder and all rights deriving from or in connection therewith including, without limitation, any bonus Shares (including stock dividend) issued in connection therewith, that will be held by the Trustee and registered in its name, will continue to be held by the Trustee.

- (c) Subject to the provisions of the articles of the Company, as amended from time to time and applicable laws, Shares registered in the Trustee's name shall be represented at all meetings of shareholders of the Company and shall be voted in the same manner as the votes of the majority of shareholders of the Company present and voting at the applicable meeting.
- 11.03 Rights of a Shareholder. Unless otherwise determined by the Board, Awards granted hereunder shall not confer upon the grantee any of the rights of a shareholder of the Company, for as long as they have not been exercised and, once exercised, for as long as the Shares have not been issued, transferred and registered in the grantee's name in the Company's shareholder register.
- 11.04 Power of Attorney. Without derogating from the generality of the aforesaid and in order to guarantee the aforesaid, and because the rights of the Company and the other shareholders are dependent thereon, the grantee shall, upon signing the Award Agreement and as a condition to the grant of any Awards hereunder, execute the Proxy and Power of Attorney attached hereto as **Appendix C**, or in such other form as shall be approved by the Board, irrevocably empowering the Proxy (i) to sign any document and take any action in his name as aforesaid; (ii) that any Share issued upon exercise of an Award (and any other securities of the Company issued with respect thereto) shall be voted by the Proxy; and (iii) to provide for the power of such designated person(s) to act, instead of the grantee and on its behalf, with respect to any and all aspects of the grantee's shareholdings in the Company. Such person or persons designated by the Board shall be indemnified and held harmless by the Company against any costs and expenses (including counsel fees) reasonably incurred by him/her, or any liability (including any sum paid in settlement of a claim with the prior written approval of the Company) arising out of any act or omission to act in connection with the voting of such Proxy, unless arising out of such person's gross negligence, fraud or malice, all to the extent permitted by applicable law. Such indemnification shall be in addition to any rights of indemnification such person(s) may have as a director, shareholder or otherwise under the Company's articles, any agreement, insurance policy or otherwise. The Proxy shall be voted in accordance with the provisions of Section 11.02(c) above. The grantee shall have no complaint or claim against the Proxy in respect of any such signature or action. The grantee will authenticate his signature in the presence of a notary if he shall be asked to do so by the Company, in order to give full validity to the power of attorney.
- 11.05 Release of the Trustee. The Attorney and the Proxy from liability and indemnification. In no event shall the Trustee, if applicable, or Company's legal counsel (the "**Attorney**"), or the Proxy be liable to the Company and/or any grantee under the Plan and/or any third party (including without prejudice to the generality of the foregoing, to the income tax authorities and any other governmental or administrative authority), or to a purchaser of Shares from any grantee with respect to any act or omission which has been or will be carried out in relation to the Plan, its execution and any matter connected thereto or arising therefrom.
- (a) The Company will not, and the grantee will be required to covenant upon signing the Award Agreement that he will not, make any claim against the Trustee, if applicable, or the Attorney, or the Proxy in any manner whatsoever and on any ground whatsoever and they expressly agree that if the Trustee, if applicable, or the Attorney or the Proxy are sued by them, then the Trustee, if applicable, or the Attorney or the Proxy shall be entitled by virtue of this Section 11.05 alone to apply to the court for dismissal of the action against them with costs. The Company covenants and agrees that if an action is commenced by any third party against the Trustee, if applicable, or the Attorney or the Proxy they shall be entitled, without any objection on the Company's part to join the Company as a third party to any action and a judgment against them will be paid by the Company.
- (b) The Company covenants and the grantee will be required to covenant to indemnify the Trustee, if applicable, and/or the Attorney and/or the Proxy against any liability in relation to any claim and/or demand made against the Trustee and/or the Attorney and/or the Proxy by any person

whatsoever, including the tax authorities, in relation to their acts or omissions in connection with the Plan.

**PART 12**  
**TAXATION**

- 12.01 General. Subject to applicable law, the grantee shall be liable for all taxes, duties, fines and other payments which may be imposed by the tax authorities (in any applicable jurisdiction worldwide) and for every obligatory payment of whatever source in respect of the Awards, the Shares (including, without limitation, upon the grant of Awards, the exercise of the Awards, the sale of the Shares or the registration of the Shares in the grantee's name) or dividends or any other benefit in respect thereof and/or for all charges which shall accrue to the grantee, the Company, any subsidiary and/or to the Trustee, if applicable, in connection with the Plan, the Awards and/or the Shares, or any act or omission of the grantee or the Company in connection therewith or pursuant to any determination of the applicable tax or other authorities.
- 12.02 Tax Withholding. The Company may withhold from any amount payable to a grantee, either under this Plan or otherwise, such amount as it reasonably believes is necessary to enable the Company to comply with the applicable requirements of any federal, provincial, local or foreign law, or any administrative policy of any applicable tax authority, relating to the withholding of tax or any other required deductions with respect to Awards ("**Withholding Obligations**"). The Company may also satisfy any liability for any such Withholding Obligations, on such terms and conditions as the Company may determine in its discretion, by:
- (a) requiring a grantee, as a condition to the exercise of any Awards, to make such arrangements as the Company may require so that the Company can satisfy such Withholding Obligations including, without limitation, requiring the grantee to remit to the Company in advance, or reimburse the Company for, any such Withholding Obligations, or
  - (b) selling on the grantee's behalf without notice, or requiring the grantee to sell, any Shares acquired by the grantee under the Plan, or retaining any amount which would otherwise be payable to the grantee in connection with any such sale.
  - (c) Notwithstanding the foregoing, the grantee shall be entitled to satisfy the obligation to pay any Withholding Obligations, in whole or in part, by providing the Company with funds sufficient to enable the Company to pay such Withholding Obligations.
- 12.03 Certificate of Authorization of Assessing Officer. The Company (including any subsidiary ) or the Trustee, if applicable, shall at any time be entitled to apply to the assessing officer, and in the case of a grantee abroad, to any foreign tax authority, for receipt of their certificate of authorization as to the amount of tax which the Company or any subsidiary or the grantee or the Trustee, if applicable, is to pay to the tax authorities resulting from granting the Awards or allotting the Shares, or regarding any other question with respect to the application of the Plan.
- 12.04 No Obligation to Notify or Minimize Taxes and No Liability to Claims. Except as required by applicable law the Company has no duty or obligation to any grantee to advise such holder as to the time or manner of exercising such Award. Furthermore, the Company has no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of an Award or a possible period in which the Award may not be exercised. The Company has no duty or obligation to minimize the tax consequences of an Award to the holder of such Award and will not be liable to any holder of an Award for any adverse tax consequences to such holder in connection with an Award. As a condition to accepting an Award under the Plan, each grantee (i) agrees to not make any claim against the Company, or any of its Officers, Directors, Employees or subsidiaries (and their respective officers, directors, employees) related to tax

liabilities arising from such Award or other Company compensation and (ii) acknowledges that such grantee was advised to consult with his or her own personal tax, financial and other legal advisors regarding the tax consequences of the Award and has either done so or knowingly and voluntarily declined to do so.

- 12.05 Withholding Indemnification. As a condition to accepting an Award under the Plan, in the event that the amount of the Company's and/or its subsidiaries Withholding Obligations in connection with such Award was greater than the amount actually withheld by the Company and/or its subsidiaries, each grantee agrees to indemnify and hold the Company and/or its subsidiaries harmless from any failure by the Company and/or its subsidiaries to withhold the proper amount.

### **PART 13** **MISCELLANEOUS PROVISIONS**

- 13.01 Notwithstanding any provisions of this Plan to the contrary, Awards shall be subject to any terms and conditions for grantee's country of residence (and country of employment, if different) set forth in the appendix attached hereto with respect to grantees who reside in such country, if applicable. Further, if grantee transfer residence and/or employment to another country reflected in such appendix, the terms and conditions for such country will apply to the grantee to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. Such appendices (including without limitation, the **Appendix D – US Appendix** and the **Appendix E – Israeli Appendix**) constitute part of this Plan.
- 13.02 Other Plans Not Affected. This Plan shall not in any way affect the policies or decisions of the Board in relation to the remuneration of Directors, Officers and Employees.
- 13.03 Rights and/or benefits arising out of the employee/ employer or other relationship. Other than with respect to social security payments if required to be made by the Company or any subsidiary as a result of its choice of the tax treatment of the Awards (if applicable), no income or gain which shall be credited to or which purports to be credited to the grantee as a result of the Plan, shall in any manner be taken into account in the calculation of the basis of the grantee's entitlements from the Company or any subsidiary or in the calculation of any social welfare right or other rights or benefits arising out of the employee/employer relationship between the parties or any other engagement by the Company of the grantee. If, pursuant to any law, the Company or any subsidiary shall be obliged for the purposes of calculation of the said items to take into account income or gain actually or theoretically credited to the grantee, the grantee shall indemnify the Company or any subsidiary, against any expense caused to it in this regard.
- 13.04 Additional Documents. Whether the Award or Shares are granted or issued in the name of the grantee, the Trustee, or otherwise, the Company shall have the right to demand from the grantee at any time that the same shall provide, and the grantee shall provide, any certificate, declaration or other document which the Company and/or the Trustee, if applicable, shall consider to be necessary or desirable pursuant to any law, whether local or foreign, including any undertaking on the part of the grantee not to sell his Shares during any period which shall be required by an underwriter or investment bank or advisor of the Company for the purpose of any Share issuance whether private or public and including any certificate or agreement which the Company shall require, if any, from the grantees or any certificate, declaration or other document the obtaining of which shall be deemed by the Board and/or the Trustee, if applicable, to be appropriate or necessary for the purpose of raising capital for the Company, of merging the Company with another company (whether the Company is the surviving entity or not), or of reorganization of the Company, including, in the event of a consolidation, plan of arrangement or amalgamation of the Company or any sale, lease, exchange or other transfer of all or substantially all of the assets or Shares of the Company the sale or exchange, as the case may be, of any Shares the grantee (or the Trustee on his

behalf, if applicable) may have purchased hereunder all as shall be deemed necessary or desirable by the Board and/or the Trustee, if applicable.

- 13.05 Effective Date of Plan. This Plan, as amended, shall become effective upon receipt of shareholder approval. However, Awards may be granted under this Plan as amended, prior thereto. Any Award granted prior thereto may not be exercised prior to such date
- 13.06 Use of Proceeds. Proceeds from the sale of Shares pursuant to the Awards granted and exercised under the Plan, as amended, shall constitute general funds of the Company and shall be used for general corporate purposes.
- 13.07 Plan Language. The official language of the Plan shall be English. To the extent that the Plan, as amended, or any agreement are translated from English into another language, the English version of the Plan, as amended, and agreements will always govern, in the event that there are inconsistencies or ambiguities which may arise due to such translation.
- 13.08 Corporate Action Constituting Grant of Awards. Corporate action constituting a grant by the Company of an Award to any grantee will be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Award is communicated to, or actually received or accepted by, the grantee. In the event that the corporate records (e.g., Board consents, resolutions or minutes) documenting the corporate action approving the grant contain terms (e.g., exercise price, vesting schedule or number of shares) that are inconsistent with those in the Award Agreement or related grant documents as a result of a clerical error in the Award Agreement or related grant documents, the corporate records will control and the grantee will have no legally binding right to the incorrect term in the Award Agreement or related grant documents.
- 13.09 Applicable Currency. The Award Agreement shall specify the currency applicable to such Award. The Board may determine, in its sole discretion, that an Award denominated in one currency may be paid in any other currency based on the prevailing exchange rate as the Board deems appropriate. A grantee may be required to provide evidence that any currency used to pay the exercise price or purchase price of any Award was acquired and taken out of the jurisdiction in which the grantee resides in accordance with applicable laws, including foreign exchange control laws and regulations.
- 13.10 Headings. The headings used in this Plan, as amended, are for convenience of reference only and shall not in any way affect or be used in interpreting any of the provisions of this Plan, as amended.
- 13.11 No Obligation to Exercise. Grantees shall be under no obligation to exercise Awards granted under this Plan, as amended.
- 13.12 Conflict. Where a conflict arises between any section of the Plan, as amended, the Award Agreement or their application, and the provisions of any tax law, rule or regulations, whether relied upon for tax relief or otherwise, the latter shall prevail, and the Board in its sole discretion shall determine the necessary changes to be made to the Plan, as amended, and its determination regarding this matter shall be final and binding.
- 13.13 Termination of Plan. This Plan, as amended, shall only terminate pursuant to a resolution of the Board or the Company's shareholders.
- 13.14 Severability. If all or any part of the Plan, as amended, or any agreement is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of the Plan, as amended, or such Award Agreement not declared to be unlawful or invalid. Any Section of the Plan, as amended, or any agreement (or part of such a section) so declared to be unlawful



or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

- 13.15 Governing Law. The Plan, as amended, and all instruments issued thereunder shall be governed by and construed in accordance with the laws of British Columbia, Canada, unless if otherwise determined by any Appendix to the Plan, as amended.

APPENDIX A

NOTICE OF EXERCISE

To: The INX Digital Company, Inc. (the "Company")

\_\_\_\_\_

Attention: \_\_\_\_\_

1. **Exercise of Option.** Effective as of today, I, \_\_\_\_\_, the undersigned ("Grantee") hereby elects to exercise Grantee's option to purchase \_\_\_\_\_ Shares under and pursuant to the Omnibus Equity Incentive Compensation Plan, as amended (the "Plan") and the Award Agreement dated \_\_\_\_\_ (the "Award Agreement").
2. **Delivery of Payment.** Grantee herewith delivers to the Company the full exercise price for the Shares, as set forth in the Award Agreement and the payment of the aggregate withholding or other taxes in connection with such exercise.
3. **Rights as Shareholder.** Subject to the further provisions of the Award Agreement and of the Plan, as amended, and until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to receive dividends or any other rights as a shareholder shall exist with respect to the Award, notwithstanding the exercise of the Award. The Shares shall be issued to Grantee as soon as practicable after the Award is exercised. No adjustment shall be made for a dividend or other right for which the record date is prior to the date of issuance except as provided in the Plan.
4. **Tax Consultation.** Grantee understands that he may suffer adverse tax consequences as a result of Grantee's exercise or disposition of the Shares. Grantee represents that he has consulted with tax consultants that Grantee deems advisable in connection with the purchase or disposition of the Shares and that Grantee is not relying on the Company or any subsidiary or their respective Employees or Directors or Consultants thereof for any tax advice.

Submitted by:

Accepted by:

**The INX Digital Company, Inc.**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
By

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Address:

\_\_\_\_\_  
Address:

**Date Received:** \_\_\_\_\_

**APPENDIX B**

**IRREVOCABLE PROXY AND POWER OF ATTORNEY**

I, the undersigned, \_\_\_\_\_, hereby appoint the Chairman of the Board of Directors (or any other officer designated by the Company from time to time for such purpose) of The INX Digital Company, Inc. (the “Proxy” and the “Company”, respectively) as my proxy to participate and vote (or abstain) for me and on my behalf on all matters at all meetings of shareholders (whether ordinary, extraordinary or otherwise), of the Company, on behalf of all the Shares and/or Awards of the Company held by the Trustee on my behalf, if and when applicable, and, without derogating from the generality of the above, hereby authorize and grant a power of attorney to the Trustee under the Plan and to the Proxy as follows:

I hereby authorize and grant power of attorney to the Trustee under the Plan and to the Proxy for as long as any shares and/or Awards which were allotted or granted on my behalf are held by the Trustee or registered in his / her name, or for as long as the certificates representing any shares are held by the Trustee, to exercise every right, power and authority with respect to the shares and/or Awards and to sign in my name and on my behalf any document (including any agreement, including a plan of arrangement or amalgamation agreement of the Company or an agreement for the purchase or sale of assets or shares (including the shares of the Company held on my behalf) and any and all documentation accompanying any such agreements, such as, but not limited to, decisions, requests, instruments, receipts and the like), and any affidavit or approval with respect to the shares and/or Awards or to the rights which they represent in the Company in as much as the Trustee under the Plan and/or Proxy shall deem it necessary or desirable to do so.

In addition and without derogating from the generality of the foregoing, I hereby authorize and grant power of attorney to Trustee under the Plan and the Proxy to sign any document as aforesaid and any affidavit or approval (such as any waiver of rights of first refusal and/or any preemptive rights or other participation rights, in as much as such rights shall exist pursuant to the Plan and the Company’s charter documents or shareholders’ agreements as shall be in effect from time to time) and/or to make and execute any undertaking in my name and on my behalf if Trustee under the Plan and/or the Proxy shall, at his / her sole discretion, deem that the document, affidavit or approval is necessary or desirable for purposes of any placement of securities of the Company, whether private or public (including lock-up arrangements and undertakings), for purposes of an amalgamation of the Company with another entity, in any jurisdiction worldwide, whether the Company is the surviving entity or not, for purposes of any reorganization or recapitalization of the Company, for purposes of any purchase or sale of assets or shares of the Company or for any other purpose.

**The Shares shall be voted by the proxy holder in the same manner as the votes of the majority of other shareholders of the Company present and voting at the applicable meeting.**

This Proxy and Power of Attorney shall be interpreted in the widest possible sense, in reliance upon the Plan and upon the goals and intentions thereof.

This Proxy and Power of Attorney shall be irrevocable as the rights of the Company and the Company’s shareholders are dependent hereon. The expiration of this Power of Attorney shall in no manner effect the validity of any vote, document (as aforesaid), affidavit or approval which has been taken, signed or given as aforesaid prior to the expiration hereof and in accordance herewith.

**IN WITNESS WHEREOF**, I have executed this Proxy and Power of Attorney on the \_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_

Name: \_\_\_\_\_

## APPENDIX C

### U.S. APPENDIX TO THE PLAN

#### 1. GENERAL

1.1 This appendix (hereinafter: the “**US Appendix**”) shall apply only to grantees who are residents or citizens of the United States or those who are deemed to be residents or citizens of the United States for the payment of tax. The provisions specified hereunder shall form an integral part of the omnibus equity incentive compensation plan (hereinafter: the “**Plan**”), which applies to the issuance of Awards to purchase Shares of The INX Digital Company, Inc. (hereinafter: the “**Company**”).

1.2 This US Appendix is to be read as a continuation of the Plan and only refers to Awards granted to U.S. employees, directors, and other individuals (“**U.S Grantees**”) so that they comply with the requirements set by the U.S. law in general and in particular with the provisions of Section 409A of the Code and Sections 421 through 424 of the Code. For the avoidance of doubt, this US Appendix does not add to or modify the Plan in respect of any other category of U.S Grantees.

1.3 The Plan and this US Appendix are complementary to each other and shall be deemed one. In any case of contradiction, whether explicit or implied, between the provisions of this US Appendix and the Plan, the provisions set out in this Appendix shall prevail with respect to Awards granted to U.S. Grantees.

1.4 Unless otherwise defined herein, the terms defined in this US Appendix shall be construed according to the interpretation given to them in the Plan. The Board shall have full and binding authority to construe and interpret the terms of this US Appendix, and any such determinations shall be final and binding on all parties.

#### 2. DEFINITIONS

2.1 “**Code**” means the United States Internal Revenue Code of 1986, as now in effect or as hereafter amended.

2.2 “**Employee(s)**” means any individual who is an employee of the Company, a Parent or a Subsidiary.

2.3 “**ISO**” means an "incentive stock option" within the meaning of Section 422 of the Code, or the corresponding provision of any subsequently enacted U.S. federal tax statute, as amended from time to time.

2.4 “**NQSO**” or “**Non-Qualified Stock Option**” means an option that does not meet the requirements of, and is not governed by, the rules of Section 422 of the Code.

2.5 “**Parent**” means any company (other than the Company) in an unbroken chain of companies ending with the Company if, at the time of granting an Award, each of the companies (other than the Company), owns stock or other securities possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other companies in such chain.

2.6 “**Services Provider**” means director, supplier, advisor or Consultant of the Company, a Parent or a Subsidiary, provided, however, that a Consultant or advisor must be an individual who is providing or will be

providing bona fide services to the Company, with such services (1) not being in connection with the offer or sale of securities in a capital-raising transaction, and (2) not directly or indirectly promoting or maintaining a market for securities of the Company.

2.7 “**Subsidiary**” means any company (other than the Company) in an unbroken chain of companies beginning with the Company if, at the time of granting an Award, each of the companies other than the last company in the unbroken chain owns stock or other securities possessing fifty percent (50%) or more of the total combined voting power of all classes of shares in one of the other companies in such chain.

2.8 “**Ten Percent Shareholder**” shall mean a person who owns shares possessing at least ten percent (10%) of the total combined voting power of all classes of shares of the Company or of any of subsidiaries.

### **3. ISSUANCE OF AWARD; ELIGIBILITY**

3.1 The terms and conditions upon which Awards shall be issued and exercised, including the vesting schedules and the Exercise Price, shall be as specified in the Awards Agreement to be executed pursuant to the Plan and to this US Appendix, in substantially the form attached hereto as **Exhibit A**, unless otherwise decided by the Board.

3.2 ISOs may only be granted to Employees. NQSOs may be granted to Employees and Services Providers of the Company or a Parent or a Subsidiary.

### **4. SHARES AVAILABLE FOR ISSUANCE**

Except as adjusted pursuant to Part 8 to the Plan, in no event shall more than 10% of the outstanding share capital be available for issuance pursuant to the exercise of Incentive Stock Awards in accordance with Section 422 of the Code and regulations promulgated thereunder (hereinafter: “**ISO Regulations**”) by Employees who are subject to income tax in the United States. Any changes to the Plan regarding the granting corporation, increases in the number of shares, or the type of Shares issued (i.e. shares of a different corporation or a different class of shares), will require the approval of the Company's shareholders. With respect to Part 8 to the Plan and to the ISO Regulations, in the event of stock dividends or stock splits that only change the number of shares outstanding, the ISO's shall not be considered as substituted or assumed, and the Exercise Price may be proportionally adjusted to reflect the changes in the number of Shares without being considered a modification.

### **5. EXERCISE OF AWARDS**

5.1 Awards shall be exercised by the U.S Grantee's by giving written notice of exercise to the Company or to any third party designated by the Company (hereinafter: the “**Representative**”), in such form and method as may be determined by the Company, which exercise shall be effective upon receipt of such notice by the Company and/or the Representative and the payment of the Exercise Price for the number of Shares with respect to which the Award is being exercised and payment of the aggregate withholding and other taxes due with respect to the exercise of the Option, if applicable, in each case, made, at the Company's or the Representative's principal office. The notice shall specify the number of Shares with respect to which the Award is being exercised.

5.2 Each Award shall be exercisable following the Vesting Periods, subject to the provisions of the Plan and the number of Awards granted; provided, however, that no Award shall be exercisable after the earlier of: (i) the date set forth in the Award Agreement; (ii) in the event of the grant of ISOs, the expiration of ten (10) years from the Grant Date; (iii) in the event of the grant of ISOs to Ten Percent Shareholders, the expiration of five

(5) years from the Grant Date; or (iv) the expiration of any extended period in any of the events set forth in Part 7 of the Plan.

5.3 To the extent the aggregate Fair Market Value (determined at the Grant Date) of the Company's shares with respect to which ISO's are exercisable for the first time by any U.S. Grantee during any calendar year under all plans of the Company and its subsidiaries exceeds US\$100,000, the Awards or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as NQSOs.

## **6. RESTRICTED SHARES**

The Board may grant Restricted Shares under the US Appendix to U.S. Grantees who meet the eligibility requirements of Section 3 under the US Appendix, in accordance with Section 4.02 of the Plan.

## **7. RESTRICTED SHARE UNITS**

7.1 Nature of Restricted Share Units. The Board may grant Restricted Share Units to U.S. Grantees who meet the eligibility requirements of Section 3 under the US Appendix, subject to the terms and conditions set forth in Section 4.03 of the Plan. Except in the case of Restricted Share Units with a deferred settlement date that complies with Section 409A, at the end of the vesting period, the Restricted Share Units, to the extent vested, shall be settled in the form of Ordinary Shares. Restricted Share Units with deferred settlement dates are subject to Section 409A and shall contain such additional terms and conditions as the Board shall determine in its sole discretion in order to comply with the requirements of Section 409A.

7.2 Election to Receive Restricted Share Units in Lieu of Compensation. The Board may, in its sole discretion, permit a U.S. Grantee to elect to receive a portion of future cash compensation otherwise due to such U.S. Grantee in the form of an award of Restricted Share Units. Any such election shall be made in writing and shall be delivered to the Company no later than the date specified by the Board and in accordance with Section 409A and such other rules and procedures established by the Board. Any such future cash compensation that the U.S. Grantee elects to defer shall be converted to a fixed number of Restricted Share Units based on the Fair Market Value of the Ordinary Shares on the date the compensation would otherwise have been paid to the U.S. Grantee if such payment had not been deferred as provided herein. The Board shall have the sole right to determine whether and under what circumstances to permit such elections and to impose such limitations and other terms and conditions thereon as the Board deems appropriate. Any Restricted Share Units that are elected to be received in lieu of cash compensation shall be fully vested, unless otherwise provided in the Agreement.

## **8. OTHER SHARE-BASED AWARDS**

The Board may grant to U.S. Grantees who meet the eligibility requirements of Section 3 under the Appendix any other share-based award in accordance with Section 4.04 of the Plan.

## **9. EXERCISE PRICE**

In the case of an ISO, the Exercise Price shall be determined subject to the following:

9.1 in case of an ISO granted to a Ten Percent Shareholder, the Exercise Price shall be no less than one hundred and ten percent (110%) of the Fair Market Value per Share on the Grant Date.

9.2 in case of an ISO granted to any other Employee, the Exercise Price shall be no less than one

hundred percent (100%) of the Fair Market Value per Share on the Grant Date.

9.3 In the case of a NQSO, the Exercise Price shall be no less than one hundred percent (100%) of the Fair Market Value per Share on the Grant Date.

**HOWEVER, AND NOTWITHSTANDING ANYTHING TO THE CONTRARY, THE COMPANY DISCLAIMS ANY REPRESENTATIONS AND WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THE VALIDITY OR ACCURACY OF SUCH FAIR MARKET VALUE AND THE U.S GRANTEE SHALL SOLELY AND EXCLUSIVELY BEAR ALL RISKS AND IMPLICATIONS IN THIS RESPECT AND IN ADDITION U.S GRANTEE WAIVES FULLY ABSOLUTELY AND IRREVOCABLE ANY RIGHT, DEMAND, CLAIM OR SUIT IN THIS RESPECT INCLUDING AGAINST THE COMPANY AND/OR ITS RELATED COMPANIES AND THEIR SHAREHOLDERS AND/OR DIRECTORS AND/OR OFFICE HOLDERS AND/OR EMPLOYEES AND/OR CONSULTANTS AND/OR SERVICES PROVIDER AND/OR ANY OTHER THIRD PARTIES, INCLUDING WITHOUT LIMITATION THOSE WHO HAVE PROVIDED THE COMPANY WITH THE VALUATION, ESTIMATION OR OPINION WITH RESPECT TO THE FAIR MARKET VALUE PER SHARE.**

#### **10. RESTRICTIONS ON ASSIGNABILITY AND SALE OF AWARDS**

Unless otherwise determined by the Board and subject to any applicable law, no Award or any right with respect thereto, purchasable hereunder, whether fully paid or not, shall be assignable, transferable or given as collateral to any third party whatsoever, other than by will, pursuant to a domestic relations order, or by the laws of descent and distribution or as specifically otherwise allowed under this Plan, and during the lifetime of the U.S Grantee, each and all of such U.S Grantee's rights to exercise Shares hereunder shall be exercisable only by the U.S Grantee.

Any such action made directly or indirectly, for enabling the non-compliance with that stated above shall be null and void and has no effect whatsoever.

#### **11. EFFECTIVE DATE OF THE PLAN**

11.1 This US Appendix shall be effective as of the earlier of (i) the adoption date of the Plan or (ii) the date of shareholder approval (hereinafter: the “**Effective Date**”) and shall terminate upon the expiration of ten (10) years from the Effective Date (hereinafter: the “**Termination Date**”). No ISO may be granted under the US Appendix after the Termination Date. The US Appendix shall be approved by the shareholders of the Company, which approval shall be received within twelve (12) months following the adoption date of the Plan. All and any grants of ISOs to U.S Grantees under this US Appendix as of the Effective Date shall be subject to the said shareholders approval.

#### **12. AMENDMENT TO THE PLAN AND APPENDIX**

The Company shall obtain the approval of the Company's shareholders for any amendment to the Plan and this US Appendix, if shareholders' approval is necessary or desirable to comply with any applicable law, including Section 422 of the Code, which approval shall be received not later than twelve (12) months after the adoption of such amendment by the Board.

#### **13. TAX CONSEQUENCES**

13.1 To the extent permitted by applicable law, any tax consequences arising from the grant or exercise of any Award, from the payment for Shares covered thereby or from any other event or act (of the Company and/or its Parent and/or its Subsidiaries, or the U.S Grantee), hereunder, shall be borne solely by the U.S

Grantee and the U.S Grantee waives fully, absolutely and irrevocably on any right or claim in this respect. The Company and/or its Parent or Subsidiary shall withhold taxes according to the requirements under the applicable laws, rules, and regulations, including withholding taxes at source. Furthermore, the U.S Grantee shall agree to compensate and indemnify the Company and/or its Parent or Subsidiary and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the U.S Grantee.

13.2 The Company shall not be required to release any Share certificate to a U.S Grantee until all required payments have been fully made.

#### **14. SECTION 409A OF THE CODE**

The Options granted under the U.S Appendix are intended to be administered in a manner so that awards hereunder are exempt from Section 409A of the Code except to the extent specifically provided otherwise in an award agreement. For avoidance of doubt, Options are intended to qualify for the stock rights exemptions from Section 409A of the Code. Where reasonably possible and practicable, the US Appendix shall be administered in a manner to avoid the imposition on Grantees of immediate tax recognition and additional taxes pursuant to such Section 409A of the Code. Notwithstanding the foregoing, neither the Company nor the Board shall have any liability to any person in the event Section 409A applies to any such award in a manner that results in adverse tax consequences for the Grantee or any of his or her transferees.

#### **15. CONVERSION OF ISOs INTO NQSOs; TERMINATION OF ISOs**

The Board, at the written request of any U.S Grantee, may in its sole and absolute discretion after verifying the implications of applicable tax law including the provisions of Section 409A of the Code and the regulations promulgated thereunder, take such actions as may be necessary to convert such U.S Grantee's ISOs (or any portions thereof) that have not been exercised on the date of conversion into NQSOs, at any time prior to the expiration of such ISOs, regardless of whether the U.S Grantee is an Employee of the Company or a Parent or a Subsidiary at the time of such conversion. Such actions may include, but not be limited to extending the exercise period. At the time of such conversion, the Board (with the consent of the U.S Grantee) may impose such conditions on the exercise of the resulting NQSOs as the Board in its discretion may determine, provided that such conditions shall not be inconsistent with the Plan and/or with this US Appendix. Nothing in the Plan and/or in this US Appendix shall be deemed to give any U.S Grantee the right to have such U.S Grantee 's ISOs converted into NQSOs, and no such conversion shall occur unless and until the Board takes appropriate action. The Board, with the consent of the U.S Grantee, may also terminate any portion of any ISO that has not been exercised at the time of such conversion.

Notwithstanding the foregoing, Options designated as ISOs that fail to meet the requirements of Section 422 of the Code shall be redesignated as NQSOs automatically without further action by the Board on the date of such failure to meet the requirements of Section 422 of the Code.

Should any Award for any reason expire or be canceled prior to its exercise or relinquishment in full, the Share underlying to such Award may again, according to the Board's sole and absolute discretion, be subject to an Award under the Plan (whether granted to an Employee or service provider under or any country tax track) or under the Company's other share award plans, provided, however, that Shares that have actually been issued under the Plan shall not be returned to the Plan and shall not become available for future distribution under the Plan.



**16. NOTICE TO COMPANY OF DISQUALIFYING DISPOSITION.**

Each Employee who receives an ISO must agree to notify the Company in writing immediately after the Employee makes a Disqualifying Disposition of any Shares acquired upon the exercise of an ISO. A Disqualifying Disposition is any disposition (including any sale) of such Shares before the later of (a) two (2) years after the date the Employee was granted the ISO, or (b) one (1) year after the date the Employee acquired Shares by exercising the ISO. If the Employee has died before such Share is sold, these holding period requirements do not apply and no Disqualifying Disposition can occur thereafter.

**Signed:**

\_\_\_\_\_  
**THE INX DIGITAL COMPANY, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT A**  
**US OPTION AGREEMENT FORM**

*[see attached]*

**THE INX DIGITAL COMPANY, INC.**

**OMNIBUS LONG TERM INCENTIVE COMPENSATION PLAN**

**U.S. OPTION AGREEMENT**

By and between

THE INX DIGITAL COMPANY, INC.

A Canadian Company

(the "**Company**")

**of the first part**

and

Name \_\_\_\_\_

ID \_\_\_\_\_

(the "**Grantee**")

**an Employee or Services Provider (as defined in the U.S. Appendix)**

**of the second part**

Unless otherwise defined herein, the terms defined in this Option Agreement (the "Option Agreement") shall be construed according to the interpretation given to them in the Plan and the U.S. Appendix.

**I. NOTICE OF OPTION GRANT**

**Name:** \_\_\_\_\_

**Address:** \_\_\_\_\_  
\_\_\_\_\_

The undersigned Grantee has been granted an Option to purchase Shares, subject to the terms and conditions of the Plan, the US Appendix and this Option Agreement, as follows:

**Grant Number:** \_\_\_\_\_

**Grant Date:** \_\_\_\_\_

**Exercise Price per Share:** USD \_\_\_\_\_

**Total Number of Options Granted:** \_\_\_\_\_

**Total Exercise Price:** USD \_\_\_\_\_

- Type of Option:
- Option intended to qualify as an incentive stock option ("ISO") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").
  - Option not intended to qualify as an Incentive Stock Option (the "NQSO").

**Term/Expiration Date:** Ten (10) years from Grant Date, unless terminated earlier in accordance with the Plan.

Vesting Periods:

The Options shall be exercisable in numbers of whole shares in the Company (the "Shares"), subject to Grantee's continuing to be an Employee, Services Provider or consultant on such dates, according to the following vesting schedule:

- The Options shall become vested gradually over a period of 48 (forty-eight) calendar months, commencing from the Grant Date of this Option Agreement, all as detailed below:
  - (a) At the end of the first 12 (twelve) calendar month period – \_\_\_ (\_\_\_\_) Options;
  - (b) At the end of each consecutive 3 (three) month period over the second year - \_\_\_ (\_\_\_) Options;
  - (c) At the end of each consecutive 3 (three) month period over the third year - \_\_\_ (\_\_\_) Option; and
  - (d) At the end of each consecutive 3 (three) month period over the fourth year - \_\_\_ (\_\_\_) Option.

**Non-Vested Options** - All non-vested options shall expire and shall be null and void and have no effect whatsoever, automatically, absolutely and irrevocably, immediately upon the termination of the Grantee's engagement with the Company, a Parent or a Subsidiary (unless Grantee is immediately thereafter employed by the Company, a Parent or a Subsidiary) for any reason whatsoever.

**Vested Options** - All vested options shall expire and shall be null and void and have no effect whatsoever,

automatically, absolutely and irrevocably, unless exercised subject to and according to this Option Agreement and the Plan during a period of 90 (ninety) days after the termination of the Grantee's engagement with the Company, a Parent or a Subsidiary (unless Grantee is immediately thereafter employed by the Company, a Parent or a Subsidiary) for any reason whatsoever. In case of non-exercise of any vested Options during the said period, then those vested Options shall expire and shall be null and void and have no effect whatsoever, automatically, absolutely and irrevocably.

## II. OPTION AGREEMENT

### 1. GRANT OF OPTION

- (a) Subject to the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Grantee named in the Notice of Option Grant above (the "**Grantee**"), an option (the "**Option**") to purchase the number of Shares set forth in the Notice of Option Grant (the "**Notice of Grant**"), at the Exercise Price per Share set forth in the Notice of Grant (the "**Exercise Price**").
- (b) In accordance with the Plan, unless specifically stated otherwise herein, in the event of a conflict between the terms and conditions of the Plan and this Option Agreement, the terms and conditions of the Option Agreement shall prevail.
- (c) **In the case of an ISO, the Option shall not be considered an ISO to the extent that the Fair Market Value of the Shares, which may be purchased on exercise of the Option for the first time during any calendar year (under all plans of the Company and any Parent or Subsidiary of the Company), exceeds \$100,000. For purposes of this Section 1(c), ISOs shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.**
- (d) The Grantee is aware that: (i) the Company intends to issue additional shares and options in the future to various entities and individuals, as the Company in its sole and absolute discretion shall determine; and (ii) the Company may increase its share capital by new securities in such amount and compensation (if at all) as it finds suitable; and the Grantee hereby waives fully, absolutely and irrevocably on any claim and/or demand it has or may have regarding such issuance or increase.
- (e) The Grantee further represents that he/she is familiar with the Company's business and financial condition and has acquired sufficient information regarding the Company in order to reach an informed and knowledgeable decision to participate in the Plan and to be allocated the Options.

### 2. EXERCISE OF OPTION

- (a) **Right to Exercise.** This Option shall be exercisable at any time from the Grant Date and prior to the Expiration Date of the Term in accordance with the Vesting Schedule set forth in the Notice of Grant and subject to the applicable provisions of the Plan, the US Appendix and this Option Agreement.
- (b) **Method of Exercise.** This Option shall be exercisable by delivery of an exercise notice in the form attached as **Exhibit B** hereto (the "**Exercise Notice**"), and other documentation containing such other representations and agreements as may be required from time to time by the Company. The Exercise Notice shall be accompanied by (1) payment of the aggregate Exercise Price for the number of Shares to be purchased and (2) payment of the aggregate withholding and other taxes due with respect to the exercise of the Option, if applicable.

This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price and withholding and other taxes due with respect to the applicable Shares, if applicable.

No Shares shall be issued pursuant to the exercise of an Option unless such issuance and such exercise comply with applicable laws. If any law or regulation requires the Company to take any action with respect to the Shares specified in such notice before the issuance thereof, then the date of their issuance shall be extended for the period necessary to take such action. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to the Grantee on the date on which the Option is exercised with respect to such Shares.

- (c) The Options may be exercised only with respect to whole Shares, and in no case may a fraction of a Share be exercised. If any fractional Shares would be deliverable upon exercise, such fraction shall be rounded up or down, to the nearest whole number. Half of a share will be rounded down.
- (d) **Voting Rights.** Pursuant to the terms set forth in the Plan, (unless the Company, at its sole and absolute discretion, which shall not be subject to any reasonable grounds standard, may decide otherwise), any Share issued upon exercise of Options (and any other securities of the Company issued with respect thereto) shall be voted by an irrevocable proxy (the “**Proxy**”), pursuant to the directions of the Board, such Proxy to be in favor of the person or persons designated by the Board and to provide for the power of such designated person(s) to act, instead of the Grantee and on its behalf, with respect to any and all aspects of the Grantee’s shareholdings in the Company. The form of Proxy is attached hereto as **Exhibit C**. Such person or persons designated by the Board shall be indemnified and held harmless by the Company against any costs and expenses (including counsel fees) reasonably incurred by him/her, or any liability (including any sum paid in settlement of a claim with the prior written approval of the Company) arising out of any act or omission to act in connection with the voting of such Proxy, unless arising out of such person’s gross negligence, fraud or malice, all to the extent permitted by applicable law. Such indemnification shall be in addition to any rights of indemnification such person(s) may have as a director, shareholder or otherwise under the Company’s Articles of Association, any agreement, insurance policy or otherwise.
- (e) The Proxy shall be voted in the same manner as the votes of the majority of shareholders of the Company present and voting at the applicable meeting.

### **3. METHOD OF PAYMENT**

Payment of the aggregate Exercise Price shall be made in U.S. dollars, by any of the following, as shall be determined by the Administrator in its sole discretion: (1) cash, (2) check, (3) if approved by the Board, the retention of Shares otherwise issuable to the Grantee on exercise, (3) in any other form of consideration that may be acceptable to the Board and permissible under applicable law; or (4) a combination thereof (subject to the approval of the Board, as applicable) at the election of the Grantee.

### **4. RESTRICTIONS ON EXERCISE**

This Option may not be exercised until such time the Plan and the US Appendix have been approved by the shareholders of the Company or if the issuance of Shares upon such exercise or the method of payment of consideration for such Shares would constitute a violation of applicable laws.

### **5. NON-TRANSFERABILITY OF OPTIONS AND SHARES**

- (a) Options may not be transferred in any manner otherwise than by will, pursuant to a domestic relations order, or by the laws of descent or distribution and may be exercised during the lifetime of Grantee only by Grantee. The terms of the Plan, the US Appendix and, this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of Grantee.

- (b) Without derogating from the Company's Articles, as amended, Shares shall not be sold or transferred directly or indirectly to a competitor of the Company. The Board shall determine, in its sole and absolute discretion, whether a certain transfer of Shares is not allowed according to this Section.
- (c) The sale or the transfer of the Shares issued under this Option Agreement and following the exercise of the Option, shall be subject for all intents and purposes to the provisions set forth in the Plan, Company's Articles, and any documents and agreements of the shareholders in the Company, including but not limited to, in connection with, preemptive rights, right of first refusal, bring along right, tag along right, and different preference and priority rights (such as veto rights, voting rights, registration rights, liquidation preference rights, dividends preference rights, participation preference rights, etc.).

## 6. TERM OF OPTION

This Option may be exercised only during the period commencing on the Grant Date and terminating on the Expiration Date of the Term (the "**Term**") set out in the Notice of Grant, unless terminated earlier in accordance with the provisions of the Option Agreement or the Plan, and may be exercised during such Term only in accordance with the Plan, the US Appendix and the terms of this Option Agreement. In the case of an ISO granted to a Ten (10) Percent Shareholder the term of the Option shall be no more than five (5) years from the Grant Date.

## 7. TAX CONSEQUENCES

Any tax consequences arising from the grant or exercise of any Option or from the disposition of the Shares or from any other event or act (whether of the Grantee or of the Company) hereunder, shall be borne solely by the Grantee and the Grantee waives fully, absolutely and irrevocably on any right or claim in this respect. The Company shall withhold taxes according to the requirements under the applicable laws, rules, and regulations, including withholding taxes at source.

Furthermore, such Grantee shall agree to compensate and indemnify the Company, its subsidiaries and/or their respective shareholders and/or directors and/or officers if applicable, and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the Grantee, provided that they acted in due care. Except as otherwise required by law, the Company shall not be obligated to honor the exercise of any Option by or on behalf of a Grantee until all tax consequences (if any) arising from the exercise of such Options are resolved in a manner reasonably acceptable to the Company.

By accepting the Options and signing this Agreement, Grantee hereby agrees that the Company does not have a duty to design or administer the Plan or the US Appendix or its other compensation programs in a manner that minimizes Grantee's tax liabilities. Grantee will not make any claim against the Company, or any of its officers, directors, employees or affiliates related to tax liabilities arising from the Options.

Set forth below is a brief summary as of the date of the grant of this Option of some of the tax consequences of the exercise of this Option and the disposition of the Shares. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. THE COMPANY CANNOT PROVIDE GRANTEE WITH PERSONAL TAX ADVICE, AND THEREFORE GRANTEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THE OPTION OR DISPOSING OF THE SHARES.

- (i) Exercise of NQSO. There may be a regular federal income tax liability upon the exercise of the Option. The Grantee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price.

- (i) Exercise of ISO. If the Option qualifies as an ISO, there will be no regular federal income tax liability upon the exercise of the Option, although the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price will be treated as a tax preference item for federal alternative minimum tax purposes and may subject the Grantee to the alternative minimum tax in the year of exercise.
- (ii) Disposition of Shares – NQSO. If the Shares issued in respect of the exercise of a NQSO are held for more than 12 months after the date of purchase of the Shares pursuant to the exercise of a NQSO, any gain realized on disposition of the Shares will be treated as long term capital gain.
- (iii) Disposition of Shares – ISO. If the Shares are held for more than 12 months after the date of purchase of the Shares pursuant to the exercise of an ISO and are disposed of more than two years after the Grant Date, any gain realized on disposition of the Shares will be treated as long term capital gain for federal income tax purposes. If vested Shares purchased under an ISO are disposed of within the applicable one year or two year period, it will be considered a disqualifying disposition, and therefore, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates in the year of the disposition) to the extent of the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price.
- (iv) Notice of Disqualifying Disposition of ISO Shares. In the case of an ISO, if Grantee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (1) the date two years after the Grant Date, or (2) the date one year after the date of exercise, Grantee shall immediately notify the Company in writing of such disposition. Grantee agrees that Grantee may be subject to income tax withholding by the Company on the compensation income recognized by Grantee.

## **8. GOVERNING LAW**

This agreement shall be governed by, and interpreted in accordance with, the laws of the State of New York, U.S.A., notwithstanding the conflicts of laws principles of any jurisdiction.

## **9. SEVERABILITY**

The provisions of this Option Agreement or Notice of Grant should be enforced to the fullest extent permissible under the law and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, in the event that any provision of this Option Agreement Notice of Grant would be held in any jurisdiction to be invalid and/or prohibited and/or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without affecting the validity and/or enforceability of the remainder of this Option Agreement Notice of Grant in that jurisdiction and/or the validity and/or enforceability of this Option Agreement or Notice of Grant, including the said provision, in any other jurisdiction.

Notwithstanding, the foregoing, if such provision could be more narrowly drawn so as not be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Option Agreement or Notice of Grant including the said provision, in any other jurisdiction.

## **10. ENTIRE AGREEMENT**

The Plan and the US Appendix are incorporated herein by reference. The Plan, the US Appendix and, this Option Agreement constitute the entire agreement of the parties with respect to the subject matter



hereof and supersede in their entirety all prior undertakings and agreements of the Company and Grantee with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Company and Grantee, unless otherwise is determined under the Plan.

**11. NO GUARANTEE OF CONTINUED SERVICE**

Grantee acknowledges and agrees that the vesting of shares pursuant to the Vesting Schedule hereof is earned only by continuing as an Employee or Services Provider at the will of the Company. Grantee further acknowledges and agrees that this Option Agreement, the transactions contemplated hereunder and the Vesting Schedule set forth herein do not constitute an express or implied promise of continued engagement as an Employee or Services Provider and shall not interfere in any way with Grantee's right or the Company's right to terminate Grantee's relationship as an Employee or Services Provider at any time, with or without cause.

**11. CONFIDENTIALITY**

The Grantee agrees and acknowledges that the terms and conditions of this Option Agreement, including without limitation the number of Shares for which Options have been granted, are confidential. The Grantee agrees that he will not disclose these terms and conditions to any third party, except to the Grantee's financial or legal advisors, tax advisors or family members, unless such disclosure is required by law.

**By affixing his signature hereunder, Grantee acknowledges receipt of a copy of the Plan and the US Appendix and represents that Grantee is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Grantee has reviewed the Plan and all of its exhibits, schedules, appendixes (including without limitation the US Appendix) and this Option Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option Agreement and fully understands all provisions of the Option Agreement. Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board upon any questions arising under the Plan, the US Appendix or this Option. Grantee further agrees to notify the Company upon any change in the residence address indicated below.**

GRANTEE

THE INX DIGITAL COMPANY, INC.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
By

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Residence Address

**Attachments:**

- **Exhibit A: Amended Plan [including U.S. Appendix]**
- **Exhibit B: Exercise Notice**
- **Exhibit C: Proxy**

**EXHIBIT B**

**NOTICE OF EXERCISE (U.S. HOLDERS)**

Date: \_\_\_\_\_

**To:** The INX Digital Company, Inc. (the “**Company**”)

**With a copy to:** The Trustee (the “**Trustee**”) under the omnibus equity incentive compensation plan (the “**Plan**”)

Dear Sirs or Mesdames,

**Re: Notice of Exercise**

I hereby wish to inform you that it is my desire that of the Award which was granted to you on \_\_\_\_\_ to acquire \_\_\_\_\_ (\_\_\_\_\_) Shares of The INX Digital Company, Inc. (the “**Company**”) on my behalf, you exercise and acquire on my behalf \_\_\_\_\_ (\_\_\_\_\_) of the Shares subject to the said Award at a price of CA\$ \_\_\_\_ per Share, all in accordance with the Plan.

Attached to this Notice is a check in the amount of CA\$ \_\_\_\_\_ (CA\$ \_\_\_\_\_), as payment for the above mentioned Shares.

I am aware that all the Shares shall be allotted to you, registered in your name and that you shall hold all Share certificates representing such Shares.

Likewise, I am aware of and agree to all other provisions of the Plan and applicable law.

Yours sincerely,

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name

## APPENDIX D

### ISRAELI APPENDIX TO THE PLAN

#### Part 1 GENERAL

- 1.01** This appendix (the “**Israeli Appendix**”) shall apply only to grantees who are residents of the State of Israel or those who are deemed to be residents of the State of Israel for the payment of tax (“**Grantees**”). The provisions specified hereunder shall form an integral part of the omnibus equity incentive compensation plan (the “**Plan**”) which applies to the issuance of Awards to purchase Shares of The INX Digital Company, Inc. (the “**Company**”) as defined in the Plan.
- 1.02** This Israeli Appendix shall be effective with respect to Awards to be granted according to the resolution of the Board as such term is defined in the Plan and shall comply with Amendment no. 147 of the Ordinance.
- 1.03** This Israeli Appendix is to be read as a continuation of the Plan and only refers to Awards granted to Israeli Grantees so that they comply with the requirements set by the Israeli law in general, and in particular with the provisions of Section 102 of the Ordinance and with any regulations, rules, orders or procedures promulgated thereunder, as may be amended or replaced from time to time. For the avoidance of doubt, this Israeli Appendix does not add to or modify the Plan in respect of any other category of grantees.
- 1.04** The Plan and this Israeli Appendix are complementary to each other and shall be deemed one. In case of any contradiction or inconsistency between the Award Agreement and the Plan (including its Appendices), then the provisions of the Award Agreement shall prevail and supersede, with regard to all matters discussed therein. However, in the event of a conflict between the terms and conditions of the Plan or of the Award Agreement and any provision of the Tax Ordinance, rules or the trust agreement, the two latter shall govern and prevail.
- 1.05** Any capitalized terms not specifically defined in this Israeli Appendix shall be construed according to the interpretation given to them in the Plan.

#### Part 2 DEFINITIONS

- 2.01** “**Approved 102 Award**” - means an Award granted pursuant to Section 102(b) of the Ordinance and held in trust by a Trustee for the benefit of the Grantee.
- 2.02** “**Capital Gain Award (CGA)**” - means an Approved 102 Award elected and designated by the Company to qualify under the capital gain tax treatment, in accordance with the provisions of Section 102(b)(2) of the Ordinance.
- 2.03** “**Companies Law**” - means Companies Law 5759-1999, and any regulations, rules, orders or procedures promulgated thereunder, as now in effect or as may be hereafter amended or replaced.
- 2.04** “**Controlling Shareholder**” - means a controlling shareholder [“*Ba'al Shlita*”] as such term is defined in Section 32(9) of the Ordinance.
- 2.05** “**Employee**” including an individual who is serving as a director or as an Office Holder but excluding any Controlling Shareholder.
- 2.06** “**Employing Corporation**” - means any subsidiary or affiliated company or group within the meaning of Section 102(a) of the Ordinance.

- 2.07** "Grantee" - a grantee under the Plan.
- 2.08** "ITA" - means the Israeli Tax Authorities.
- 2.09** "Non-Employee" - means a consultant, adviser, services provider, Controlling Shareholder or any other person who is not an Employee.
- 2.10** "Office Holders" ["*Nose Misra*"] - as such term is defined in the Companies Law, including, *inter alia*, any other person who is part of the upper management of the Company and who provides managerial services to the Company.
- 2.11** "Ordinary Income Award (OIA)" - means an Approved 102 Award elected and designated by the Company to qualify under the ordinary income tax treatment, in accordance with the provisions of Section 102(b)(1) of the Ordinance.
- 2.12** "102 Award" - means an Award that the Board intends to be a "102 Award" which shall only be granted to Employees of the Company who are holding less than 10% (ten percent) of the Company's total issued share capital, and shall be subject to and construed consistently with the requirements of Section 102 of the Ordinance. The Company shall have no liability to a Grantee or to any other party, if an Award (or any part thereof), which is intended to be a 102 Award, is not a 102 Award. Approved 102 Award may either be classified as CGA or as OIA.
- 2.13** "3(i) Award" - means Awards that do not contain such terms as will qualify under Section 102 of the Ordinance.
- 2.14** "Ordinance" - means the Israeli Income Tax Ordinance (New Version) 5721 - 1961, and any regulations, rules, orders or procedures promulgated thereunder, as now in effect or as may be hereafter amended or replaced.
- 2.15** "Section 102" - means section 102 of the Ordinance.
- 2.16** "Trustee" - shall mean any individual or entity appointed by the Company to serve as a trustee and approved by the ITA, all in accordance with the provisions of Section 102(a).
- 2.17** "Unapproved 102 Award" - means an Award granted pursuant to Section 102(c) and not held in trust by a Trustee.

### **Part 3 ISSUANCE OF AWARDS; ELIGIBILITY**

- 3.01** The Company may designate Awards granted to Israeli Employees pursuant to Section 102 as Unapproved 102 Awards or Approved 102 Awards.
- 3.02** The grant of Approved 102 Awards shall be made under this Israeli Appendix adopted by the Board, and shall be conditioned upon the approval of this Israeli Appendix by the ITA.
- 3.03** The Company's election of the type of Approved 102 Awards as CGA or OIA granted to Israeli Employees (the "Election"), shall be appropriately filed with the ITA before the Grant Date of an Approved 102 Award under such Election. The Election shall become effective beginning the first Grant Date of an Approved 102 Award under such Election and shall remain in effect until the end of the year following the year during which the Company first granted Approved 102 Award under such Election. For the avoidance of doubt, the Election shall not prevent the Company from granting Unapproved 102 Award simultaneously.
- 3.04** All Approved 102 Award, must be held in trust by a Trustee as described in Section 4 below.

- 3.05** For the avoidance of any doubt, the designation of Unapproved 102 Award and Approved 102 Award shall be subject to the terms and conditions set forth in Section 102 of the Ordinance and the regulations promulgated there under.
- 3.06** Anything in the Plan to the contrary notwithstanding, all grants of Awards to directors and Office Holders shall be authorized and implemented in accordance with the provisions of the Companies Law.

#### **Part 4 TRUSTEE**

- 4.01** Approved 102 Awards which shall be granted under the Plan and/or any Shares allocated or issued upon exercise of such Approved 102 Awards and/or other shares received subsequently following any realization of rights including, without limitation, bonus shares, shall be allocated or issued to the Trustee (and registered in the Trustee's name in the companies registrar) and held for the benefit of the Grantees for such period of time as required by Section 102 (the "**Restricted Period**"). All certificates representing Shares issued to the Trustee under the Plan shall be deposited with the Trustee, and shall be held by the Trustee until such time that such Shares are released from the aforesaid trust as herein provided. In case the requirements for Approved 102 Awards are not met, then the Approved 102 Awards may be treated as Unapproved 102 Awards, all in accordance with the provisions of Section 102.
- 4.02** Notwithstanding anything to the contrary, the Trustee shall not release any Shares allocated or issued upon exercise of Approved 102 Awards prior to the full payment of the Exercise Price and the Grantees' tax liabilities arising from Approved 102 Awards, which were granted to such Grantee, and/or any Shares allocated or issued upon exercise of such Awards.
- 4.03** With respect to any Approved 102 Award, subject to the provisions of Section 102, a Grantee shall not be entitled to sell or release from trust any Share received upon the exercise of an Approved 102 Award and/or any share received subsequently following any realization of rights, including without limitation, bonus shares, until the lapse of the Restricted Period required under Section 102.
- 4.04** Upon receipt of Approved 102 Award, the Grantee will sign an undertaking to release the Trustee from any liability in respect of any action or decision duly taken and bona fide executed in relation with the Plan and this Israeli Appendix, or any Approved 102 Award or Share granted to him there under.

#### **Part 5 FAIR MARKET VALUE FOR TAX PURPOSES**

Without derogating from the above, solely for the purpose of determining the tax liability pursuant to Section 102(b)(3) of the Ordinance, if at the Grant Date the Company's shares are listed on any established stock exchange or a national market system or if the Company's shares will be registered for trading within ninety (90) days following the Grant Date, the Fair Market Value of a Share at the Grant Date shall be determined in accordance with the average value of the Company's shares on the thirty (30) trading days preceding the Grant Date or on the thirty (30) trading days following the date of registration for trading, as the case may be.

#### **Part 6 EXERCISE OF AWARDS**

- 6.01** Awards shall be exercised by the Grantee's giving a written notice and remitting payment of the Exercise Price to the Company or to any third party designated by the Company (the "**Representative**"), in such form and method as may be determined by the Company and by the Trustee and when applicable, in accordance with the requirements of Section 102. The exercise shall be effective upon receipt of such notice by the Company or the Representative and the payment of the Exercise Price at the Company's or the Representative's principal office. The notice shall specify the nominal value of the Share with respect to which the Award is being exercised.

- 6.02** With respect to Unapproved 102 Awards, if the Grantee ceases to be employed by the Company or any subsidiary, the Grantee shall extend to the Company and/or its subsidiary a security or guarantee as may be determined by the Company and by the Trustee for the payment of tax due at the time of Sale of Shares, all in accordance with the provisions of Section 102.

**Part 7 INTEGRATION OF SECTION 102 AND TAX COMMISSIONER'S PERMIT**

- 7.01** With regard to Approved 102 Awards, the provisions of the Plan and/or any agreement entered into in conjunction with any Award grant (the "**Agreement**") shall be subject to the provisions of Section 102 and the Income Tax Commissioner's permit, and the said provisions and permit shall be deemed an integral part of the Plan and of the Agreement.
- 7.02** Any provision of Section 102 and/or the said permit which is necessary in order to receive and/or to keep any tax benefit pursuant to Section 102, which is not expressly specified in the Plan or the Agreement, shall be considered binding upon the Company and the Grantees.

**Part 8 TAX CONSEQUENCES**

- 8.01** To the extent permitted by applicable law, any tax consequence and liabilities, of any sort and kind, including but not limited to, capital gain tax or income tax, arising from and/or in connection with the grant of Awards, exercise of any Award or sale of Shares received upon the exercise of Awards (including any kind of proceeds revenues and dividends, which resulted in that respect), from the payment for Shares covered thereby or from any other event or act (of the Company, and/or its subsidiaries, and/or the Trustee or the Grantee), hereunder, shall be borne solely and exclusively by the Grantee. The Company and/or its subsidiaries and/or the Trustee shall withhold taxes according to the requirements under the applicable laws, rules, and regulations, including withholding taxes at source. Furthermore, the Grantee agrees to indemnify the Company and/or its subsidiaries and/or the Trustee and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the Grantee.
- 8.02** The Company and/or the Trustee shall not be required to release any Share certificate to a Grantee until all required payments have been fully made by the Grantee.

**Part 9 GOVERNING LAW & JURISDICTION**

Notwithstanding any other provision of the Plan, with respect to Grantees that are subject to this Israeli Appendix, the Plan and all instruments issued thereunder or in connection therewith shall be governed by, and interpreted in accordance with, the laws of the State of Israel applicable to contracts made and to be performed therein without giving effect to the principles of conflict of laws. Notwithstanding anything stated herein to the contrary, if and to the extent any issue or matter arises hereunder which involves the application of another jurisdiction or the requirements relating to the administration of share Award of any stock exchange or quotation system, then such laws and requirements shall apply and shall govern such issues or matters, with accordance with any applicable laws. The competent courts of Tel-Aviv, Israel shall have the sole and exclusive jurisdiction to adjudicate any dispute that may arise in connection with the Plan with regard to this Israeli Appendix, interpretation or enforcement of Section 102 including (without limitation) matters involving the Trustee and the Israeli tax consequences of the Awards or the Shares in trust and the release and transfer of such Awards or Shares by the Trustee.

**Part 10 ASSIGNABILITY**

As long as Awards or Shares are held by the Trustee for the benefit of the Grantees, all rights of the Grantees over the Shares are personal, cannot be transferred, assigned, pledged or mortgaged, other than by will or laws of descent and distribution.

**Part 11 SEVERABILITY**

The provisions of this Israeli Appendix should be enforced to the fullest extent permissible under the law and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, in the event that any provision of this Plan would be held in any jurisdiction to be invalid and/or prohibited and/or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without affecting the validity and/or enforceability of the remainder of this Plan in that jurisdiction and/or the validity and/or enforceability of this Plan, including the said provision, in any other jurisdiction.

Notwithstanding, the foregoing, if such provision could be more narrowly drawn so as not be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Israeli Appendix, including the said provision, in any other jurisdiction.

---

**THE INX DIGITAL COMPANY, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT A-1**

**ISRAELI OPTION AGREEMENT FORM – CONSULTANTS/SERVICE PROVIDERS**

*[see attached]*



## OPTION AGREEMENT

THIS OPTION AGREEMENT (this “**Agreement**”) is made and entered into as of \_\_\_\_\_, by and between The INX Digital Company Inc., a company registered under the laws of Canada (the “**Company**”) and \_\_\_\_\_ (the “**Grantee**”) (the Company and the Grantee shall sometimes be referred to, each as a “**Party**” and collectively, as the “**Parties**”).

**WHEREAS:** The Grantee serves as a consultant of the Company and/or a Related Company; and

**WHEREAS:** The Company desires to grant the Grantee options to purchase shares in the Company and the Grantee is interested in receiving the aforesaid options, all in accordance with and subject to the Company’s Omnibus Equity Incentive Plan, as shall be amended from time to time, and the annexes thereto (the “**Plan**”) and the provisions of this Agreement;

**NOW, THEREFORE,** it is agreed as follows:

### **1. Application of the Provisions of the Plan and the Ordinance**

- 1.1. The Grantee hereby confirms that he/she has carefully read the Plan and that he/she acknowledges and agrees to all of the provisions, conditions, limitations, authorizations, declarations and commitments included therein, except and to the extent otherwise expressly provided herein.
- 1.2. All of the provisions, conditions, limitations and declarations included and specified in the Plan are hereby incorporated herein by reference and constitute an integral part of this Agreement and of the Grantee’s undertakings and obligations hereunder. Except and to the extent otherwise expressly provided herein, nothing in this Agreement or in the provisions hereof shall derogate from anything contained in the Plan.
- 1.3. The Grantee acknowledges, agrees and confirms that the Plan may be amended from time to time as provided for therein. The Grantee understands that any amendment to the Plan or any document connected to the Plan, shall bind him/her as if he/she was a party thereto, provided, that, except as otherwise provided for herein or in the Plan, no amendment or modification of the Plan may, without the consent of the Grantee, adversely affect the rights of the Grantee hereunder.
- 1.4. The Grantee declares, covenants and agrees that the Ordinance, as the same shall be amended from time to time, including the trust agreement between the Company and the Trustee (the conditions whereof are accepted by the Grantee and upon signing this Agreement he/she approves them as an integral part of this Agreement) and the notice to the Tax Assessing Officer about the allotment, are fully binding on the Grantee and, notwithstanding the provisions of Section 1.3 above, shall prevail in case of contradiction over any other provision in this Agreement or in the Plan.
- 1.5. A copy of the Plan is attached hereto and constitutes an integral part hereof.

### **2. Grant of Option; Vesting**

- 2.1. Subject to this Agreement and the Plan, the Company shall grant to the Trustee on behalf of the Grantee, an option (the “**Option**”) to purchase \_\_\_\_\_ Ordinary Shares of the Company, par value CA\$ \_\_\_\_\_ each (“**Shares**”), at an exercise price equal to \_\_\_\_\_, at the time and in the manner hereinafter provided.
- 2.2. The Option Exercise Price shall be paid on the date of the exercise thereof.
- 2.3. The term of the Option shall be ten (10) years from the date hereof or such shorter period as is prescribed herein or in the Plan (the “**Term**”).
- 2.4. The Option may be exercised during the Term, in whole or in part, by the Trustee in favor of the Grantee,

pursuant to the Grantee's instructions.

3. The Option shall vest over a period of four (4) years, as follows:

1/4 of the Shares shall vest on \_\_\_\_\_, 20\_\_, and additional 1/16 of the Shares shall vest at the end of each subsequent quarter over the course of the three (3) years until \_\_\_\_\_, 20\_\_.

The consideration shall be paid on the date of the exercise of the Option.

3. **Non-Assignability**

- 3.1 All of the Grantee's rights hereunder, including without limitation, the Grantee's rights to (a) receive and exercise the Option; (b) receive all or part of the Shares; (c) require that the same shall be registered in his/her name; (d) request that the Trustee sell all or part of the Shares on his/her behalf, are personal and except insofar as is specified in this Agreement and/or in the Plan, and, where applicable, subject to the Ordinance, may not be transferred, assigned, pledged, withheld, attached or otherwise charged either voluntarily or pursuant to any law, except by way of transfer pursuant to the laws of inheritance or as otherwise determined by the Board, and no power of attorney or deed of transfer, whether the same has immediate effect or shall take effect on a future date, shall be given with respect thereto. During the lifetime of the Grantee the Option may only be exercised by the designated Grantee or, if granted to the Trustee, by the Trustee on behalf of the designated Grantee.
- 3.2 Without derogating from the aforesaid, the Shares shall be transferable only in accordance with the Articles of Association of the Company, as amended from time to time.

4. **Grantee Representations, Warranties and Covenants**

Without derogating in any manner from the provisions of the Plan or this Agreement, the Grantee hereby represents, warrants, agrees and undertakes as follows:

- 4.1. The Shares, if and when purchased, are purchased for the Grantee's own account for investment purposes only and not with a view for resale or transfer, and all the rights pertaining to the Shares, by law or equity, shall be purchased and possessed by the Grantee (through the Trustee or otherwise) for the Grantee exclusively.
- 4.2. The Grantee acknowledges that the Company's shares are not publicly traded and understands that the Company bears no responsibility and has made no commitment to register its shares, or the Options or Shares, for trading or to offer its shares to the public in any manner.
- 4.3. The Grantee acknowledges that the grant of the Option, the exercise thereof, the issuance of the Shares, the execution of this Agreement and the Grantee's participation in the Plan shall have tax consequences to the Grantee, and that the Company is not able to ensure or represent to the Grantee the nature and extent of such tax consequences.
- 4.4. The Grantee acknowledges that nothing in this Agreement and/or in the Plan shall be interpreted as a commitment and/or an agreement by the Company and/or any Related Company to continue the engagement of the Grantee, whether for a certain period or otherwise. The Grantee shall have no claim whatsoever against the Company and/or any Related Company (including, without limitation, any of its or their officers, directors or shareholders) with respect to the termination of his/her engagement, even if such termination causes the Option or any other options, in whole or in part, to expire and/or prevents him/her from exercising the Option in whole or in part and/or from receiving or retaining the Shares, or results in any loss due to any imposition of tax liability (including any early imposition) pursuant to applicable law.
- 4.5. The Grantee acknowledges and agrees that no income or gain which the Grantee may be credited with or which purports to be credited to the Grantee as a result of the grant of the Option, the issue of the Shares, the transfer into the Grantee's name thereof or the sale thereof, if any, shall in any manner be taken into account in the calculation of the basis for the Grantee's entitlements from the Company or any Related

Company or in the calculation of any rights or benefits arising out of the engagement between the Company and the Grantee.

In the event that the Company and/or any Related Company shall be required, pursuant to any law, to take into account for purposes of calculating any such benefits, any of the aforesaid elements of income or gain actually or theoretically credited to the Grantee, the Grantee shall promptly indemnify the Company and/or any Related Company against any liability or expense caused to it in this regard, and any such amount shall be deemed a debt of the Grantee to the Company and/or any Related Company, which may be deducted or set off from any amounts payable to the Grantee, subject to applicable law.

- 4.6. The Grantee acknowledges that he/she is aware of, and clearly understands: (a) the rights and limitations attached to the Shares as set forth in the Company's Articles of Association, the Plan and this Agreement; (b) the limitations on transferability thereof set forth in the Articles of Association, the Plan and this Agreement; (c) that the Company's Articles of Association may be amended from time to time as permitted by law; and (d) that the provisions of the Articles of Association of the Company which shall apply to the Shares shall be the provisions which shall be in effect from time to time; and that, as a result, *inter alia*, of these limitations, it may be difficult or impossible for the Grantee to realize his/her investment and/or to sell or otherwise transfer the Shares.
- 4.7. The Grantee shall have none of the rights of a shareholder of the Company, for as long as the Option has not been exercised and, once exercised, for as long as the Shares have not been transferred and registered in the Grantee's name in the Company's register of shareholders pursuant to the provisions of the Plan.
- 4.8. The shares issued with respect to the Option granted hereunder will be held by the Trustee and registered in its name.
- 4.9. In the event that the Company's Articles of Association, now or at any time hereafter, provide for a right of first refusal to purchase shares of the Company which are offered for sale by other shareholders of the Company and/or a pre-emptive right to purchase shares which are being allotted or shall in the future be allotted by the Company, or any other similar right of co-sale or tag-along, the Grantee, whether as a holder of an option, or following the exercise of an option, as a shareholder of the Company, and whether the Shares issued to the Grantee are registered in his name or otherwise, hereby irrevocably waives such rights. For the purpose of the approval of any transfer or the execution of any issue as aforesaid, this Agreement shall constitute an authorization, for the benefit of the Company and the Company's shareholders, to the Trustee or whomever he shall designate pursuant to the Proxy attached as **Appendix C** to the Plan, or in such other form as shall be approved by the Board to sign any confirmation or waiver in the name of the Grantee and on his/her behalf. The Grantee shall not sell, and shall not instruct the Trustee to sell, the Shares or any part thereof to any third party, unless such third party signs a waiver and a power of attorney as aforesaid.
- 4.10. In accordance with the Proxy and Power of Attorney, for as long as any of the Shares are held by the Trustee or registered in his name or for as long as the certificates representing any of the Shares are held by the Trustee, the Trustee alone shall be entitled to receive every notice to which a shareholder is entitled, or to demand any information, and any financial and/or other report to which a shareholder is entitled from the Company, and only the Trustee, or the Attorney, shall be entitled to exercise every other right of the shareholders vis-à-vis the Company, including, without limitation, the right to participate in and to vote (or abstain) at all shareholders' meetings (whether ordinary or extraordinary) and the right to sign any resolution in writing in the name of the shareholders, if and to the extent such rights exist.
- 4.11. The Grantee shall provide at the Company's request, without limitation, any certificate, declaration or other document and shall perform any act which the Company or the Trustee shall consider to be necessary or desirable pursuant to any law, whether local or foreign, in accordance with the provisions of Section 13.05 of the Plan.

In order to guarantee, and without derogating from, the aforesaid, and because the rights of the Company and the other shareholders are dependent thereon, the Grantee shall, upon signing this Agreement and as a condition to the grant of any options hereunder, execute the Proxy and Power of Attorney irrevocably

empowering the Attorney to sign in his/her name as aforesaid on any document as aforesaid, and the Grantee shall have no complaint or claim against the Trustee and/or the Attorney in respect of any such signature or action, or in respect of any determination of the Trustee pursuant hereto. The Grantee will authenticate his/her signature in the presence of a notary if he/she shall be asked to do so by the Company, in order to give full validity to the power of attorney.

- 4.12. The Grantee has full knowledge of the Company and its activities, and is aware that the Company operates in a sophisticated, high tech and high risk sector, and that the market thereof is restricted and highly competitive, and that the exercise of the Option constitutes an economic risk. The Grantee undertakes that he/she shall not have any claim against the Company and/or any Related Company or any of its or their officers, directors, Grantees, shareholders or advisors if the Grantee's investment in the Shares shall fail or for the payment of any tax due or for any other reason.
- 4.13. The Grantee acknowledges that except for this Agreement (subject to the Plan and its appendixes pursuant to this Agreement) there are no other agreements (oral, written or in any other form) between the Company and him/her, and that to the extent that any such agreement exists, such agreements have terminated, and he/she irrevocably waives any right derived from such agreements. In addition, the Grantee irrevocably waives any right he/she may have with respect to any services he/she provided to the Company.
- 4.14. The Grantee acknowledges that there has not been and/or there is no and/or that this Agreement does not create any relationship of employer-employee or any other similar relationship between the Company and him/her neither now or in the past.

## **5. Taxes; Indemnification of the Company, the Trustee and the Attorney**

- 5.1. Without derogating from the provisions of the Plan, the Grantee hereby covenants, whether or not the provisions of the Ordinance shall apply, to bear all tax obligations, duties, levies, fines and other payments which may be imposed by the tax authorities (whether in Israel or abroad) and any other obligation or expense from whatever source, including but not limited to, every obligatory payment of whatever source in respect of or arising out of the Plan (including granting of the Option, exercise of the Option, issue of the Shares, transfer of the Shares into the Grantee's name and the sale thereof by the Grantee and/or by the Trustee) or dividends or any other benefit in respect thereof, and/or all other charges which may accrue to the Grantee, the Company, any Related Company and/or the Trustee in connection with the Plan, the Options and/or the Shares, or any act or omission of the Grantee or the Company or a Related Company in connection therewith or pursuant to any determination of the applicable tax or other authorities.

Without derogating from the generality of the aforesaid and subject to applicable law, the Grantee's obligations in this regard shall include income tax, capital gains tax and any other tax, levy or payment which the Grantee or the Company and/or any Related Company is or shall be obliged to pay in connection with the Option and/or the Shares (including deductions at source which the Company is obliged to make for tax imposed upon the Grantee) and the Grantee shall indemnify the Company and/or any Related Company and/or the Trustee for every charge or payment as aforesaid, which may be deducted or set off from any amounts payable to the Grantee, including, without limitation, dividends, consideration for the sale of shares or from any other source, at the Company and/or Related Company's sole and absolute discretion, subject to applicable law.

- 5.2. Without derogating from the above, the Grantee hereby covenants to pay the Company and/or the Trustee promptly upon their first request, any sum for which they are responsible (or, in the Board's opinion, they might be responsible for), and which is payable by the Grantee as set forth in Section 5.1 hereof to the income tax authorities and/or any other governmental or administrative authority, whether in Israel or abroad (including for deduction of tax at source) pursuant to the Plan and/or in respect of the Grantee's participation in the Plan, whether the Company and/or the Trustee's responsibility as aforesaid shall arise directly or in respect of any responsibility of the Grantee for such payment. The Grantee covenants to promptly indemnify the Company and/or any Related Company and/or the Trustee for any charge or

payment as aforesaid, which may be deducted or set off from any amounts payable to the Grantee.

Furthermore, and without derogating from any of the Company's rights under the Plan (without limitations, under Section 12.02 to the Plan), the exercise of the Option and the performance of any obligation of the Company pursuant to this Agreement shall be subject to the Grantee presenting to the Company a valid tax withholding exemption certificate in connection with the Option and the Shares to the Company's satisfaction.

- 5.3. Furthermore, the Grantee acknowledges that the Grantee shall not have, and the Grantee hereby waives, any complaint and/or cause of action the same has or shall have in the future against the Trustee and/or against the Company in any way connected to any taxation resulting from the grant of the Option, the exercise thereof, the transfer of Shares into the Grantee's name, the sale of Shares by the Grantee and/or by the Trustee and/or any other matter which is in any manner whatsoever connected to the Option, the Shares and/or the participation of the Grantee in the Plan.
- 5.4. In no event shall the Trustee or the Attorney be liable to the Company and/or the Grantee and/or to any third party (including, without derogating from the generality of the aforesaid, the income tax authorities and any other governmental or administrative authority, whether in Israel or abroad) or a purchaser of Shares from the Grantee (or the Trustee), with respect to any act which has been or which shall be carried out in relation to the Plan and any matter connected thereto or arising therefrom. The Company and/or any Related Company and the Grantee covenant, upon signing this Agreement, that they will not make, and they each hereby waive, any and all claims against the Trustee and the Attorney as aforesaid and each of the Company, Related Company and the Grantee expressly agree that if either shall make any claim against the Trustee or the Attorney the same shall then be entitled on the grounds of this section alone to apply to the competent court for dismissal of the action against them, with costs. The Company covenants and agrees that if a claim is brought by any third party against the Trustee or the Attorney the same will be entitled without objection by the Company, to join the Company as a third party to any such action and any judgment against them shall be paid by the Company.

The Company and the Grantee hereby covenant to indemnify the Trustee and/or the Attorney against any liability in relation to any claim and/or demand made against the Trustee and/or the Attorney by any person whatsoever, including the tax authorities, in relation to their acts or omissions in connection with the Plan.

The provisions of this section and the other provisions of this Agreement and the Plan which grant any right, power, immunity or any authority to the Trustee and/or the Attorney shall operate in favor of the Trustee and the Attorney and they shall be entitled to act pursuant to and enforce such provisions, and the Company and the Grantee shall be liable to the Trustee and the Attorney as if they were parties to this Agreement.

## 6. **Miscellaneous**

- 6.1. **Preamble; Interpretation.** The preamble to this Agreement is the basis and constitutes an integral part thereof. All article and section headings herein are inserted for convenience only and shall not modify or affect the construction or interpretation of any provision of this Agreement. Unless the context otherwise requires, capitalized terms not otherwise defined herein shall bear the meanings ascribed to them in the Plan.
- 6.2. **Entire Agreement; Amendment.** The Grantee declares and agrees that this Agreement and the Plan prevail over any previous agreement, arrangement and/or understanding, whether written or oral, between the Grantee and the Company and/or any Related Company, or the officers and/or directors and/or the shareholders thereof with respect to the subject matters hereof and thereof and that any agreement, arrangement and/or understanding as aforesaid are null and void and of no further force or effect. Subject to the provisions of this Agreement and the Plan, no modification or amendment of this Agreement will be valid unless executed by the Company and the Grantee.

- 6.3. Disputes; Governing Laws. This Agreement shall be governed by and construed in accordance with the laws of the State of Israel and, subject to the provisions below, the competent courts in the Tel-Aviv district shall have exclusive jurisdiction with respect to any matter or conflict with respect thereto.

As a condition of the granting of the Option, the Grantee and the Grantee's successors and assigns agree that any dispute or disagreement which shall arise under or as a result of this Agreement shall be determined by the Board, or any committee designated by the Board pursuant to the Plan, in its sole discretion and judgment and that any such determination and any interpretation by the Board or any such committee of the terms of this Agreement shall be final and shall be binding and conclusive for all purposes. In making any such determination or interpretation the Board or any such committee shall not be bound by the rules of procedure or evidence or substantive law and shall not be required to give any reasons therefore.

- 6.4. Notices and/or Instructions. Every notice and/or instruction required or permitted to be given pursuant to this Agreement shall be given in writing and shall be deemed to have been delivered (i) on the date of its delivery to the addressee by hand, (ii) three (3) days after having been sent by registered mail or (iii) one (1) after having been sent by facsimile. The parties' addresses for the purpose of this Section shall be as communicated by each Party to the other by written notice in advance.

A stamp or a receipt on behalf of the postal service which evidences the time of delivery of the notice or a confirmation of transmission shall constitute conclusive evidence as to the date of delivery and no party shall claim that a notice delivered as aforesaid has not been received by such party.

In the event that the Grantee claims, or any court, tribunal and/or authority determines anything contrary to Sections 4.13-4.14 above the Company shall be entitled to terminate this Agreement and the Option and repurchase any of the Shares for no consideration.

*[THE REMAINDER OF THIS PAGE WAS INTENTIONALLY LEFT BLANK]*

**IN WITNESS WHEREOF**, the parties hereto have executed this Option Agreement as of the date written hereinabove.

---

**THE INX DIGITAL COMPANY, INC.**

---

**GRANTEE**

**EXHIBIT A-2**

**ISRAELI OPTION AGREEMENT FORM – EMPLOYEE**

*[see attached]*



## OPTION AGREEMENT

THIS 102 OPTION AGREEMENT (this "**Agreement**") is made and entered into as of \_\_\_\_\_, 20\_\_, by and between The INX Digital Company, Inc., a company registered under the laws of Canada (the "**Company**") and \_\_\_\_\_ (the "**Grantee**") (the Company and the Grantee shall sometimes be referred to, each as a "**Party**" and collectively, as the "**Parties**").

**WHEREAS:** The Grantee is an employee of the Company and/or a Related Company; and

**WHEREAS:** The Company desires to grant the Grantee options to purchase shares in the Company and the Grantee is interested in receiving the aforesaid options, all in accordance with and subject to Company's Omnibus Equity Incentive Plan, as shall be amended from time to time, and the annexes thereto (the "**Plan**") and the provisions of this Agreement, and their intention is that the provisions of the Ordinance, Section 102 and the Rules shall apply to the options granted and shares issued; and

**WHEREAS:** The Grantee has read Section 102, the Rules and the Plan, wishes to be bound by them and desires that they apply to the options and shares which shall be granted to him/her hereunder;

**NOW, THEREFORE**, it is agreed as follows:

### **1. Application of the Provisions of the Plan and the Ordinance**

- 1.1 The Grantee hereby confirms that he/she has carefully read the Plan and that he/she acknowledges and agrees to all of the provisions, conditions, limitations, authorizations, declarations and commitments included therein, except and to the extent otherwise expressly provided herein.
- 1.2 All of the provisions, conditions, limitations and declarations included and specified in the Plan are hereby incorporated herein by reference and constitute an integral part of this Agreement and of the Grantee's undertakings and obligations hereunder. Except and to the extent otherwise expressly provided herein, nothing in this Agreement or in the provisions hereof shall derogate from anything contained in the Plan.
- 1.3 The Grantee acknowledges, agrees and confirms that the Plan may be amended from time to time as provided for therein. The Grantee understands that any amendment to the Plan or any document connected to the Plan, shall bind him/her as if he/she was a party thereto, provided, that, except as otherwise provided for herein or in the Plan, no amendment or modification of the Plan may, without the consent of the Grantee, adversely affect the rights of the Grantee hereunder.
- 1.4 The Grantee declares, covenants and agrees that the Ordinance, Section 102 and the Rules, as the same shall be amended from time to time, including the trust agreement between the Company and the Trustee (the conditions whereof are accepted by the Grantee and upon signing this Agreement he/she approves them as an integral part of this Agreement) and the notice to the Tax Assessing Officer about the allotment, are fully binding on the Grantee and, notwithstanding the provisions of Section 1.3 above, shall prevail in case of contradiction over any other provision in this Agreement or in the Plan.
- 1.5 A copy of the Plan is attached hereto and constitutes an integral part hereof.

### **2. Grant of Option; Vesting**

- 2.1. Subject to this Agreement and the Plan, the Company shall grant to the Trustee on behalf of the Grantee, a CGO Approved 102 Option (the "**Option**") to purchase \_\_\_\_\_ (\_\_\_\_\_) Ordinary Shares of the Company, par value CDN\$\_\_\_\_\_ each ("**Shares**"), at an exercise price equal to [\_\_\_\_\_], at the time and in the manner hereinafter provided.
- 2.2 The Option Exercise Price shall be paid on the date of the exercise thereof.
- 2.3 The term of the Option shall be ten (10) years from the date hereof or such shorter period as is prescribed herein or in the Plan (the "**Term**").

- 2.4 The Option may be exercised during the Term, in whole or in part, by the Trustee in favor of the Grantee, pursuant to the Grantee's instructions.

The Option shall vest over a period of four (4) years, as follows:

1/4 of the Shares shall vest on \_\_\_\_\_, 20\_\_, and additional 1/16 of the Shares shall vest at the end of each subsequent quarter over the course of the three (3) years until \_\_\_\_\_, 20\_\_.

The consideration shall be paid on the date of the exercise of the Option. The Option shall be exercisable by the Trustee on behalf of the Grantee in progressive stages on the exercise dates as aforesaid, provided, that the Grantee shall have been continuously employed by the Company and/or a Related Company, from the date hereof until each such date of exercise.

- 2.5 In the event that the Grantee's employment with the Company is terminated, then the provisions of Section 5.04 of the Plan shall apply.

### **3. Non Assignability; Restriction Period**

- 3.1 All of the Grantee's rights hereunder, including without limitation, the Grantee's rights to (a) receive and exercise the Option; (b) receive all or part of the Shares; (c) require that the same shall be registered in his/her name; (d) request that the Trustee sell all or part of the Shares on his/her behalf, are personal and except insofar as is specified in this Agreement and/or in the Plan, and, where applicable, subject to Section 102 and the Rules, may not be transferred, assigned, pledged, withheld, attached or otherwise charged either voluntarily or pursuant to any law, except by way of transfer pursuant to the laws of inheritance or as otherwise determined by the Board, and no power of attorney or deed of transfer, whether the same has immediate effect or shall take effect on a future date, shall be given with respect thereto. During the lifetime of the Grantee the Option may only be exercised by the designated Grantee or, if granted to the Trustee, by the Trustee on behalf of the designated Grantee.
- 3.2 Without derogating from the aforesaid, the Shares shall be transferable only in accordance with the Articles of Association of the Company, as amended from time to time.
- 3.3 Without derogating from any provision contained herein, the Grantee declares and agrees that he/she is restricted from making any disposition of the Option or the Shares for a period of at least twenty-four (24) months from the date in which the Options are allocated to the Trustee or a shorter period as approved by the tax authorities. The Grantee acknowledges and understands that the meaning of the above restriction for purposes of the tax authorities is that if the Grantee voluntarily sells (in accordance with the meaning of Section 102 and the Rules) the Option or the Shares before the end of the Restriction Period, the Option or the Shares shall be subject to tax as ordinary income as per Sections 2(1) and 2(2) of the Ordinance and the other provisions of Section 102 and the Rules. Furthermore, all rights related to the Option or the Shares will be held by the Trustee until the end of the Restriction Period, including, without limitation, bonus shares, and will be subject to the provisions of Section 102 and the Rules.
- 3.4 Notwithstanding the above, if any such sale or transfer occurs during the Restriction Period, the sanctions under Section 102 and under the Rules or regulation or orders or procedures promulgated thereunder shall apply to and shall be borne by the Grantee.

### **4. Grantee Representations, Warranties and Covenants**

Without derogating in any manner from the provisions of the Plan or this Agreement, the Grantee hereby represents, warrants, agrees and undertakes as follows:

- 4.1 The Shares, if and when purchased, are purchased for the Grantee's own account for investment purposes only and not with a view for resale or transfer, and all the rights pertaining to the Shares, by law or equity, shall be purchased and possessed by the Grantee (through the Trustee or otherwise) for the Grantee exclusively.
- 4.2 The Grantee acknowledges that the Company's shares are not publicly traded and understands that the Company bears no responsibility and has made no commitment to register its shares, or the Options or Shares, for trading or to offer its shares to the public in any manner.

- 4.3 The Grantee acknowledges that the grant of the Option, the exercise thereof, the issuance of the Shares, the execution of this Agreement and the Grantee's participation in the Plan shall have tax consequences to the Grantee, and that the Company is not able to ensure or represent to the Grantee the nature and extent of such tax consequences.
- 4.4 The Grantee acknowledges that nothing in this Agreement and/or in the Plan shall be interpreted as a commitment and/or an agreement by the Company and/or any Related Company to employ the Grantee, whether for a certain period or otherwise. The Grantee shall have no claim whatsoever against the Company and/or any Related Company (including, without limitation, any of its or their officers, directors or shareholders) with respect to the termination of his/her employment, even if such termination causes the Option or any other options, in whole or in part, to expire and/or prevents him/her from exercising the Option in whole or in part and/or from receiving or retaining the Shares, or results in any loss due to any imposition of tax liability (including any early imposition) pursuant to applicable law.
- 4.5 The Grantee acknowledges and agrees that no income or gain which the Grantee may be credited with or which purports to be credited to the Grantee as a result of the grant of the Option, the issue of the Shares, the transfer into the Grantee's name thereof or the sale thereof, if any, shall in any manner be taken into account in the calculation of the basis for the Grantee's entitlements from the Company or any Related Company or in the calculation of any social welfare right or other rights or benefits arising out of the employee/employer relationship, including without limitation, social security, manager's insurance, educational fund, pension funds, severance pay, holiday pay, etc.

In the event that the Company and/or any Related Company shall be required, pursuant to any law, to take into account for purposes of calculating any such benefits, any of the aforesaid elements of income or gain actually or theoretically credited to the Grantee, the Grantee shall promptly indemnify the Company and/or any Related Company against any liability or expense caused to it in this regard, and any such amount shall be deemed a debt of the Grantee to the Company and/or any Related Company, which may be deducted or set off from any amounts payable to the Grantee, subject to applicable law.

- 4.6 The Grantee acknowledges that he/she is aware of, and clearly understands: (a) the rights and limitations attached to the Shares as set forth in the Company's Articles of Association, the Plan and this Agreement; (b) the limitations on transferability thereof set forth in the Articles of Association, the Plan and this Agreement; (c) that the Company's Articles of Association may be amended from time to time as permitted by law; and (d) that the provisions of the Articles of Association of the Company which shall apply to the Shares shall be the provisions which shall be in effect from time to time; and that, as a result, *inter alia*, of these limitations, it may be difficult or impossible for the Grantee to realize his/her investment and/or to sell or otherwise transfer the Shares.
- 4.7 The Grantee shall have none of the rights of a shareholder of the Company, for as long as the Option has not been exercised and, once exercised, for as long as the Shares have not been transferred and registered in the Grantee's name in the Company's register of shareholders pursuant to the provisions of the Plan.
- 4.8 The shares issued with respect to the Option granted hereunder will be held by the Trustee and registered in its name.
- 4.9 In the event that the Company's Articles of Association, now or at any time hereafter, provide for a right of first refusal to purchase shares of the Company which are offered for sale by other shareholders of the Company and/or a pre-emptive right to purchase shares which are being allotted or shall in the future be allotted by the Company, or any other similar right of co-sale or tag-along, the Grantee, whether as a holder of an option, or following the exercise of an option, as a shareholder of the Company, and whether the Shares issued to the Grantee are registered in his name or otherwise, hereby irrevocably waives such rights. For the purpose of the approval of any transfer or the execution of any issue as aforesaid, this Agreement shall constitute an authorization, for the benefit of the Company and the Company's shareholders, to the Trustee or whomever he shall designate pursuant to the Proxy attached as **Appendix C** to the Plan, or in such other form as shall be approved by the Board to sign any confirmation or waiver in the name of the Grantee and on his/her behalf. The Grantee shall not sell, and shall not instruct the Trustee to sell, the Shares or any part thereof to any third party, unless such third party signs a waiver and a power of attorney as aforesaid.
- 4.10 In accordance with the Proxy and Power of Attorney, for as long as any of the Shares are held by the Trustee or registered in his name or for as long as the certificates representing any of the Shares are

held by the Trustee, the Trustee alone shall be entitled to receive every notice to which a shareholder is entitled, or to demand any information, and any financial and/or other report to which a shareholder is entitled from the Company, and only the Trustee, or the Attorney, shall be entitled to exercise every other right of the shareholders vis-à-vis the Company, including, without limitation, the right to participate in and to vote (or abstain) at all shareholders' meetings (whether ordinary or extraordinary) and the right to sign any resolution in writing in the name of the shareholders, if and to the extent such rights exist.

- 4.11 The Grantee shall provide at the Company's request, without limitation, any certificate, declaration or other document and shall perform any act which the Company or the Trustee shall consider to be necessary or desirable pursuant to any law, whether local or foreign, in accordance with the provisions of Section 13.05 of the Plan.

In order to guarantee, and without derogating from, the aforesaid, and because the rights of the Company and the other shareholders are dependent thereon, the Grantee shall, upon signing this Agreement and as a condition to the grant of any options hereunder, execute the Proxy and Power of Attorney irrevocably empowering the Attorney, to sign in his/her name as aforesaid on any document as aforesaid, and the Grantee shall have no complaint or claim against the Trustee and/or the Attorney in respect of any such signature or action, or in respect of any determination of the Trustee pursuant hereto. The Grantee will authenticate his/her signature in the presence of a notary if he/she shall be asked to do so by the Company, in order to give full validity to the power of attorney.

- 4.12 The Grantee has full knowledge of the Company and its activities, and is aware that the Company operates in a sophisticated, high tech and high risk sector, and that the market thereof is restricted and highly competitive, and that the exercise of the Option constitutes an economic risk. The Grantee undertakes that he/she shall not have any claim against the Company and/or any Related Company or any of its or their officers, directors, Grantees, shareholders or advisors if the Grantee's investment in the Shares shall fail or for the payment of any tax due or for any other reason.

## **5. Taxes; Indemnification of the Company, the Trustee and the Attorney**

- 5.1 Without derogating from the provisions of the Plan, the Grantee hereby covenants, whether or not the provisions of the Ordinance, Section 102 or the Rules shall apply, to bear all tax obligations, duties, levies, fines and other payments which may be imposed by the tax authorities (whether in Israel or abroad) and any other obligation or expense from whatever source, including but not limited to, every obligatory payment of whatever source in respect of or arising out of the Plan (including granting of the Option, exercise of the Option, issue of the Shares, transfer of the Shares into the Grantee's name and the sale thereof by the Grantee and/or by the Trustee) or dividends or any other benefit in respect thereof, and/or all other charges which may accrue to the Grantee, the Company, any Related Company and/or the Trustee in connection with the Plan, the Options and/or the Shares, or any act or omission of the Grantee or the Company or a Related Company in connection therewith or pursuant to any determination of the applicable tax or other authorities.

Without derogating from the generality of the aforesaid and subject to applicable law, the Grantee's obligations in this regard shall include income tax, stamp tax, employer's tax, capital gains tax, social security insurance and any other tax, levy or payment which the Grantee or the Company and/or any Related Company is or shall be obliged to pay in connection with the Option and/or the Shares (including deductions at source which the Company is obliged to make for tax imposed upon the Grantee) and the Grantee shall indemnify the Company and/or any Related Company and/or the Trustee for every charge or payment as aforesaid, which may be deducted or set off from any amounts payable to the Grantee, including, without limitation, dividends, consideration for the sale of shares or from any other source, at the Company and/or Related Company's sole and absolute discretion, subject to applicable law.

- 5.2 Without derogating from the above, the Grantee hereby covenants to pay the Company and/or the Trustee promptly upon their first request, any sum for which they are responsible (or, in the Board's opinion, they might be responsible for), and which is payable by the Grantee as set forth in Section 5.1 hereof to the income tax authorities and/or any other governmental or administrative authority, whether in Israel or abroad (including for deduction of tax at source) pursuant to the Plan and/or in respect of the Grantee's participation in the Plan, whether the Company and/or the Trustee's responsibility as aforesaid shall arise directly or in respect of any responsibility of the Grantee for such

payment. The Grantee covenants to promptly indemnify the Company and/or any Related Company and/or the Trustee for any charge or payment as aforesaid, which may be deducted or set off from any amounts payable to the Grantee.

- 5.3 Furthermore, the Grantee acknowledges that the Grantee shall not have, and the Grantee hereby waives, any complaint and/or cause of action the same has or shall have in the future against the Trustee and/or against the Company in any way connected to any taxation resulting from the grant of the Option, the exercise thereof, the transfer of Shares into the Grantee's name, the sale of Shares by the Grantee and/or by the Trustee and/or any other matter which is in any manner whatsoever connected to the Option, the Shares and/or the participation of the Grantee in the Plan.
- 5.4 In no event shall the Trustee or the Attorney be liable to the Company and/or the Grantee and/or to any third party (including, without derogating from the generality of the aforesaid, the income tax authorities and any other governmental or administrative authority, whether in Israel or abroad) or a purchaser of Shares from the Grantee (or the Trustee), with respect to any act which has been or which shall be carried out in relation to the Plan and any matter connected thereto or arising therefrom. The Company and/or any Related Company and the Grantee covenant, upon signing this Agreement, that they will not make, and they each hereby waive, any and all claims against the Trustee and the Attorney as aforesaid and each of the Company, Related Company and the Grantee expressly agree that if either shall make any claim against the Trustee or the Attorney the same shall then be entitled on the grounds of this section alone to apply to the competent court for dismissal of the action against them, with costs. The Company covenants and agrees that if a claim is brought by any third party against the Trustee or the Attorney the same will be entitled without objection by the Company, to join the Company as a third party to any such action and any judgment against them shall be paid by the Company.

The Company and the Grantee hereby covenant to indemnify the Trustee and/or the Attorney against any liability in relation to any claim and/or demand made against the Trustee and/or the Attorney by any person whatsoever, including the tax authorities, in relation to their acts or omissions in connection with the Plan.

The provisions of this section and the other provisions of this Agreement and the Plan which grant any right, power, immunity or any authority to the Trustee and/or the Attorney shall operate in favor of the Trustee and the Attorney and they shall be entitled to act pursuant to and enforce such provisions, and the Company and the Grantee shall be liable to the Trustee and the Attorney as if they were parties to this Agreement.

## 6. **Miscellaneous**

- 6.1 **Preamble; Interpretation.** The preamble to this Agreement is the basis and constitutes an integral part thereof. All article and section headings herein are inserted for convenience only and shall not modify or affect the construction or interpretation of any provision of this Agreement. Unless the context otherwise requires, capitalized terms not otherwise defined herein shall bear the meanings ascribed to them in the Plan.
- 6.2 **Entire Agreement; Amendment.** The Grantee declares and agrees that this Agreement and the Plan prevail over any previous agreement, arrangement and/or understanding, whether written or oral, between the Grantee and the Company and/or any Related Company, or the officers and/or directors and/or the shareholders thereof with respect to the subject matters hereof and thereof and that any agreement, arrangement and/or understanding as aforesaid are null and void and of no further force or effect. Subject to the provisions of this Agreement and the Plan, no modification or amendment of this Agreement will be valid unless executed by the Company and the Grantee.
- 6.3 **Disputes; Governing Laws.** This Agreement shall be governed by and construed in accordance with the laws of the State of Israel and, subject to the provisions below, the competent courts in the Tel-Aviv district shall have exclusive jurisdiction with respect to any matter or conflict with respect thereto.

As a condition of the granting of the Option, the Grantee and the Grantee's successors and assigns agree that any dispute or disagreement which shall arise under or as a result of this Agreement shall be determined by the Board, or any committee designated by the Board pursuant to the Plan, in its sole discretion and judgment and that any such determination and any interpretation by the Board or any such committee of the terms of this Agreement shall be final and shall be binding and conclusive for all

purposes. In making any such determination or interpretation the Board or any such committee shall not be bound by the rules of procedure or evidence or substantive law and shall not be required to give any reasons therefore.

- 6.4 Notices and/or Instructions. Every notice and/or instruction required or permitted to be given pursuant to this Agreement shall be given in writing and shall be deemed to have been delivered (i) on the date of its delivery to the addressee by hand, (ii) three (3) days after having been sent by registered mail or (iii) one (1) after having been sent by facsimile. The parties' addresses for the purpose of this Section shall be as communicated by each Party to the other by written notice in advance.

A stamp or a receipt on behalf of the postal service which evidences the time of delivery of the notice or a confirmation of transmission shall constitute conclusive evidence as to the date of delivery and no party shall claim that a notice delivered as aforesaid has not been received by such party.

*[THE REMAINDER OF THIS PAGE WAS INTENTIONALLY LEFT BLANK]*

*[Signature Page to The INX Digital Company, Inc.. Option Agreement]*

**IN WITNESS WHEREOF**, the parties hereto have executed this Option Agreement as of the date written hereinabove.

---

**THE INX DIGITAL COMPANY, INC.**

---

**GRANTEE**


By: \_\_\_\_\_

**SCHEDULE "L"**  
**INX TRADEMARKS REPORT AS OF OCTOBER 2021**


(See attached)




INX Limited - Trade Mark Report

Case Ref.	Applicants	Country	Category Description	Title	Device	Application No.	Application Filing Date	Registration No.	Registration Date	Renewal Date	International Classes	Case Status	Renewal Status	Goods & Services
T334022	INX Limited	Canada	National	INX		2105993	11/05/2021				09, 36, 38, 42	Pending		<p>Class 9: Computer software for financial applications; computer software and programs to allow users to perform electronic financial transactions; computer software for monitoring trading transactions; computer and mobile application software for financial investment and financial trading; computer software for use in processing data relating to financial records; electronic publications.</p> <p>Class 36: Financial affairs and monetary affairs; financial investment management, administration, planning and advisory services; financial exchange; financial services of brokerage and valuation services; financial investment insurance services; consultancy services relating to financial and monetary affairs; financial services of structured products trading; financial services relating to cryptocurrency, digital currencies and virtual currencies; financial market information; financial risk management; information, consultancy and advice relating to aforesaid.</p> <p>Class 38: Telecommunications services and data streaming services relating to electronic commerce; providing access to online databases in the fields of financial investment management, administration, planning and advisory services; providing access to computer databases in the field of financial services.</p> <p>Class 42: Providing online non-downloadable software for financial investment and financial trading; software as a service [SaaS] for financial affairs; computer software design, development and maintenance for others; blockchain consultancy; consultancy in the design and development of computer software; internet security consultancy; data security consultancy; information, consultancy and advice relating to aforesaid.</p>
T334024	INX Limited	Canada	National	INX Blue Logo		2106136	11/05/2021				09, 36, 38, 42	Pending		<p>Class 9: Computer software for financial applications; computer software and programs to allow users to perform electronic financial transactions; computer software for monitoring trading transactions; computer and mobile application software for financial investment and financial trading; computer software for use in processing data relating to financial records; electronic publications.</p> <p>Class 36: Financial affairs and monetary affairs; financial investment management, administration, planning and advisory services; financial exchange; financial services of brokerage and valuation services; financial investment insurance services; consultancy services relating to financial and monetary affairs; financial services of structured products trading; financial services relating to cryptocurrency, digital currencies and virtual currencies; financial market information; financial risk management; information, consultancy and advice relating to aforesaid.</p> <p>Class 38: Telecommunications services and data streaming services relating to electronic commerce; providing access to online databases in the fields of financial investment management, administration, planning and advisory services; providing access to computer databases in the field of financial services.</p> <p>Class 42: Providing online non-downloadable software for financial investment and financial trading; software as a service [SaaS] for financial affairs; computer software design, development and maintenance for others; blockchain consultancy; consultancy in the design and development of computer software; internet security consultancy; data security consultancy; information, consultancy and advice relating to aforesaid.</p>


INX Limited - Trade Mark Report

Case Ref.	Applicants	Country	Category Descriptor	Title	Device	Application No.	Application Filing Date	Registration No.	Registration Date	Renewal Date	International Classes	Case Status	Renewal Status	Goods & Services
T334026	INX Limited	Canada	National	INX White Logo		2106021	11/05/2021				09, 36, 38, 42	Pending		<p>Class 9: Computer software for financial applications; computer software and programs to allow users to perform electronic financial transactions; computer software for monitoring trading transactions; computer and mobile application software for financial investment and financial trading; computer software for use in processing data relating to financial records; electronic publications.</p> <p>Class 36: Financial affairs and monetary affairs; financial investment management, administration, planning and advisory services; financial exchange; financial services of brokerage and valuation services; financial investment insurance services; consultancy services relating to financial and monetary affairs; financial services of structured products trading; financial services relating to cryptocurrency, digital currencies and virtual currencies; financial market information; financial risk management; information, consultancy and advice relating to aforesaid.</p> <p>Class 38: Telecommunications services and data streaming services relating to electronic commerce; providing access to online databases in the fields of financial investment management, administration, planning and advisory services; providing access to computer databases in the field of financial services.</p> <p>Class 42: Providing online non-downloadable software for financial investment and financial trading; software as a service [SaaS] for financial affairs; computer software design, development and maintenance for others; blockchain consultancy; consultancy in the design and development of computer software; internet security consultancy; data security consultancy; information, consultancy and advice relating to aforesaid.</p>
T334458	INX Limited	European Union Intellectual Property Office	National	CRYPTO TRADING POWERHOUSE		18489429	10/06/2021				09, 36, 38, 42	Pending		<p>Class 9: Computer software for financial applications; computer software and programs to allow users to perform electronic financial transactions; computer software for monitoring trading transactions; computer and mobile application software for financial investment and financial trading; computer software for use in processing data relating to financial records; electronic publications.</p> <p>Class 36: Financial affairs and monetary affairs; financial investment management, administration, planning and advisory services; financial exchange; financial services of brokerage and valuation services; financial investment insurance services; consultancy services relating to financial and monetary affairs; financial services of structured products trading; financial services relating to cryptocurrency, digital currencies and virtual currencies; financial market information; financial risk management; information, consultancy and advice relating to aforesaid.</p> <p>Class 38: Telecommunications services and data streaming services relating to electronic commerce; providing access to online databases in the fields of financial investment management, administration, planning and advisory services; providing access to computer databases in the field of financial services.</p> <p>Class 42: Providing online non-downloadable software for financial investment and financial trading; software as a service [SaaS] for financial affairs; computer software design, development and maintenance for others; blockchain consultancy; consultancy in the design and development of computer software; internet security consultancy; data security consultancy; information, consultancy and advice relating to aforesaid.</p>



INX Limited - Trade Mark Report

Case Ref.	Applicants	Country	Category Descriptor	Title	Device	Application No.	Application Filing Date	Registration No.	Registration Date	Renewal Date	International Classes	Case Status	Renewal Status	Goods & Services
T310827	INX Limited	European Union Intellectual Property Office	National	INX		17817842	15/02/2018	17817842	03/07/2018	15/02/2028	09, 36, 38, 42	Registered	In Force	<p>Class 9: Computer software for financial applications; computer software and programs to allow users to perform electronic financial transactions; computer software for monitoring trading transactions; computer and mobile application software for financial investment and financial trading; computer software for use in processing data relating to financial records; electronic publications.</p> <p>Class 36: Financial affairs and monetary affairs; financial investment management, administration, planning and advisory services; financial exchange; financial services of brokerage and valuation services; financial investment insurance services; consultancy services relating to financial and monetary affairs; financial services of structured products trading; financial services relating to cryptocurrency, digital currencies and virtual currencies; financial market information; financial risk management; information, consultancy and advice relating to aforesaid.</p> <p>Class 38: Telecommunications services and data streaming services relating to electronic commerce; providing access to online databases in the fields of financial investment management, administration, planning and advisory services; providing access to computer databases in the field of financial services.</p> <p>Class 42: Providing online non-downloadable software for financial investment and financial trading; software as a service [SaaS] for financial affairs; computer software design, development and maintenance for others; blockchain consultancy; consultancy in the design and development of computer software; internet security consultancy; data security consultancy; information, consultancy and advice relating to aforesaid.</p>
T310846	INX Limited	European Union Intellectual Property Office	National	INX Logo		17833294	19/02/2018	17833294	03/07/2018	19/02/2028	09, 36, 38, 42	Registered	In Force	<p>Class 9: Computer software for financial applications; computer software and programs to allow users to perform electronic financial transactions; computer software for monitoring trading transactions; computer and mobile application software for financial investment and financial trading; computer software for use in processing data relating to financial records; electronic publications.</p> <p>Class 36: Financial affairs and monetary affairs; financial investment management, administration, planning and advisory services; financial exchange; financial services of brokerage and valuation services; financial investment insurance services; consultancy services relating to financial and monetary affairs; financial services of structured products trading; financial services relating to cryptocurrency, digital currencies and virtual currencies; financial market information; financial risk management; information, consultancy and advice relating to aforesaid.</p> <p>Class 38: Telecommunications services and data streaming services relating to electronic commerce; providing access to online databases in the fields of financial investment management, administration, planning and advisory services; providing access to computer databases in the field of financial services.</p> <p>Class 42: Providing online non-downloadable software for financial investment and financial trading; software as a service [SaaS] for financial affairs; computer software design, development and maintenance for others; blockchain consultancy; consultancy in the design and development of computer software; internet security consultancy; data security consultancy; information, consultancy and advice relating to aforesaid.</p>

INX Limited - Trade Mark Report

Case Ref.	Applicants	Country	Category Descriptor	Title	Device	Application No.	Application Filing Date	Registration No.	Registration Date	Renewal Date	International Classes	Case Status	Renewal Status	Goods & Services
T310847	INX Limited	European Union Intellectual Property Office	National	INX Logo		17835794	19/02/2018	17835794	03/07/2018	19/02/2028	09, 36, 38, 42	Registered	In Force	Class 9: Computer software for financial applications; computer software and programs to allow users to perform electronic financial transactions; computer software for monitoring trading transactions; computer and mobile application software for financial investment and financial trading; computer software for use in processing data relating to financial records; electronic publications. Class 36: Financial affairs and monetary affairs; financial investment management, administration, planning and advisory services; financial exchange; financial services of brokerage and valuation services; financial investment insurance services; consultancy services relating to financial and monetary affairs; financial services of structured products trading; financial services relating to cryptocurrency, digital currencies and virtual currencies; financial market information; financial risk management; information, consultancy and advice relating to aforesaid. Class 38: Telecommunications services and data streaming services relating to electronic commerce; providing access to online databases in the fields of financial investment management, administration, planning and advisory services; providing access to computer databases in the field of financial services. Class 42: Providing online non-downloadable software for financial investment and financial trading; software as a service [SaaS] for financial affairs; computer software design, development and maintenance for others; blockchain consultancy; consultancy in the design and development of computer software; internet security consultancy; data security consultancy; information, consultancy and advice relating to aforesaid.
T334023	INX Limited	Japan	National	INX		2021057650	12/05/2021				09, 36, 38, 42	Pending		Class 9: Computer software for financial applications; computer software and programs to allow users to perform electronic financial transactions; computer software for monitoring trading transactions; computer and mobile application software for financial investment and financial trading; computer software for use in processing data relating to financial records; electronic publications. Class 36: Financial affairs and monetary affairs; financial investment management, administration, planning and advisory services; financial exchange; financial services of brokerage and valuation services; financial investment insurance services; consultancy services relating to financial and monetary affairs; financial services of structured products trading; financial services relating to cryptocurrency, digital currencies and virtual currencies; financial market information; financial risk management; information, consultancy and advice relating to aforesaid. Class 38: Telecommunications services and data streaming services relating to electronic commerce; providing access to online databases in the fields of financial investment management, administration, planning and advisory services; providing access to computer databases in the field of financial services. Class 42: Providing online non-downloadable software for financial investment and financial trading; software as a service [SaaS] for financial affairs; computer software design, development and maintenance for others; blockchain consultancy; consultancy in the design and development of computer software; internet security consultancy; data security consultancy; information, consultancy and advice relating to aforesaid.


INX Limited - Trade Mark Report

Case Ref.	Applicants	Country	Category Descriptor	Title	Device	Application No.	Application Filing Date	Registration No.	Registration Date	Renewal Date	International Classes	Case Status	Renewal Status	Goods & Services
T334025	INX Limited	Japan	National	INX Blue Logo		2021057651	12/05/2021				09, 36, 38, 42	Pending		<p>Class 9: Computer software for financial applications; computer software and programs to allow users to perform electronic financial transactions; computer software for monitoring trading transactions; computer and mobile application software for financial investment and financial trading; computer software for use in processing data relating to financial records; electronic publications.</p> <p>Class 36: Financial affairs and monetary affairs; financial investment management, administration, planning and advisory services; financial exchange; financial services of brokerage and valuation services; financial investment insurance services; consultancy services relating to financial and monetary affairs; financial services of structured products trading; financial services relating to cryptocurrency, digital currencies and virtual currencies; financial market information; financial risk management; information, consultancy and advice relating to aforesaid.</p> <p>Class 38: Telecommunications services and data streaming services relating to electronic commerce; providing access to online databases in the fields of financial investment management, administration, planning and advisory services; providing access to computer databases in the field of financial services.</p> <p>Class 42: Providing online non-downloadable software for financial investment and financial trading; software as a service [SaaS] for financial affairs; computer software design, development and maintenance for others; blockchain consultancy; consultancy in the design and development of computer software; internet security consultancy; data security consultancy; information, consultancy and advice relating to aforesaid.</p>
T334028	INX Limited	Japan	National	INX White Logo		2021064374	26/05/2021				09, 36, 38, 42	Pending		<p>Class 9: Computer software for financial applications; computer software and programs to allow users to perform electronic financial transactions; computer software for monitoring trading transactions; computer and mobile application software for financial investment and financial trading; computer software for use in processing data relating to financial records; electronic publications.</p> <p>Class 36: Financial affairs and monetary affairs; financial investment management, administration, planning and advisory services; financial exchange; financial services of brokerage and valuation services; financial investment insurance services; consultancy services relating to financial and monetary affairs; financial services of structured products trading; financial services relating to cryptocurrency, digital currencies and virtual currencies; financial market information; financial risk management; information, consultancy and advice relating to aforesaid.</p> <p>Class 38: Telecommunications services and data streaming services relating to electronic commerce; providing access to online databases in the fields of financial investment management, administration, planning and advisory services; providing access to computer databases in the field of financial services.</p> <p>Class 42: Providing online non-downloadable software for financial investment and financial trading; software as a service [SaaS] for financial affairs; computer software design, development and maintenance for others; blockchain consultancy; consultancy in the design and development of computer software; internet security consultancy; data security consultancy; information, consultancy and advice relating to aforesaid.</p>



INX Limited - Trade Mark Report

Case Ref.	Applicants	Country	Category Description	Title	Device	Application No.	Application Filing Date	Registration No.	Registration Date	Renewal Date	International Classes	Case Status	Renewal Status	Goods & Services
T334457	INX Limited	United Kingdom	National	CRYPTO TRADING POWERHOUSE		3653903	10/06/2021				09, 36, 38, 42	Pending		<p>Class 9: Computer software for financial applications; computer software and programs to allow users to perform electronic financial transactions; computer software for monitoring trading transactions; computer and mobile application software for financial investment and financial trading; computer software for use in processing data relating to financial records; electronic publications.</p> <p>Class 36: Financial affairs and monetary affairs; financial investment management, administration, planning and advisory services; financial exchange; financial services of brokerage and valuation services; financial investment insurance services; consultancy services relating to financial and monetary affairs; financial services of structured products trading; financial services relating to cryptocurrency, digital currencies and virtual currencies; financial market information; financial risk management; information, consultancy and advice relating to aforesaid.</p> <p>Class 38: Telecommunications services and data streaming services relating to electronic commerce; providing access to online databases in the fields of financial investment management, administration, planning and advisory services; providing access to computer databases in the field of financial services.</p> <p>Class 42: Providing online non-downloadable software for financial investment and financial trading; software as a service [SaaS] for financial affairs; computer software design, development and maintenance for others; blockchain consultancy; consultancy in the design and development of computer software; internet security consultancy; data security consultancy; information, consultancy and advice relating to aforesaid.</p>
T323562	INX Limited	United Kingdom	National from EM	INX		917817842	15/02/2018	917817842	03/07/2018	15/02/2028	09, 36, 38, 42	Registered	In Force	<p>Class 9: Computer software for financial applications; computer software and programs to allow users to perform electronic financial transactions; computer software for monitoring trading transactions; computer and mobile application software for financial investment and financial trading; computer software for use in processing data relating to financial records; electronic publications.</p> <p>Class 36: Financial affairs and monetary affairs; financial investment management, administration, planning and advisory services; financial exchange; financial services of brokerage and valuation services; financial investment insurance services; consultancy services relating to financial and monetary affairs; financial services of structured products trading; financial services relating to cryptocurrency, digital currencies and virtual currencies; financial market information; financial risk management; information, consultancy and advice relating to aforesaid.</p> <p>Class 38: Telecommunications services and data streaming services relating to electronic commerce; providing access to online databases in the fields of financial investment management, administration, planning and advisory services; providing access to computer databases in the field of financial services.</p> <p>Class 42: Providing online non-downloadable software for financial investment and financial trading; software as a service [SaaS] for financial affairs; computer software design, development and maintenance for others; blockchain consultancy; consultancy in the design and development of computer software; internet security consultancy; data security consultancy; information, consultancy and advice relating to aforesaid.</p>

INX Limited - Trade Mark Report

Case Ref.	Applicants	Country	Category Descriptor	Title	Device	Application No.	Application Filing Date	Registration No.	Registration Date	Renewal Date	International Classes	Case Status	Renewal Status	Goods & Services
T310825	INX Limited	United Kingdom	National	INX		3290257	15/02/2018	3290257	15/02/2018	15/02/2028	09, 36, 38, 42	Registered	In Force	<p>Class 9: Computer software for financial applications; computer software and programs to allow users to perform electronic financial transactions; computer software for monitoring trading transactions; computer and mobile application software for financial investment and financial trading; computer software for use in processing data relating to financial records; electronic publications.</p> <p>Class 36: Financial affairs and monetary affairs; financial investment management, administration, planning and advisory services; financial exchange; financial services of brokerage and valuation services; financial investment insurance services; consultancy services relating to financial and monetary affairs; financial services of structured products trading; financial services relating to cryptocurrency, digital currencies and virtual currencies; financial market information; financial risk management; information, consultancy and advice relating to aforesaid.</p> <p>Class 38: Telecommunications services and data streaming services relating to electronic commerce; providing access to online databases in the fields of financial investment management, administration, planning and advisory services; providing access to computer databases in the field of financial services.</p> <p>Class 42: Providing online non-downloadable software for financial investment and financial trading; software as a service [SaaS] for financial affairs; computer software design, development and maintenance for others; blockchain consultancy; consultancy in the design and development of computer software; internet security consultancy; data security consultancy; information, consultancy and advice relating to aforesaid.</p>
T323564	INX Limited	United Kingdom	National from EM	INX Logo		917835794	19/02/2018	917835794	03/07/2018	19/02/2028	09, 36, 38, 42	Registered	In Force	<p>Class 9: Computer software for financial applications; computer software and programs to allow users to perform electronic financial transactions; computer software for monitoring trading transactions; computer and mobile application software for financial investment and financial trading; computer software for use in processing data relating to financial records; electronic publications.</p> <p>Class 36: Financial affairs and monetary affairs; financial investment management, administration, planning and advisory services; financial exchange; financial services of brokerage and valuation services; financial investment insurance services; consultancy services relating to financial and monetary affairs; financial services of structured products trading; financial services relating to cryptocurrency, digital currencies and virtual currencies; financial market information; financial risk management; information, consultancy and advice relating to aforesaid.</p> <p>Class 38: Telecommunications services and data streaming services relating to electronic commerce; providing access to online databases in the fields of financial investment management, administration, planning and advisory services; providing access to computer databases in the field of financial services.</p> <p>Class 42: Providing online non-downloadable software for financial investment and financial trading; software as a service [SaaS] for financial affairs; computer software design, development and maintenance for others; blockchain consultancy; consultancy in the design and development of computer software; internet security consultancy; data security consultancy; information, consultancy and advice relating to aforesaid.</p>

INX Limited - Trade Mark Report



Case Ref.	Applicants	Country	Category Descriptor	Title	Device	Application No.	Application Filing Date	Registration No.	Registration Date	Renewal Date	International Classes	Case Status	Renewal Status	Goods & Services
T323563	INX Limited	United Kingdom	National from EM	INX Logo		917833294	19/02/2018	917833294	03/07/2018	19/02/2028	09, 36, 38, 42	Registered	In Force	<p>Class 9: Computer software for financial applications; computer software and programs to allow users to perform electronic financial transactions; computer software for monitoring trading transactions; computer and mobile application software for financial investment and financial trading; computer software for use in processing data relating to financial records; electronic publications.</p> <p>Class 36: Financial affairs and monetary affairs; financial investment management, administration, planning and advisory services; financial exchange; financial services of brokerage and valuation services; financial investment insurance services; consultancy services relating to financial and monetary affairs; financial services of structured products trading; financial services relating to cryptocurrency, digital currencies and virtual currencies; financial market information; financial risk management; information, consultancy and advice relating to aforesaid.</p> <p>Class 38: Telecommunications services and data streaming services relating to electronic commerce; providing access to online databases in the fields of financial investment management, administration, planning and advisory services; providing access to computer databases in the field of financial services.</p> <p>Class 42: Providing online non-downloadable software for financial investment and financial trading; software as a service [SaaS] for financial affairs; computer software design, development and maintenance for others; blockchain consultancy; consultancy in the design and development of computer software; internet security consultancy; data security consultancy; information, consultancy and advice relating to aforesaid.</p>
T310845	INX Limited	United Kingdom	National	INX Logo (series of 2)		3290976	19/02/2018	3290976	19/02/2018	19/02/2028	09, 36, 38, 42	Registered	In Force	<p>Computer software for financial applications; computer software and programs to allow users to perform electronic financial transactions; computer software for monitoring trading transactions; computer and mobile application software for financial investment and financial trading; computer software for use in processing data relating to financial records; electronic publications.</p> <p>Financial affairs and monetary affairs; financial investment management, administration, planning and advisory services; financial exchange; financial services of brokerage and valuation services; financial investment insurance services; consultancy services relating to financial and monetary affairs; financial services of structured products trading; financial services relating to cryptocurrency, digital currencies and virtual currencies; financial market information; financial risk management; information, consultancy and advice relating to aforesaid.</p> <p>Telecommunications services and data streaming services relating to electronic commerce; providing access to online databases in the fields of financial investment management, administration, planning and advisory services; providing access to computer databases in the field of financial services.</p> <p>Providing online non-downloadable software for financial investment and financial trading; software as a service [SaaS] for financial affairs; computer software design, development and maintenance for others; blockchain consultancy; consultancy in the design and development of computer software; internet security consultancy; data security consultancy; information, consultancy and advice relating to aforesaid.</p>



INX Limited - Trade Mark Report

Case Ref.	Applicants	Country	Category Description	Title	Device	Application No.	Application Filing Date	Registration No.	Registration Date	Renewal Date	International Classes	Case Status	Renewal Status	Goods & Services
T334459	INX Limited	United States of America	National	CRYPTO TRADING POWERHOUSE		90/789052	22/06/2021				09, 36, 38, 42	Pending		<p>Class 9: Computer software for financial applications; computer software and programs to allow users to perform electronic financial transactions; computer software for monitoring trading transactions; computer and mobile application software for financial investment and financial trading; computer software for use in processing data relating to financial records; electronic publications.</p> <p>Class 36: Financial affairs and monetary affairs; financial investment management, administration, planning and advisory services; financial exchange; financial services of brokerage and valuation services; financial investment insurance services; consultancy services relating to financial and monetary affairs; financial services of structured products trading; financial services relating to cryptocurrency, digital currencies and virtual currencies; financial market information; financial risk management; information, consultancy and advice relating to aforesaid.</p> <p>Class 38: Telecommunications services and data streaming services relating to electronic commerce; providing access to online databases in the fields of financial investment management, administration, planning and advisory services; providing access to computer databases in the field of financial services.</p> <p>Class 42: Providing online non-downloadable software for financial investment and financial trading; software as a service [SaaS] for financial affairs; computer software design, development and maintenance for others; blockchain consultancy; consultancy in the design and development of computer software; internet security consultancy; data security consultancy; information, consultancy and advice relating to aforesaid.</p>
T310840	INX Limited	United States of America	National	INX			23/02/2018	5816766	30/07/2019	30/07/2029	09, 36, 38, 42	Registered	In Force	<p>Class 9: Computer software for financial applications, namely, downloadable computer software and programs to allow users to perform electronic financial transactions including trading, exchange, transfers, clearing, settlement and confirmations for market transactions in the field of digital currency and assets such as cryptocurrencies, digital tokens, security tokens, derivatives, collateral for derivatives, and virtual currencies; computer software for monitoring trading transactions; computer and mobile application software for financial investment and financial trading; computer software platform for use in processing data relating to financial records, including confirmations, transaction details, transfers, deposits, withdrawals, asset prices and values, identification, and compliance; electronic publications, namely, magazines, online websites and periodicals, newsletters, and user manuals featuring cryptocurrencies, digital assets, digital tokens, security tokens, derivatives, digital asset trading, cryptocurrency trading, and digital token trading recorded on computer media.</p> <p>Class 36: Financial affairs and monetary affairs, namely, financial information, management and analysis services in the field of cryptocurrencies, digital tokens, blockchain technology, and other digitized assets; financial investment management in the field of portfolios of digital currency and assets, namely, cryptocurrencies, digital tokens, security tokens, derivatives, collateral for derivatives, and virtual currencies; financial investment administration of transactions involving funds drawn from digital currency and assets, namely, cryptocurrencies, digital tokens, security tokens, derivatives, collateral for derivatives, and virtual currencies; financial investment administration of transactions involving the online withdrawal and deposit of fiat currency or cryptocurrencies, cash</p>

INX Limited - Trade Mark Report

Case Ref.	Applicants	Country	Category Description	Title	Device	Application No.	Application Filing Date	Registration No.	Registration Date	Renewal Date	International Classes	Case Status	Renewal Status	Goods & Services
T310848	INX Limited	United States of America	National	INX - Black & White Logo			20/02/2018	5803122	16/07/2019	16/07/2029	09, 36, 38, 42	Registered	In Force	Class 9: Computer software for financial applications, namely, downloadable computer software and programs to allow users to perform electronic financial transactions including trading, exchange, transfers, clearing, settlement and confirmations for market transactions in the field of digital currency and assets such as cryptocurrencies, digital tokens, security tokens, derivatives, collateral for derivatives, and virtual currencies; computer software for monitoring trading transactions; computer and mobile application software for financial investment and financial trading; computer software platform for use in processing data relating to financial records, including confirmations, transaction details, transfers, deposits, withdrawals, asset prices and values, identification, and compliance; electronic publications, namely, magazines, online websites and periodicals, newsletters, and user manuals featuring cryptocurrencies, digital assets, digital tokens, security tokens, derivatives, digital asset trading, cryptocurrency trading, and digital token trading recorded on computer media. Class 36: Financial affairs and monetary affairs, namely, financial information, management and analysis services in the field of cryptocurrencies, digital tokens, blockchain technology, and other digitized assets; financial investment management in the field of portfolios of digital currency and assets, namely, cryptocurrencies, digital tokens, security tokens, derivatives, collateral for derivatives, and virtual currencies; financial investment administration of transactions involving funds drawn from digital currency and assets, namely, cryptocurrencies, digital tokens, security tokens, derivatives, collateral for derivatives, and virtual currencies; financial investment administration of transactions involving the online withdrawal and deposit of fiat currency or cryptocurrencies, cash
T310849	INX Limited	United States of America	National	INX - Colour Logo		87804444	21/02/2018	5911675	19/11/2019	19/11/2029	09, 36, 38, 42	Registered	In Force	Class 9: Computer software for financial applications, namely, downloadable computer software and programs to allow users to perform electronic financial transactions including trading, exchange, transfers, clearing, settlement and confirmations for market transactions in the field of digital currency and assets such as cryptocurrencies, digital tokens, security tokens, derivatives, collateral for derivatives, and virtual currencies; computer software for monitoring trading transactions; computer and mobile application software for financial investment and financial trading; computer software platform for use in processing data relating to financial records, including confirmations, transaction details, transfers, deposits, withdrawals, asset prices and values, identification, and compliance; electronic publications, namely, magazines, online websites and periodicals, newsletters, and user manuals featuring cryptocurrencies, digital assets, digital tokens, security tokens, derivatives, digital asset trading, cryptocurrency trading, and digital token trading recorded on computer media. Class 36: Financial affairs and monetary affairs, namely, financial information, management and analysis services in the field of cryptocurrencies, digital tokens, blockchain technology, and other digitized assets; financial investment management in the field of portfolios of digital currency and assets, namely, cryptocurrencies, digital tokens, security tokens, derivatives, collateral for derivatives, and virtual currencies; financial investment administration of transactions involving funds drawn from digital currency and assets, namely, cryptocurrencies, digital tokens, security tokens, derivatives, collateral for derivatives, and virtual currencies; financial investment administration of transactions involving the online withdrawal and deposit of fiat currency or cryptocurrencies, cash

**SCHEDULE "M"**  
**AUDIT COMMITTEE CHARTER**

(See attached)

**THE INX DIGITAL COMPANY, INC.**  
**CHARTER OF THE AUDIT COMMITTEE**  
**OF THE BOARD OF DIRECTORS**  
(the “Charter”)

If any provision of this Charter contradicts the applicable requirements under applicable law, then the terms and provisions of the applicable law shall prevail.

**I. PURPOSES.**

The purposes of the audit committee (the “Audit Committee”) of the board of directors (the “Board”) of The INX Digital Company, Inc. (the “Company”) shall be as provided under applicable law, and subject to the provisions of applicable law, to:

1. Oversee the accounting and financial reporting processes of the Company and audits of the financial statements of the Company, including considering and making recommendations to the Board with respect to the financial statements, reviewing and discussing the financial statements and presenting its recommendations with respect to the financial statements to the Board prior to the approval of the financial statements by the Board;
2. Recommend to the Board to recommend to the shareholders of the Company to appoint and approve the compensation of the independent registered public accounting firm engaged to audit the Company’s financial statements, including oversight of the independent registered public accounting firm and recommending the engagement, compensation or termination of engagement of the independent registered public accounting firm to the Board;
3. Recommend the terms of audit and non-audit services provided by the independent registered public accounting firm for pre-approval by the Board;
4. Oversee and monitor (i) the integrity of the Company’s financial statements, (ii) the Company’s compliance with legal and regulatory requirements as they relate to financial statements or accounting matters, (iii) the independent registered public accounting firm’s qualifications, independence and performance, and (iv) the Company’s internal accounting and financial controls;
5. Provide the Board with the results of its monitoring and recommendations derived therefrom;
6. Review and monitor, if applicable, legal matters with significant impact, finding of regulatory authorities’ findings, receive reports regarding irregularities and legal compliance, acting according to “whistleblower policy” and recommend to the Board if so required, and oversee the Company’s policies and procedures regarding compliance to applicable financial and accounting related standards, rules and regulations;
7. Provide to the Board such additional information and materials as it may deem necessary to make the Board aware of significant financial matters that require the attention of the Board;

8. Monitor deficiencies in the management of the Company, inter alia, in consultation with the independent registered public accounting firm and internal auditor, and advise the Board on how to correct the deficiencies;
9. Decide whether to approve and recommend to the Board to approve engagements or transactions that require audit committee approval under applicable law, relating generally to certain related party transactions;
10. Decide whether to approve certain related party transactions or transactions in which a Board member or other Officers of the Company has a personal interest and whether such transaction is material to the Company;
11. Meet and receive reports from both the internal auditors and independent registered public accounting firm dealing with matters that arise in connection with their audits; and
12. Conduct any investigation appropriate to fulfilling its responsibilities, and have direct access to the independent registered public accounting firm as well as anyone in the organization;
11. Prepare any report required to be included under applicable law, or that the Company otherwise elects to include, in the Company's information circular for the annual meeting of the Company's shareholders.

In addition, the Audit Committee will undertake those specific duties and responsibilities required under the rules and regulations of any future marketplace on which its securities are to be listed, and such other duties as the Board may from time to time prescribe.

The purposes and provisions specified in this Charter are meant to serve as guidelines, and the Committee is delegated the authority to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.

Unless otherwise prescribed in this Charter, the rules and procedures applicable to the operation of the Board shall apply to the operation of the Committee with any necessary changes. Nothing herein is intended to expand applicable standards of liability under applicable law for directors of a corporation.

## **II. MEMBERSHIP.**

Subject to applicable law concerning the appointment and qualifications required from the Audit Committee members, such members will be appointed by, and will serve at the discretion of, the Board. The Audit Committee will consist of at least three members of the Board. Members of the Audit Committee must meet the following criteria (as well as any other criteria required by applicable law):

1. Each member will be an independent director, in accordance with National Instrument 52-110-*Audit Committee* (“**NI 52-110**”) and the independence standard that is applied under to non-investment company issuers under Rule 10A-3 of the Exchange Act;
2. Each member will be financially literate and will be able to read and understand fundamental financial statements, in accordance with the Securities Exchange Commission (the “SEC”) regulations and NI 52-110;

3. No member has participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years; and
4. At least one member of the Committee shall be an "audit committee financial expert" consistent with SEC rules and regulations.

To the extent required and subject to the provisions of NI 52-110 concerning the appointment and qualifications required from Audit Committee members, unless otherwise determined or there is continuity in office, the Board shall annually appoint the members of the Audit Committee as soon as practical after the Company's annual meeting of shareholders, and the Audit Committee members may elect a chairman.

Without limiting the foregoing, the following persons may not serve on the Audit Committee:

1. The chairman of the Board then in office;
2. Any controlling shareholder or a relative of such a person;
3. Any person who has any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee;
4. Any member of the Board who is employed by the Company, by a controlling shareholder of the Company or by a corporation under the control of any such controlling shareholders or executive in the Company; and
5. Any member of the Board who provides services to the Company (other than as a Board member), to any controlling shareholder thereof, or to a corporation under the control of a controlling shareholder.

Subject to applicable law, (i) Committee members shall be appointed by and serve at the discretion of the Board, (ii) Committee members shall serve until their successors are duly designated and qualified, (iii) any member of the Committee may be removed at any time, with or without cause, by a resolution of the Board, and (iv) any vacancy on the Committee occurring for any cause whatsoever may be filled by a resolution of the Board.

Subject to applicable law, the Committee's Chairperson shall be designated by the Board. A majority of the members of the Committee present shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which there is a quorum shall be the act of the Committee.

### **III. RESPONSIBILITIES.**

The responsibilities of the Audit Committee shall include the following:

1. Reviewing on a continuing basis the adequacy of the Company's system of internal controls, including meeting periodically with the Company's management and the independent registered public accounting firm to review the adequacy of such controls, and to review before release the disclosure regarding such system of internal controls required under applicable law to be contained in the Company's periodic filings and the attestations or reports by the independent registered public accounting firm relating to such disclosure (to the extent such attestations or reports are required under applicable law);
2. Pre-approving audit and non-audit services provided to the Company by the independent registered public accounting firm. The Audit Committee shall consult with management but

shall not delegate these responsibilities to management. The Audit Committee shall also review and approve disclosures relating to fees and non-audit services required to be included in any disclosure documents required under applicable law. Subject to the Board and shareholder approval if and to the extent required by applicable law, the Audit Committee shall have the authority to approve all audit engagement fees and terms and all non-audit engagements, as may be permissible, with the independent registered public accounting firm and to establish pre-approval policies and procedures for the engagement of independent accountants to render services to the Company, including a delegation of authority to one or more of its members. The pre-approval of auditing and non-auditing services can be carried out with input from, but no delegation of authority to, management;

3. Reviewing on a continuing basis the activities, organizational structure and qualifications of the Company's internal audit/financial control function;
4. Reviewing and providing guidance with respect to the independent audit and the Company's relationship with its independent registered public accounting firm by (i) reviewing the independent registered public accounting firm's proposed audit scope and approach; (ii) obtaining on a periodic basis a formal written statement from the independent registered public accounting firm regarding relationships and services with the Company which may impact independence and presenting this statement to the Board; (iii) actively engaging in a dialogue with the independent registered public accounting firm with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent registered public accounting firm and recommending that the Board take appropriate action to satisfy itself with regard to the registered public accounting firm's independence; (iv) discussing with the Company's independent registered public accounting firm the financial statements and audit findings, including any significant adjustments, management judgments and accounting estimates, significant new accounting policies and disagreements with management and any other matters required to be discussed by applicable auditing standards; (v) reviewing reports submitted to the Audit Committee by the independent registered public accounting firm in accordance with any applicable law; and (vi) meeting periodically (not less than annually) in separate executive sessions with the Company's independent auditor;
5. Reviewing and evaluating the qualifications, performance and independence of the Company's independent registered public accounting firm; and of members of the independent auditor's team, in particular, the lead audit partner and the reviewing partner. Discussing with management the timing and process for the rotation of the lead audit partner and the reviewing partner as required by applicable law and rules.
6. Reviewing with management and the Company's independent registered public accounting firm such accounting policies (and changes therein) of the Company, including any financial reporting issues and financial reporting pronouncements and proposals which could have a material impact on the Company's financial statements, as are deemed appropriate for review by the Audit Committee prior to any interim or year-end filings with the SEC, any securities commission in Canada, or any other regulatory body;
7. Reviewing and discussing with management and the independent registered public accounting firm the annual audited financial statements and quarterly unaudited financial statements, prior to filing (or submission, as the case may be), to the extent required, with the SEC (whether filed as part of a Form 20-F, 10-K, or 10-Q or filed or submitted under cover of Form 6-K) or any securities commission in Canada;

8. Conducting a post-audit review of the financial statements and audit findings, including any significant suggestions for improvements provided to management by the independent registered public accounting firm;
9. Reviewing before release the unaudited interim (quarterly/semi-annual) operating results and annual audited operating results in the Company's interim (quarterly/semi-annual) earnings release;
10. Reviewing before release the disclosure regarding the Company's system of accounting and internal controls required under applicable law to be contained in the Company's periodic filings and the attestations or reports, if required under applicable law, by the independent registered public accounting firm relating to such disclosure;
11. Overseeing compliance with the requirements of applicable law for disclosure of registered public accounting firm's services and Audit Committee members, member qualifications and activities;
12. Receiving periodic reports from the Company's independent registered public accounting firm and management of the Company to review (i) the selection, application and disclosure of the Company's significant accounting policies and to assess the impact of other financial reporting developments that may have a bearing on the Company; (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the Company, ramifications of the use of alternative disclosures and accounting treatments and the accounting treatment preferred by the independent auditor; and (iii) other material written communications between the independent auditor and management, including any management letter or schedule of adjusted differences;
13. Discuss with management generally the types of financial information (including earnings guidance) to be disclosed in earnings press releases and earnings calls, as well as to analysts and rating agencies.
14. Reviewing with management and the independent registered public accounting firm the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements;
15. Reviewing with management and the independent registered public accounting firm any correspondence with regulators or governmental agencies and any employee complaints or published reports that raise material issues regarding the Company's financial statements, internal controls, auditing matters, or accounting policies;
16. Enforcing the Company's independent registered public accounting firm's accountability to the Audit Committee and instructing the independent registered public accounting firm that they are to directly report to the Audit Committee. The Audit Committee shall be responsible for the resolution of any disagreement between management and the registered public accounting firm regarding financial reporting, for the purpose of preparing or issuing an audit report or related work;
17. Reviewing the findings of any examination by regulatory agencies regarding the Company's financial statements or accounting policies;
18. Reviewing, in conjunction with counsel, any legal matters that could have a significant impact on the Company's financial statements;
19. Reviewing the Company's policies relating to the avoidance of conflicts of interest and reviewing past or proposed transactions between the Company, members of the Board and management as well as internal control policies and procedures with respect to officers' use of



expense accounts and perquisites, including the use of corporate assets. The Audit Committee shall consider the results of any review of these policies and procedures by the Company's independent registered public accounting firm;

20. Meeting periodically (not less than annually) in separate executive sessions with the Company's chief financial officer and chief executive officer;
21. Recommending to the Board the retention and termination of the internal auditor, and the internal auditor's engagement fees and terms, in accordance with applicable law;
22. Approving the yearly or periodic work plan proposed by the internal auditor;
23. Reviewing and discussing the work of the internal auditor on a quarterly/semi-annually/other periodic basis;
24. Reviewing whether the Company should implement an internal audit function consisting of employees of the Company and, if so, review the internal audit function, including its independence, effectiveness, proposed control review plans and resources for the coming year (determining whether the internal auditor has sufficient resources and tools to dispose of its responsibilities, taking into consideration the Company's special needs and size), and the coordination of such plans with the independent public accountant;
25. Reviewing any auditing or accounting issues concerning the Company's employee benefit plans;
26. If necessary, instituting special investigations relating to financial statements or accounting policies with full access to all books, records, facilities and personnel of the Company;
27. As appropriate, obtaining advice and assistance from outside legal, accounting or other advisors, and retaining such persons to provide such services. The Company shall provide appropriate funding to the Audit Committee to pay the advisors;
28. Reviewing and approving in advance any proposed related party transactions involving an a director or other officer of the Company that may present a conflict of interest between the duties of such officer to the Company and his or her personal interests, in each case in accordance with applicable law or as referred by the Board (each, a "Related Party Transaction"). In order to assist it in carrying out such role, the Committee may apply criteria for classification of transactions and actions as extraordinary transactions and material actions and shall classify certain transactions or actions accordingly, and, if involving conflicts of interests or Related Party Transactions, shall review and consider their approval, in accordance with applicable law;
29. Establishing and maintaining free and open means of communication between the Audit Committee, the Company's independent registered public accounting firm, the Company's internal audit/financial control department and management with respect to auditing and financial control matters, including providing such parties with appropriate opportunities to meet privately with the Audit Committee;
30. Establishing procedures for receiving, retaining and treating complaints received by the Company regarding accounting, internal accounting controls or auditing matters and procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
31. Reviewing and assessing on an annual basis the adequacy of its own charter, structure, processes and membership requirements;

32. Determining the appropriate funding to be provided by the Company for payment of compensation to any legal, accounting or other advisors employed by the Audit Committee;
33. Reviewing and discussing periodically with management all material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons, that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses;
34. Inquiring about the application of the Company's accounting policies and its consistency from period to period, and the compatibility of these accounting policies with generally accepted accounting principles, and (where appropriate) the Company's provisions for future occurrences which may have a material impact on the financial statements of the Company;
35. Discussing periodically with the independent registered public accounting firm, without management being present, (i) their judgments about the quality, not just the acceptability of the Company's accounting principles and financial disclosure practices, as applied in its financial reporting, and (ii) the completeness and accuracy of the Company's financial statements;
36. At least annually, reviewing and discussing with management (i) the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures (including management's risk assessment and risk management policies including its investment policies and performance for cash and short-term investments); and (ii) the processes followed for assessment of internal control over financial reporting under applicable law, the disclosure regarding such assessment and any attestation by the independent auditor thereon, to the extent applicable to the Company;
37. Discuss with the independent auditor the matters required by applicable law relating to the conduct of the audit, to the extent applicable to the Company's financial statements, including any difficulties encountered in the course of the audit effort, restrictions on the scope of procedures or access to requested information and any significant disagreements with management;
38. Prepare a "Report of the Audit Committee" to be included in the Company's annual information circular, if the Company is then subject to the U.S. proxy rules;
39. Review and monitor, as appropriate, (i) litigation or other legal matters that could have a significant impact on the Company's financial results; (ii) significant findings of any examination by regulatory authorities or agencies, in the areas of securities, accounting or tax; and (iii) the Company's disclosure controls and procedures. The Committee shall be fully entitled to rely on reports that it receives and shall be under no obligation to conduct any independent investigation or verification;
40. Receive reports of suspected business irregularities and legal compliance issues through periodic and, when appropriate, immediate reporting by members of the Company's management, legal counsel, the independent or internal auditor or pursuant to any "whistleblower policy" adopted by the Committee. In the event that the Committee is informed of any irregularities, it will suggest to the Board remedial courses of action. The Committee shall be fully entitled to rely on reports that it receives and shall be under no obligation to conduct any independent investigation or verification, including reviewing and monitoring, if applicable, legal matters with significant impact, finding of regulatory authorities' findings, receive reports regarding irregularities and legal compliance, acting according to

“whistleblower policy” and recommend to our Board of Directors if so required, and oversee our policies and procedures regarding compliance to applicable financial and accounting related standards, rules and regulations;

41. Oversee the Company's policies and procedures regarding compliance with applicable financial and accounting related standards, rules and regulations;
42. Reviewing and approving any material change or waiver in the Company’s ethics codes regarding directors or senior executive officers, and disclosures made in the Company’s annual report in such regard;
43. Overseeing the hiring policies for partners, employees and former partners and employees of the present and former independent registered public accounting firm, so that such hiring shall be in compliance with any applicable laws and regulations; and
44. Performing such additional activities and consider such other matters within the scope of its responsibilities or duties according to applicable law and/or as the Audit Committee and/or the Board deems necessary or appropriate.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company’s financial statements and disclosures are complete and accurate and are in accordance with U.S. generally accepted accounting principles, International Financial Reporting Standards or such other accounting standards adopted by the Company, and applicable rules and regulations.

#### **IV. MEETINGS.**

The Audit Committee will meet as often as it determines, but not less frequently than once in each financial year.

The Audit Committee, in its discretion, will ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary. The Audit Committee will, at such times as it deems appropriate, meet separately with the chief executive officer and separately with the chief financial officer of the Company at such times as are appropriate to review the financial affairs of the Company. The Audit Committee will meet periodically in separate executive session with the independent registered public accounting firm as well as any financial controllers of the Company, at such times as it deems appropriate to fulfill the responsibilities of the Audit Committee under this charter.

The independent registered public accounting firm shall be invited to every meeting of the Audit Committee that relates to the financial statements of the Company. The internal auditor shall be invited to all Audit Committee meetings. In addition, the internal auditor may request that the chairperson of the Audit Committee convene a meeting to discuss a particular issue, and the chairperson shall convene the Audit Committee within a reasonable period of time, if the chairperson finds it appropriate to do so.

Notwithstanding the foregoing, any person who is, pursuant to applicable law, prohibited from serving as a member of the Committee, shall not be present at any meeting of the Committee (during its discussions or its decision making), unless the Committee's Chairperson has determined that such person is required during the presentation of a certain topic to the Committee, provided, however, that an employee of the Company, who is not a controlling shareholder or relative thereof, is permitted to be present for the discussions, but not the decision making, that take place at a meeting, and provided,

furthermore, that the Company's legal counsel and the Company's secretary, who are not controlling shareholders or relatives thereof, are permitted, if the Committee so requests, to be present at a meeting (during discussions or decision making).

The Company's internal auditor shall be provided with notices of all meetings of the Committee, and the Company's independent auditor shall be provided with notice of meetings in which a matter related to the audit of the financial statements or a discussion of the interim (quarterly/semi-annual) results of operation of the Company is to be discussed, and shall be entitled to attend such meetings, subject to a determination by the Committee to exclude it from all or any part of the meeting to the extent permitted under applicable law. The internal auditor may request that the Committee's Chairperson call a meeting in order to discuss a matter detailed in his or her request for a meeting, and the Chairperson shall call the meeting within a reasonable time, if the Chairperson deems fit, at his or her discretion.

The Committee shall have the power to retain, without Board approval and at the Company's expense, the services of outside counsel and other experts and consultants to assist the Committee in connection with its responsibilities and shall have the sole authority to approve such firms' fees and other retention terms.

#### **V. MINUTES.**

The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

#### **VI. COMPENSATION.**

Members of the Audit Committee may receive compensation for their service as Audit Committee members, subject to the provisions of applicable law.

Members of the Audit Committee may not receive any compensation from the Company except the fees that they receive for service as members of the Board or any committee thereof.

#### **VII. REPORTING**

The Committee will apprise the Board regularly of its decisions and recommendations and of significant developments in the course of performing the above responsibilities and duties. Without derogating from the aforesaid, the Committee shall submit any recommendation or resolution which is subject to Board approval a reasonable time prior to the contemplated Board meeting.

#### **VIII. DELEGATION OF AUTHORITY.**

Subject to the provisions of applicable law, the Audit Committee may delegate to one or more designated members of the Audit Committee the authority to pre-approve audit and permissible non-audit services, provided such pre-approval decision is presented to the full Audit Committee at its first scheduled meeting following such pre-approval.