



ABAXX TECHNOLOGIES INC.

**MANAGEMENT'S DISCUSSION & ANALYSIS
YEARS ENDED
DECEMBER 31, 2023, AND 2022
(EXPRESSED IN CANADIAN DOLLARS)**

Introduction

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of the operations of Abaxx Technologies Inc. (the "Company" or "Abaxx") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2023. This discussion should be read in conjunction with the consolidated financial statements for December 31, 2023, together with the notes thereto (the "Financial Statements"). This MD&A is dated as of April 2, 2024, unless otherwise indicated.

Unless otherwise indicated and as hereinafter provided, all financial information contained in this MD&A, and the Company's Annual Financial Statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise noted in this MD&A; all monetary amounts are expressed in Canadian dollars, and "we", "us", "our", or the "Company" refer to Abaxx Technologies Inc. and its direct and indirect subsidiaries.

Certain statements in this MD&A constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws. You should read carefully; the "Cautionary Note Regarding Forward-looking Statements" section in this MD&A and should not place undue reliance on any such forward-looking statements.

Abaxx Technologies Inc. ("Abaxx" or the "Company") is a company incorporated under the Alberta Business Corporations Act. Its corporate headquarters is 110 Yonge Street, Suite 1601, Toronto, Ontario, M5C 1T4, and the Company's registered office is 1250, 639 – 5th Avenue S.W., Calgary, AB T2P 0M9. The issued and outstanding common shares are listed and posted for trading on the Cboe Canada Exchange under the symbol "ABXX" and the OTCQX Market under the symbol "ABXXF".

Caution Regarding Forward-Looking Statements

This MD&A contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities, and legal and regulatory matters. Specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the Company's anticipated future results, events, plans, strategic initiatives, future liquidity, and planned capital investments.

Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "maintain", "achieve", "grow", "should" and similar expressions, as they relate to the Company and its management. Forward-looking statements reflect the Company's current estimates, beliefs, and assumptions, which are based on management's perception of historical trends, current conditions and expected future

developments, as well as other factors it believes are appropriate in the circumstances. The Company's expectation of operating and financial performance in 2023 is based on certain assumptions including assumptions about operational growth, anticipated cost savings, operating efficiencies, anticipated benefits from strategic initiatives, future liquidity, and planned capital investments. The Company's estimates, beliefs, and assumptions are inherently subject to significant business, economic, competitive, and other uncertainties, and contingencies regarding future events and as such, are subject to change. The Company can give no assurance that such estimates, beliefs, and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied, or projected in the forward-looking statements. Such risks and uncertainties include:

- the nature of the business and industries that the Company competes in;
- limited assets, available funds, currency risk, absence of dividends, additional financing requirements, and anticipated use of those funds;
- the operational management of the Company by its directors, officers, and insiders, reliance on key personnel, limited management experience, conflict of interests with directors and management;
- the future growth, results of operations, performance, products, competition, slow acceptance of products, growth, and business prospects and opportunities of Abaxx;
- the ability of Abaxx to satisfy all conditions precedent and obtain all regulatory approvals.
- whether Abaxx will be able to execute its business strategy successfully such that the future growth, results of operations, performance, and business prospects and opportunities of Abaxx, will be as anticipated;
- Reporting Issuer Risk including Risks related to volatility of share price, and fluctuation of operating results;
- risks related to regulation by governmental authorities including political & regulatory risks;
- operations in foreign jurisdictions;
- protection of Abaxx Tech Software and IP portfolio, cybersecurity threats, hacking, server, system software failures or reliance on technical infrastructure;
- clearing house and exchange failure or the inadequacies of risk management procedures and facility developments;
- COVID 19 pandemic;
- a deterioration occurs in the political or economic situation generally as a result of the Russian invasion of Ukraine, conflict in the Middle East or an act of war or hostilities, invasion, armed conflict or act of a foreign enemy, revolution, insurrection, insurgency occurs resulting in a material adverse result directly or indirectly affecting the company.
- the availability of financing opportunities and risks associated with general economic and financial conditions as well as those risks related to political insurrection and war;

- the speculative and competitive nature of the technology sector;
- limited operating history and share price fluctuations;
- Use and Storage of Personal Information and Compliance with Privacy Laws permits, contracts, licenses political and regulatory risk;
- technical obsolescence and failure by third-party vendors of technologies;
- tax consequences;
- environmental regulations and liability;
- third-party risk, erroneous transactions, and human error;
- non-availability of insurance to properly compensate risk;
- loss of key employees, anthropogenic risks, as well as the risk caused by the inability to access and deploy available human resources competitively;
- risks related to the development of carbon markets in general, including related financial trading instruments that could be susceptible to corruption and other integrity risks;
- risks of hiring skilled technically proficient staff and their supervision and management;
- software development risk and risk of technological change
- acquisition risk;
- limited market for securities;
- going concern risk: The risk associated with a substantial doubt about the Company's ability to continue as a going concern including its inability to meet its obligations as they come due without substantial disposition of assets outside the ordinary course of business, restructuring of debt, additional equity or other funding, externally forced revisions of its operations, within the next 12 months;
- lawsuits and other legal proceedings, financial and human resource costs and challenges; and
- other factors beyond the Company's control.

The above is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this MD&A. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Mission and Strategy

Abaxx is building smarter markets, are markets empowered by better financial technology and market infrastructure to address our biggest challenges, including the energy transition. In addition to developing and deploying financial technologies that make communication, trade, and transactions easier and more secure, Abaxx is an indirect majority owner of Abaxx Exchange and Abaxx Clearing, subsidiaries recognized by MAS as an RMO and ACH, respectively.

Abaxx Exchange and Abaxx Clearing are a Singapore-based commodity futures exchange and clearinghouse that introduces centrally cleared, physically deliverable commodities futures and derivatives to provide better price discovery and risk management tools for the commodities critical to our transition to a lower-carbon economy.

The Company, which commenced its business operations in January 2018, has developed a business strategy comprised of core components: (i) developing new internet communication protocols and proprietary financial software architecture with a vision for global commodity market trading; and (ii) commercializing the majority-owned commodity futures exchange and clearing house utilizing Abaxx-built technology, including foundational products in new liquified natural gas ("LNG") benchmark contracts, a new market structure vision for precious metals and battery metals markets, and new initiatives for enhancing environmental markets and their data. Consistent with its innovative and fresh approach, Abaxx is listed on the Cboe Canada Exchange (Cboe Canada Exchange: ABXX) as well as the OTCQX (OTCQX: ABXXF) and provides its shareholders with the potential for significant long-term value creation.

The Company is also developing new proprietary software and middleware as well as adding some third-party vendor technology to its existing suite. This software augments and provides additional functionalities previously unavailable. These additional modifications will be suitable for Abaxx Exchange and Clearing operations and will provide an excellent opportunity for alpha testing before full operational abilities.

The Abaxx vision for Global Commodity Market Trading Infrastructure 3.0, which Abaxx describes as the "Commoditization of Trust®", is a software architecture that is natively comprised of emerging software technologies that utilize novel machine learning and blockchain-like algorithms including deep learning and natural language processing ("DL/NPL"), self-sovereign digital identity ("ssdID"), encrypted content-addressing distributed file systems, smart contracting languages, and protocols, and distributed ledger and decentralized datastore technology ("DLT/DDS").

As a development stage business, the Company has generated eleven (11) process and software user interface patent applications. The Company has also engineered a foundational internet ssdID and messaging protocol called "ID++", and developed alpha-

stage software applications (e.g., Abaxx Console) using the Commoditization of Trust architecture in the fields of:

- ssdID based verified-credential management, authentication, and identity and access management (IDAM);
- end-to-end encrypted and compliant financial messaging and video chat, with enhanced deep learning and natural language processing applications;
- multi-cloud storage of financial data using encrypted content-addressing distributed file systems;
- ssdID-enabled electronic document and smart contract signing; and
- digital-contract custody and other financial workflow management applications.

Abaxx intends to commercialize its software technology suite and the Software and IP Portfolio through business-to-business (“B2B”) strategic partnerships, where emerging technologies can be applied to specific markets heavily reliant on transactional transparency, transaction execution velocity, and compliance with stringent data regulation requirements.

Abaxx Technologies currently holds a gross revenue royalty over AEX in exchange for the licensed use of its proprietary software (including the use of its intellectual property and), seeks to expand this software licensing and intellectual property royalty model into other financial service segments. While Abaxx expects to generate revenue from the licensure of its software and royalties via Abaxx Technologies, Abaxx is still in its development stage and does not currently generate substantial revenue.

Business History

The following is a summary of the general development of the Company's business over the last three years:

On January 8, 2020, Abaxx was assigned interest in the following United States patent applications under an assignment agreement dated January 8, 2020: (1) Patent Application No. 16/708,405; (2) Patent Application No. 16/708/398; (3) Patent Application No. 16/708,377; (4) Patent Application No. 16/708,265; (5) Patent Application No. 16/706,457; (6) Patent Application No. 16/706,586; (7) Patent Application No. 16/703,726; (8) Patent Application No. 16/684,522; and (9) Patent Application No. 16/692,211 (collectively, the "Assigned U.S. Patents").

On August 1, 2020, Abaxx assigned the Assigned U.S. Patents to Abaxx Corp under individual assignment agreements each dated as of August 1, 2020.

On July 14, 2020, New Millennium Iron Corp. ("New Millennium") entered into a letter of intent with Abaxx Technologies Inc. whereby New Millennium, 12404206 Canada Inc., and Abaxx would enter into a three-cornered business combination, share exchange, plan of arrangement or such other transaction structure that would result in the acquisition of all the of the issued and outstanding Abaxx common shares, Abaxx warrants and Abaxx options by New Millennium.

On July 24, 2020, Abaxx completed the first tranche of the Pre-Listing Abaxx Financing of 1,039,059 Abaxx Common Shares for \$0.99 per Abaxx Common Share for gross proceeds of \$1,027,500.

On July 31, 2020, Abaxx completed the second tranche of the Pre-Listing Abaxx Financing of 1,067,476 Abaxx Common Shares for \$0.99 per Abaxx Common Share for gross proceeds of \$1,055,600.

On September 7, 2020, AEX received approval in principle from the Monetary Authority of Singapore ("MAS") to act as a recognized market operator ("RMO") for Abaxx Exchange. The outstanding deliverables required by AEX to receive final approval (received in FY 2023) with respect to the RMO for Abaxx Exchange relate to providing MAS evidence of financial resources as well as submission of complete product checklists. AEX expects the outstanding deliverables to be satisfactory and in sync with plans to begin testing its Abaxx Exchange platform.

On September 11, 2020, Abaxx completed the third and final tranche of the Pre-Listing Abaxx Financing of 3,819,037, Abaxx Common Shares for \$0.99 per Abaxx Common Shares for gross proceeds of \$3,104,116. In addition, Abaxx issued 242,700 Abaxx Common Shares to certain consultants of Abaxx for services rendered. Each Abaxx Common Share issued to the consultants carried a deemed value of \$0.99 per Abaxx Common Share.

On September 14, 2020, Abaxx was assigned interests in the following PCT patent applications pursuant to assignment agreements dated September 14, 2020: (1) International Application No. PCT/US2019/045158; (2) International Application No. PCT/US2019/061863; and (3) International Application No. PCT/US2019/045170 (the "Assigned PCT Patents").

On September 15, 2020, Abaxx assigned the Assigned PCT Patents to Abaxx Corp under individual assignment agreements each dated as of September 15, 2020.

On September 18, 2020, New Millennium and Abaxx entered into a definitive agreement that superseded the letter of intent. Pursuant to the definitive agreement, New Millennium indirectly acquired all of the issued and outstanding Abaxx Common Shares through a reverse take-over transaction. New Millennium would rename itself to Abaxx on December 14, 2020, pursuant to the reverse take-over.

On December 11, 2020, Abaxx issued 438,927 Abaxx Common Shares to certain consultants and service providers of Abaxx for settlement of an aggregate of \$434,055 of indebtedness. Each Abaxx Common Share issued to consultants and service providers carried a deemed value of \$0.99 per Abaxx Common Share. In addition, Abaxx issued 151,688 Abaxx Common Shares to consultants for settlement of an aggregate of \$150,000 of indebtedness. Each Abaxx Common Share issued as aforementioned above carried a deemed value of \$0.99 per Abaxx Common Share.

On December 14, 2020, Abaxx completed its reverse take-over (RTO) transaction with New Millennium.

On December 17, 2020, Abaxx received final approval to be listed on the Cboe Canada Exchange and subsequently began trading on the Cboe Canada Exchange on December 18, 2020, under the symbol "ABXX".

On May 14, 2022, the Company completed a public offering of its shares, raising gross proceeds of \$24,725,023 by issuing 6,506,585 units for \$3.80 per unit. Each unit comprises one common share and one-half common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at an exercise price of \$5.10 on or before May 14, 2023. These warrants expired without being exercised.

On August 25, 2022, the Company received approval in principle for its Approved Clearing House business (conducted through Abaxx's wholly-owned Singaporean subsidiary, Abaxx Clearing Pte Ltd) from the MAS. The Company completed the remaining step and obtained approval in FY 2023.

Abaxx is also the owner of the LabMag and KeMag iron ore assets, which were assets owned by New Millenium Iron Corp. and continue to be held by Abaxx after the reverse take-over of New Millennium Iron Corp. The Company is not undertaking any iron ore development due to the Company's technology-focused plan. Although the Company does not believe that the LabMag and KeMag iron ore assets have material value at

present, the Company developed an understanding that the market for “green” commodities may evolve to include certain types of iron ore deposits which could increase in value of the LabMag and KeMag iron ore assets. In particular, the LabMag and KeMag iron ore assets are “taconite” iron ore assets. The processing of taconite iron ore involves the production of iron ore pellets which can be optimal feedstock for electric arc furnaces. Electric arc furnaces can produce steel with lower carbon dioxide emissions than conventional blast furnace steel production, hence the potential to characterize taconite iron ore assets as a green commodity.

At this juncture, the Company intends to maintain certain LabMag and KeMag properties in good standing and continue to assess developments in the taconite iron ore market. The Company may entertain offers from third parties to dispose of or enter into a joint venture relating to these iron ore assets. The ability of the Company to monetize the iron ore assets on terms that are economic or at all is virtually entirely dependent on (i) iron ore commodity prices in general, and (ii) demand for taconite iron ore as a green commodity for use in lower carbon dioxide electric arc furnace steel production. Large-scale demand does not exist for iron ore green commodities at present, and it is not possible to determine the outcome or value that could result from any monetization of the LabMag and KeMag iron ore assets. In addition, the processing of taconite iron ore involves various types of processing and feedstock metallurgical characteristics which are not entirely certain at this time.

As a result, it cannot be assured that production of the LabMag and KeMag iron ore assets can be achieved on a commercial basis or at all.

After the successful completion of the reverse take-over transaction with New Millennium, on December 17th, 2020, Abaxx announced the listing of Abaxx on Canada's Cboe Canada Stock Exchange listing under the symbol ABXX, also accessible to American resident investors over the counter (“OTC”) as ABXXF, with applications filed to begin trading in the United States (“US”) under a more formal OTCQX listing sponsored by a US-based financial institution. The Company has started a review of additional senior stock exchange listings to provide increased access to global investors as the Company prepares to launch the AEX.

On September 7, 2020, Abaxx received Approval in Principle of its RMO application, subject to various terms and conditions. The Company is in frequent contact with the MAS and is working toward the completion of the Approval in Principle process for an ACH licence in the near term, with the commencement of the commercial launch phase thereafter. Planning meetings are ongoing with participants and members ahead of the launch. The Company received approval in FY 2023 from the MAS.

Fortuitously, our approach to product and technology design driven by close collaboration with market participants over the past financial year is proving successful in that the solutions Abaxx has in testing have the potential to resolve many of the problems in the global economy today. Abaxx is strategically positioning for the future of clean energy security and in support of the energy transition by implementing our plan enabling the

organization and standardization of the terms of trade and for market participants to trade commodities based on their ESG attributes. This is a foundational principle of developing what Abaxx refers to as Smarter Markets, which encompasses three primary components, including commodity contract design, technology innovation, and environmental, social, and governance (ESG) considerations.

The Abaxx command console suite of software applications is commencing alpha testing, and pilot projects are in formulation, including but not limited to implementing Measurement, Verification, and Reporting (MVR) activities related to ESG externality pricing considerations in the exchange business. In accordance with the Abaxx vision and the second stage of the business plan, these tools are designed and will be commercialized broadly for use in multiple commerce and marketplace segments that will benefit from increased data privacy, security, digital identity, multi-party signature, document management, and custody.

We are preparing to launch the first commercial phase for Abaxx, where continuous improvements in software technology and better coordination and transparency of market activities can enable participants to advance the needs of both commodity markets and society. Fundamentally, the vision that Abaxx has heavily invested in over the past quarters is well-timed and well-aligned with the accelerating economic priorities of the global energy transition and capital market demands for increased transparency around environmental, social, and governance risks and opportunities.

Key Events of 2023 and Q1 2024

The financial year 2023 and Q1 2024 were milestone-driven periods for Abaxx Technologies, Abaxx Exchange, and Abaxx Clearing. The below outlines key Company dates, events, and achievements chronologically.

On January 23, 2023, Abaxx announced that Abaxx Singapore Pte. Ltd.'s subsidiary, Abaxx Exchange Pte. Ltd., submitted a Notification of Impending Listing of Futures Contracts to the Monetary Authority of Singapore for Abaxx Exchange's initial portfolio of LNG futures contracts including Northwest Europe, North Asia Pacific, and the United States Gulf of Mexico benchmarks. To support market understanding around physically settled futures contracts, Abaxx Exchange President Dan McElduff, Chief Commercial Officer Joe Raia, and Chief Economist David Greely published a whitepaper titled "Back to the Future(s): The Best Commodities Benchmarks are Still Physically Settled. The whitepaper is available to the public from the Abaxx Tech website in the Investor Relations section: <https://www.investors.abaxx.tech/back-to-the-futures-the-best-commodities-benchmarks-are-still-physically-settled>

On February 22, 2023, Abaxx announced a Special Meeting of Shareholders for April 14th, 2023, in preparation for a secondary US listing application for the common shares of the Company, subject to regulatory approvals and the satisfaction of applicable listing requirements. The Company is still progressing in several aspects of preparation for a secondary listing application of Company shares on a US stock exchange, including DTC eligibility, US supplementary regulatory filings, preparing a potential change of Transfer Agent, and then calling for a Meeting of Shareholders to vote on a three-for-one share Consolidation to meet a minimum U.S. Dollar share price listing threshold. The Company proposed a Consolidation of its outstanding common share capital based on one (1) post-consolidation share for every three (3) pre-consolidation shares. The Company's shareholders voted to approve all resolutions proposed at the Special Meeting of Shareholders.

On February 22, 2023, the Company also provided an update on the progress of Abaxx Exchange and Abaxx Clearing. It was noted in this update that Abaxx teams exhibited their trading and clearing platform functionalities to regulators. The Company shared that throughout Q4'2022, subsidiaries advanced their initial rounds of enterprise hardening (preparing software for final user acceptance testing and participant use) and were progressing ongoing reviews across risk processes and technology systems to meet regulatory requirements. At this time, Abaxx announced the Abaxx systems and products that Abaxx Clearing Members will gain access to upon launch:

- **Abaxx Exchange:** A trading platform for cleared derivatives contracts across the commodity spectrum focusing on markets critical to the energy transition (LNG, environmental markets, and battery metals). Market access for order and trade entry through dynamic and secure APIs will allow market participants to submit block trades through our proprietary GUI and orders to our central limit order book through widely used third-party ISVs.
- **Abaxx Clearing:** This clearing, settlement, risk management, and post-trade services solution offers clearing firms all the required tools to clear physically settled futures and the capability to automate processes. The solution is scalable, offering faster time to market for new, more specialized products that address the emerging needs of market participants as they develop.
- **Abaxx Infrastructure:** A cloud-native architecture supporting scalable, high-availability microservices through a globally available mesh network with geographically distributed endpoints, designed to reduce latency and ensure equitable access to the platform.
- **Abaxx Verifier and ID++:** Verifier is Abaxx Technologies' proprietary identity and access management app and credential wallet that enables password-less authentication via biometrics or self-created secret PIN. Member Firms will have the option to use next-generation digital identities supported by ID++ or their existing compatible digital identity provider to issue verifiable credentials to users, creating a secure, flexible mechanism for user access that bridges the present and future of digital identity and data access.

Following the launch, we plan to introduce capabilities around Exchange for Related Positions and bilateral trade, including integrations with our suite of console apps and an expanded role for ID++. With our unique approach to digital identity, credentials, and signatures through ID++, we are building the foundation to scale analytics and data offerings that leverage the competitive asymmetry of the Abaxx Exchange ecosystem.

On April 13, 2023, Abaxx Technologies announced the voting results from the Company's special shareholder meeting on April 14, 2023. Each of the three items of business was approved and passed by the Company's shareholders, namely: (i) a special resolution authorizing the Company's board of directors (the "Board") to effect a share consolidation and set a consolidation ratio between two and four; (ii) an ordinary resolution approving, ratifying and confirming the Company's restricted stock unit incentive plan, as amended (the "New RSU Plan"); and (iii) an ordinary resolution approving, ratifying and confirming certain grants of restricted share units made under the New RSU Plan.

On April 26, 2023, Abaxx Technologies announced Nancy Seah as the CEO of Abaxx Exchange and appointed five new board members to the Abaxx Commodity Exchange boards of directors. Thomas Chhoa, Silvana Hleap, and Catherine Flax joined Abaxx Singapore's Board of Directors, while Neal Wolkoff and Ng Quek Peng joined Abaxx Clearing's Board of Directors. Additionally, Thomas McMahon, co-founder of Abaxx Singapore, who currently sits on Abaxx Clearing's Board of Directors, was also appointed to Abaxx Singapore's Board of Directors. Mason Wallick, who currently sits on Abaxx Singapore's Board of Directors, was re-appointed to Abaxx Clearing's Board of Directors. These appointments were necessary for Abaxx Singapore and Abaxx Clearing to fulfill the statutory requirements of approved holding companies and approved clearinghouses. Abaxx also announced that it had established an at-the-market equity program ("ATM Program") which would allow the Company to issue, at its discretion, common shares (the "Common Shares") of the Company having an aggregate offering price of up to \$30,000,000 to the public from time to time through the Agent. For more details regarding the ATM, please see the press release linked here: <https://www.investors.abaxx.tech/abaxx-provides-corporate-update-appoints-abaxx-singapore-directors-and-establishes-at-the-market-equity-program>

At this time, Abaxx also announced that the Company had terminated its Normal Course Issuer Bid (the "**NCIB**") to purchase for cancellation up to 3,657,475 common shares of the Company, which was originally announced on June 15, 2022. The NCIB was set to terminate on June 14, 2023, and the Company did not plan to renew nor did the Company purchase any shares pursuant to the NCIB.

On May 15, 2023, Abaxx Technologies announced that Abaxx Exchange had Completed full systems integration and commenced operational readiness testing as well as completed first user acceptance testing ("UAT") and progressed systems toward completion of regulatory requirements throughout Q2 2023.

This update also included the announcement that Abaxx Clearing had completed the commercial onboarding of its first clearinghouse settlement bank and signed a collateral management services agreement with Southeast Asia's largest bank by assets. At this time, Abaxx Singapore announced the completion of all key executive and senior management-level hiring.

On May 18, 2023, Abaxx Technologies Inc. announced that it had completed a consolidation (the "Consolidation") of its common shares ("Common Shares") based on three (3) pre-Consolidation Common Shares for one (1) post-Consolidation Common Share. As of the date hereof, 73,548,185 Common Shares were issued and outstanding.

On a post-consolidation basis, the Company had approximately 24,516,061 Common Shares issued and outstanding.

On June 2, 2023, Abaxx announced that it had received conditional approval to list the Company's common shares on Tier 1 of the Cboe US Equities Exchange, an innovative US securities exchange within the Cboe Global Listings Network. Within the announcement, Abaxx communicated that the Company will retain its listing on the Cboe Canada Exchange (formerly the NEO Exchange).

The Abaxx Global Commercial team held over 50 direct one-on-one meetings during the month of June alone across Asia, Europe, and North America with new and existing commodity trading firms, major auto manufacturers, battery manufacturers, and new merchant trading firms across the nickel sulphate and natural gas verticals. These meetings were focused on moving launch partners through various stages of the onboarding process and facilitating FCM connectivity.

On July 10, 2023, Abaxx Technologies announced the Company's first revenues, generated through the Company's 2.5% gross revenue royalty on Base Carbon sales, the first group revenue from an organic development project within Abaxx. In this corporate update, the Company shared the completion of its first nickel sulphate industry working group to advance final contract-specification development before submitting the proposed nickel futures products for regulatory review; 11 metals merchant trading companies, 2 global mining companies, 4 global auto and battery manufacturers, and 4 market makers and financial participants participated in the working group and proposed product specification review.

July's corporate update also shared that Abaxx Technologies' product and engineering teams completed porting the back end of Verifier to V2 of the ID++ protocol as well as the front-end development of Sign and began development of a prototype app for KYC as well as the initial development of the ID++ V2 SDK. In this release, the Company communicated that integration and upgrades of Issuer, Drive, and Messenger remained on target. Additionally, the Company completed the full and final internal testing of Exchange and Clearing applications and systems, satisfying operational requirements for launch and all network engineering, failover tests, and security tests required for launch were completed.

On August 14, 2023, Abaxx Technologies announced that Abaxx Singapore had, as part of a US\$20 million to US\$35 million best efforts equity private placement of preferred shares of Abaxx Singapore, signed a definitive investment agreement with an initial corporate investor to participate in an offering of 2,144,563 Preferred Shares and Ordinary Shares in the first tranche of the Offering. As part of the First Tranche, Abaxx

Singapore will also issue 1,932,610 ordinary shares from treasury to a fully owned subsidiary of the Company for cash and settlement of intercorporate debts. The Offering is expected to close in September 2023. The release confirmed that the investor for Preferred Shares in the First Tranche is a global market infrastructure operator.

Following the closing of the First Tranche, the Company announced plans to hold the funds raised for required reserve capital in order to fulfill regulatory requirements from the Monetary Authority of Singapore for Abaxx Exchange to operate as a Recognized Market Operator (“**RMO**”) and in subsequent closings, for Abaxx Clearing to obtain an “Approved Clearing House (“**ACH**”) license, each contingent upon regulatory approvals and successful execution of the Offering.

In concert with the Offering, Abaxx Technologies announced that the Company agreed to fund up to US\$11,000,000 of Abaxx Singapore’s projected working capital requirements through its subscription for units of Abaxx Singapore for US\$4.718 per Unit”). Each Unit will consist of one Ordinary Share and one Ordinary Share purchase warrant (each, a “**Warrant**”), with each Warrant exercisable for an Ordinary Share for US\$4.718 per Ordinary Share, exercisable within 6 months of the date of issuance. It is expected the Ordinary Share Offering will close after the First Tranche.

On August 16, 2023, Abaxx Technologies released a Corporate Update highlighting the following achievements:

- Concluded public consultation on Exchange and Clearing House rules; ongoing engagement with MAS for ACH and RMO licensing
- Broad interactions with market participants including significant meetings and interactions at the 20th International Conference & Exhibition on Liquefied Natural Gas (LNG2023), where Abaxx Singapore was the sole global exchange and clearing group represented amongst over 400 LNG Traders and 3,000 delegates
- Selected as a GasTech delegate, presenting the Abaxx physical futures white paper and suite of LNG benchmark contracts at the global conference in Singapore
- Hired a new Chief Technology Officer with global exchange experience
- Progressed integration of third-party clearing and exchange independent software vendors (ISVs) into production
- Completed upgrade to ID++ V2 core protocol; prototyping tools for carbon markets with improved privacy and accountability (the first reference of Abaxx Project Venice)

On August 17, 2023, Abaxx Technologies announced that Abaxx Singapore Pte. Ltd.’s subsidiary, Abaxx Exchange Pte. Ltd., had submitted a Notification of Impending Listing

of Futures Contracts to the Monetary Authority of Singapore (MAS) for inclusion as a flagship Abaxx Exchange and Clearing Product and that the initial Nickel Sulphate futures contract will include a new approach to the legacy warehouse structure of current base metals contracts.

Abaxx's first-of-its-kind nickel sulphate futures contract is the result of collaboration with 21 firms, including a broad spectrum of industry market participants. That cooperative work involved two major global auto manufacturers, two global mining companies, six merchant trading firms, two EV battery manufacturers, three nickel sulphate producers, and four bank/broker trading firms.

On August 17, 2023, The Company also held an investor presentation via Zoom at 10:00 a.m. Eastern Standard Time Zone (EST). The Company invited current and prospective shareholders to attend the quarterly business update and Q&A session with the Abaxx executive team.

On September 19, 2023, Abaxx Technologies announced that effective October 2nd, economist and commodities strategist, Dr. Jeff Currie will join Abaxx as an independent member of its Board of Directors.

On September 28, 2023, Abaxx Technologies provided a Corporate Update summarizing Company achievements throughout Q3 2023, including that it had begun a commodity broker engagement program before initial trading and had executed a first cooperation agreement with Vanir Global Markets Pte. Ltd, a global energy and environmental interdealer brokerage (IDB) firm providing market participants further access to Abaxx Exchange's suite of products via their extensive relationships in global energy and environmental markets.

On October 22, 2023, Abaxx Technologies announced that it had entered a binding term sheet for financing with a strategic investor. The Financing was to consist of the issuance of up to 4,695,653 common shares of the Company for \$5.75 per common share for gross proceeds of \$27 million, of which a lead strategic investor would subscribe for \$20.5 million (3,565,218 shares).

At this time, the Company also announced that at the closing of the Financing, it would terminate its "at-the-market" equity offering program relating to sales of common stock with BMO Capital Markets as a sales agent. The ATM Program was originally announced on April 26, 2023. As of October 22, 2023, the Company had sold 763,333 of its common shares and raised approximately \$5,644,815 in gross proceeds at a price of approximately \$7.39 per share.

On November 16, 2023, the Company held its Annual and Special Shareholders Meeting.

On November 17, 2023, Abaxx Technologies announced the results of its annual and special shareholder meetings. A total of 8,328,314 common shares, representing 32.7% of the company's issued and outstanding common shares, were represented at the Meeting.

The Company's shareholders approved increasing the size of the board of directors to seven (7), and all seven (7) directors proposed by management were elected to the Company's board for the ensuing year.

To review the results of the votes in detail, please access the 11/17 press release linked here: <https://www.investors.abaxx.tech/abaxx-announces-results-of-2023-annual-and-special-meeting-of-shareholders>

On November 21, 2023, Abaxx Technologies announced that it had closed its non-brokered private placement previously announced on October 23, 2023. The Financing consisted of the issuance of 5,338,866 common shares (the "**Shares**") of the Company for \$5.75 per common share for aggregate gross proceeds of \$30,698,480. In the release, CEO Josh Crumb welcomed new institutional shareholders including Canoe Financial, K2 Asset Management, and the multiple additional leading global institutional investors who participated in the placement.

The Company also announced the termination of its "at-the-market" equity offering program relating to sales of common shares with BMO Capital Markets, as a sales agent. The ATM Program was originally announced on April 26, 2023. Upon termination, the Company expected to have no further obligations related to the ATM Program.

On December 7, 2023, Abaxx Technologies announced that the Monetary Authority of Singapore (MAS) had granted an Approved Clearinghouse (ACH) license and Recognised Market Operator (RMO) license to Abaxx Singapore's fully owned subsidiaries, Abaxx Clearing Pte Ltd. ("Abaxx Clearing") and Abaxx Exchange Pte Ltd. ("Abaxx Exchange") respectively. The grant of these licenses is expected to allow Abaxx to operate a regulated marketplace that provides a venue for listing and trading futures and options contracts and a clearing facility that offers centralized clearing and settlement services for global commodities markets.

On January 3, 2024, Abaxx Technologies announced that Abaxx Singapore had, as part of a best-efforts equity private placement of preferred shares and Ordinary Shares of Abaxx Singapore, signed definitive investment agreements with a group of strategic

corporate investors to participate in an Offering of 953,787 Preferred Shares and 4,837,392 Ordinary Shares for aggregate gross proceeds of approximately US\$27,323,013. The investors for Preferred Shares are Abaxx's first group of globally recognized strategic participants in the market infrastructure and commodity ecosystems, while Abaxx Tech (through an indirect wholly owned subsidiary) is the investor for the Ordinary Shares. At the press release date, it was communicated that the closing of the Offering was anticipated to occur on or about January 8, 2024.

The release stated that the Preferred Shares were offered solely to strategic corporate investors for US\$4.718 per Preferred Share. The Preferred Shares will be convertible into Ordinary Shares of Abaxx Singapore at the holder's option or upon the occurrence of specific events, as well as a put right that, upon the occurrence of certain events, will allow purchasers of Preferred Shares the ability to sell their Preferred Shares back to Abaxx Singapore at the Purchase Price. In addition, investors will be granted limited preemptive rights concerning any future capital raising by Abaxx Singapore. Investors of the Preferred Shares will also have, subject to regulatory approval, the right to nominate one director to serve on the Abaxx Singapore board of directors.

On January 10, 2024, Abaxx Technologies announced that Abaxx Singapore had closed its best-efforts equity private placement as previously announced on January 3, 2024, for gross proceeds of US\$27,323,013. The Offering involved issuing 953,787 preferred shares to strategic partners, 4,837,392 ordinary shares, and 3,730,362 Ordinary Share purchase warrants. The investors for Preferred Shares are Abaxx's first group of globally recognized strategic participants in the market infrastructure and commodity ecosystems and include CBOE III LLC "Cboe", TLW Trading LLC "TLW", Traxys Lithium Investments Limited "Traxys" — while Abaxx Tech (through an indirect wholly-owned subsidiary) is the investor for the Ordinary Shares and Warrants.

On January 29, 2024, Abaxx Technologies announced that Abaxx Singapore Pte. Ltd has been approved for membership in the Futures Industry Association (FIA).

The FIA is a global trade organization with a diverse membership base, including clearing firms, exchanges, clearing houses, and trading firms from over 48 countries. Its various professionals serve the industry, with the mission to support open, transparent, and competitive markets, protect and enhance the integrity of the financial system, and promote high standards of professional conduct.

The newly granted membership reflects Abaxx's readiness to meet the commercial needs of global futures market participants. Abaxx Exchange and Abaxx Clearing will introduce centrally cleared, physically delivered futures contracts and derivatives to deliver better

price signals and risk management tools. They will also enhance the market ecosystem enabling energy and commodity markets to accelerate the energy transition.

On January 30, 2024, Abaxx Technologies and StoneX Financial Pte. Ltd. jointly announced that StoneX has become the first approved clearing and trading member of Abaxx's indirectly held, majority-owned Singapore-based exchange ("Abaxx Exchange") and clearinghouse ("Abaxx Clearing"), introducing centrally cleared, physically-deliverable futures contracts, and licensed as a Recognised Market Operator ("RMO") and Approved Clearing House ("ACH") with the Monetary Authority of Singapore ("MAS").

The release confirmed that StoneX's clients would have access to Abaxx Exchange's suite of first-of-their-kind, physically-deliverable futures contracts, including liquefied natural gas ("LNG"), nickel sulphate, and carbon, from the first day of trading on Abaxx Exchange. This will enable StoneX clients to be the first market participants to benefit from Abaxx's market price discovery and enhanced risk management tools for energy transition-related commodities.

On February 1, 2024, Abaxx Technologies released a Corporate Update highlighting the following achievements:

- Abaxx Exchange and Clearing approved applications for two initial clearing members
- Began onboarding global inter-dealer broker networks — key in building market liquidity for the debut of Abaxx product verticals
- Conducted an extensive series of demos intended to familiarize brokers with the Abaxx Trade Registration Platform for block trade entry
- Finalizing additional membership approvals to build a key group of clearing members at launch
- Continued to enhance the readiness of trading participants by ensuring the adequacy of product knowledge of our launch suite of LNG, Carbon, and Nickel Sulphate futures contracts.
- Lithium futures progressed to Stage 2 (Scoping/Design/Drafting). Precious Metals solutions in Stage 3 (Industry Review/Risk/Regulatory).
- Integration, training, and onboarding of all user classes (trading firm, broker firm, and clearing firm) into production and payment network underway and on time for targeted 2024 launch
- Abaxx Singapore completed the onboarding of a multinational bank as Abaxx Clearing's second settlement bank and Abaxx Clearing is now active on the Swift network

- Held our first private demo day, reviewing our full slate of product applications and prototypes.
- Advanced work on prototyping processes and tooling for a novel, privacy-preserving deployment of Large Language Model (LLM) applications within the Abaxx Console Suite using ID++

In this release, the Company also announced its plans to host a quarterly business update investor presentation on February 6, 2024, to provide a business update and respond to investor questions.

On February 6, 2024, the Company held an investor presentation via Zoom at 10:00 a.m. Eastern Standard Time Zone (EST). The Company invited current and prospective shareholders to attend the quarterly business update and Q&A session with the Abaxx executive team.

On February 14, 2024, Abaxx Technologies and KGI Securities (Singapore) Pte. Ltd. jointly announced that KGI Securities had become an approved clearing and trading member of Abaxx's majority-owned Singapore-based exchange ("Abaxx Exchange") and clearinghouse ("Abaxx Clearing"), facilitating centrally cleared, physically-deliverable futures contracts, and licensed as a Recognised Market Operator ("RMO") and Approved Clearing House ("ACH") with the Monetary Authority of Singapore ("MAS").

The partnership between KGI Securities and Abaxx Exchange brings together KGI Securities' extensive experience in commodities trading and Abaxx Exchange's state-of-the-art marketplace. By combining their expertise, the two organizations communicated their aim to empower market participants with innovative solutions and unlock new avenues for success.

On March 11, 2024, Abaxx Technologies announced the initiation of the final exchange trading launch sequence for Abaxx Exchange and Clearinghouse to open the market in each of its commodity futures contracts. Highlights included:

- Abaxx Exchange and Abaxx Clearing will request approval from their respective Boards of Directors to provide final notices to open Abaxx markets pending the near-term finalization of a third clearing member application approval.
- With Abaxx Exchange and Clearing operational and markets open, the arrangement of first block trades in each market will be finalized and announced.
- Pending final notices, Abaxx Exchange and Abaxx Clearing will open with three approved clearing members, while additional clearing firms onboard through these clearing members or via applications as direct members of Abaxx Clearing.

- Abaxx has worked closely with market participants in three launch product verticals - LNG, Carbon, and Nickel Sulphate to initiate trading.

The release shared that our global broker partners had facilitated the 'go live' phase of futures block trades. Broker firms have been engaged with trading firms across the three initial product verticals to enlist their interest in 'first trades'. It is general practice with new market launches that trading and clearing firms confirm all trade information and data have been correctly routed to the proper clearing entities before continuing to trade.

At launch, market participants who have completed onboarding will be able to engage the Abaxx Exchange central limit order book or report Block and Exchange of Futures for Related Product ("EFRP") trades through the Abaxx trade reporting system. Market data, including trade volume and open interest, will be available at www.abaxx.exchange and through market data channels provided by approved Independent Software Vendors ("ISVs") and data vendors.

This release communicated that in addition to the current clearing members, customers of Marex and an Asian financial institution are expected to be able to access the Abaxx suite of physically deliverable futures contracts via an arrangement with carry brokers in Singapore.

It also provided an overview of Abaxx's initial product suite of first-of-their-kind, physically-deliverable futures contracts for transition commodities, accessible at the release linked below: <https://www.investors.abaxx.tech/abaxx-prepares-exchange-opening-sequence-and-final-notices>

On March 18, 2024, Abaxx Technologies announced that it had entered into an agreement with Canaccord Genuity Corp. and BMO Capital Markets, as co-lead underwriters and joint book-runners, on behalf of a syndicate of underwriters, pursuant to which the Underwriters have agreed to purchase, on a bought deal basis, 775,000 common shares of the Company a price of C\$13.00 per Common Share for aggregate gross proceeds of approximately C\$10,075,000. For details on the financing, visit the press release linked below: <https://www.investors.abaxx.tech/abaxx-announces-10-million-bought-deal-financing>

On March 19, 2024, Abaxx Technologies announced that it had agreed to increase the size of its previously announced bought deal financing with **Canaccord Genuity Corp.** and **BMO Capital Markets**, (the "Co-Lead Underwriters"). The Co-Lead Underwriters have agreed on behalf of a syndicate of underwriters, to purchase, on a bought deal basis, an aggregate of 1,250,000 common shares of the Company for

C\$13.00 per Common Share for aggregate gross proceeds to the Company of C\$16,250,000. For details on the financing, visit the press release linked below: <https://www.investors.abaxx.tech/abaxx-announces-upsize-of-bought-deal-financing-to-c1625-million>

On March 28, 2024, the Company announced it had closed its previously announced bought-deal financing (the "Offering"). The Company issued 1,437,500 common shares (the "Common Shares") on a bought-deal basis at an offering price of \$13.00 per Common Share (the "Offering Price"), which includes 187,500 Common Shares issued pursuant to the exercise of an over-allotment option, in full, for gross proceeds of \$18,687,500.

The Company intends to use the net proceeds from the Offering for general corporate and working capital requirements, including to fund ongoing operations and/or working capital and minimum regulatory requirements for Abaxx Exchange and Abaxx Clearing, or for other corporate purposes as set forth in its prospectus supplement to its base shelf prospectus dated March 20, 2024, filed in connection with the Offering.

Patents Issued

Singapore Patent No. 11202.109098X, issued April 19, 2023, is for Computer Methods For Entering Plural Input Modalities onto a Secure Disclosure Blockchain.

US Patent No. 11,620,704, issued April 4, 2023, is a Method and GUI For Settlement of Commodity Contracts Denominated in Commodity Contract Tokens.

US Patent No. 11,599, 943, issued March 7, 2023, is for a Computer Method and GUI For Displaying A Reflexive Index Price From the Settlement of Commodity Contracts.

US Patent No. 11,423,480 issued April 23, 2022: Method and GUI For Creating Optionality in a Commodity Contract Settlement Price.

Overall Performance

The Company is still developing its revenue streams and planning towards a profitable operation, expecting greater revenue within the next twelve months. The Company realized its first revenues in Q2 2023, of \$0.2 million under its royalty agreement with Base Carbon, and the first-ever profitable quarter was in Q2 2023 with \$15.8 million.

However, the Company is still not fully operational as of December 31, 2023 ('FY 2023'); the Company continues its development activities as it launches its exchange and clearing house operations within Q2 2024. On December 31, 2023, the Company had cash and cash equivalents and short-term investments of \$25.2 million, compared to \$9.6 million on December 31, 2022.

During FY 2023, the Company established an at-the-market equity program (the "ATM Program") and executed an equity raise to improve its overall cash position. The Company raised \$5.8 million from the ATM program and \$30.6 million with proceeds from the equity financing.

The Company's loss for the three months ended December 31, 2023 ('Q4 2023') was \$13.4 million (December 31, 2022 ('Q4 2022') \$5.3 million). The Company expects to focus on the near-term launch of its exchange and clearing house operations to earn more revenue and turn a profit.

See below for more details on the Company's performance.

Selected Annual Information

The following table presents select annual consolidated information for the years ended December 31, 2023, 2022, and 2021:

Selected Annual Information	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
Total Revenue	\$215,510	-	-
Loss from continuing operations:			
Loss for the year	\$(11,487,174)	\$(18,285,810)	\$(12,905,032)
On a per-share ⁽¹⁾⁽²⁾	(0.45)	(0.75)	(0.56)
On a diluted per-share ⁽¹⁾⁽²⁾	(0.45)	(0.75)	(0.56)
Loss attributable to owners of the parent:			
Loss for the year	(9,631,044)	(17,025,702)	(11,928,768)
On a per-share ⁽¹⁾⁽²⁾	(0.38)	(0.69)	(0.52)
On a diluted per-share ⁽¹⁾⁽²⁾	(0.38)	(0.69)	(0.52)
Total assets	48,703,128	14,003,399	29,293,566
Total liabilities	5,818,395	3,201,116	1,352,761
Total shareholders' equity	42,884,733	10,802,283	27,940,805
Distributions or cash dividends declared	-	4,328,053	-

Notes:

(1) For the year ended December 31, 2023, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders and the weighted average number of common shares outstanding of 25.5 million (December 31, 2022, 24.5 million and December 31, 2021, 22.8 million). Diluted loss per share did not include the effect of stock options, restricted share units, and warrants as they are anti-dilutive.

(2) The number of common shares for the comparative period was restated to reflect the one-for-three share consolidation that occurred during the year ended December 31, 2023.

a. Total Revenue

The Company generated its first revenue from its Base Carbon Royalty agreement. This agreement provides that Base Carbon would pay Abaxx a 2.5% royalty for the usage of software it developed. The royalty is indefinite in term and Base Carbon has the right to buy back the royalty upon the payment of US\$150,000,000 (above any royalty already paid) to Abaxx.

For FY 2023, \$0.2 million (FY 2022 \$nil) has been earned and accrued under the royalty agreement.

The Company has not yet generated any revenue from its exchange and clearing house operations during the year that ended December 31, 2023, as revenue streams are still being developed, with the AEX system's near-term launch expected in 2024.

b. Loss From Continuing Operations

For the year ended December 31, 2023, the Company recorded a net loss of \$11.5 million (December 31, 2022, \$18.3 million). Abaxx is a developing technology company that did not generate revenues from its exchange and clearing house operations during the reported period. The loss was due primarily to its spending on development expenses of \$11.3 million (December 31, 2022, \$8.4 million), salaries and wages of \$7.3 million (December 31, 2022, \$3.4 million), general and administrative of \$2.9 million (December 31, 2022, \$1.6 million) and professional fees of \$2.8 million (December 31, 2022, \$1.9 million). The Company also incurred a non-cash stock-based compensation expense of \$5.8 million (December 31, 2022, \$3.3 million). The operating expenses were offset by a \$20.2 million profit on investment under the equity method generated from Base Carbon 2023 performance (December 31, 2022, \$2.2 million loss).

c. Total assets

For the year ended December 31, 2023, the Company had total assets of \$48.7 million (December 31, 2022, \$14 million), representing a 248% increase year over year. This was due to the Company's increase in cash and cash equivalents resulting from the equity raise of \$30.6 million, \$5.8 million (December 31, 2022, \$nil) raised from the ATM program, \$5.2 million (December 31, 2022, \$3.9 million) sale of short-term investments (gold holdings), \$1.5 million (December 31, 2022, \$1.1 million) from the exercise of stock options, \$1 million (December 31, 2022, \$nil) from a convertible debenture, \$20.2 million gain (December 31, 2022, \$2.2 million loss) on investment under the equity method and these were offset by spending on ongoing operations.

d. Total liabilities

For the year ended December 31, 2023, the Company had total liabilities of \$5.8 million (December 31, 2022, \$3.2 million), or an 82% increase year over year. The Company does not have any non-current liabilities. The accounts payable and accrued liabilities at December 31, 2023, consisted of development costs, professional fees, and other recurring business expenses such as a bonus for the launch of the exchange and clearing house. On December 31, 2023, the Company owed its associate company, Base Carbon, \$0.5 million, which was paid in Q1 2024.

e. Shareholders' equity

For the year ended December 31, 2023, the Company had Shareholders' equity of \$42.9 million (December 31, 2022, \$10.8 million), or a 297% increase year over year. This increase was due to the Company's equity raise of \$30.6 million, \$5.8 million (December 31, 2022, \$nil) raised from the ATM program, \$5.2 million (December 31, 2022, \$3.9 million) sale of short-term investments (gold holdings), \$1.5 million (December 31, 2022, \$1.1 million) from the exercise of stock options, \$1 million (December 31, 2022, \$nil) from a convertible debenture, \$20.2 million (December 31, 2022, \$2.2 million loss) gain on investment under the equity method. These were offset by spending on ongoing operations.

f. Dividend and return of capital

During the year ended December 31, 2023, the Company did not distribute or declare a dividend to make a return of capital. During FY 2022, the Company distributed 5,091,827 common shares (the "Base Carbon Shares") of Base Carbon Corp. ("Base Carbon") from its holdings to shareholders of Abaxx as a return of capital (the "Return of Capital"). The Return of Capital was completed in connection with a capital reorganization and the completion of Base Carbon's reverse takeover transaction and listing on the NEO Exchange Inc.

The distribution of the Base Carbon Shares was paid on March 3, 2022, to Abaxx shareholders of record at the close of business on March 1, 2022 (the "Record Date"). The Base Carbon Shares were distributed on a pro-rata basis. No fractional shares or cash in lieu thereof (or any other form of payment) were payable in connection with the Return of Capital. Any fractional interests in Base Carbon Shares were rounded down to the nearest whole number of shares. Based upon the number of common shares of Abaxx outstanding, and ignoring the effect of rounding for fractional interests, one (1) Base Carbon Share paid for every fourteen (14) Abaxx common shares held on the Record Date (approximately 0.0714 Base Carbon Shares per Abaxx common share).

Abaxx shareholders were not required to pay for any Base Carbon Shares received under this distribution, surrender or exchange any Abaxx common shares for receiving the Base Carbon Shares, or take any other action in connection with the distribution. After completing the Return of Capital, Abaxx holds 19,339,593 common shares of Base Carbon.

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The Company accounted for the return of capital at a fair value of \$4,328,053, which resulted in a fair value gain on distributed assets of \$3,672,291 during the year ended December 31, 2022.

g. Basic and Diluted Loss per Share

For the year ended December 31, 2023, the Company recorded a basic and diluted loss per share of \$0.38 (December 31, 2022, \$0.69 loss per share).

Summary of Quarterly Results

<i>IFRS Consolidated Income Statement</i>								
Select Data	FY 2023				FY 2022			
(Expressed in \$000s) except EPS	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	-	-	(0.2)	-	-	-	-	-
Total Expenses	(11,810)	(7,083)	(5,986)	(6,430)	(6,243)	(4,878)	(4,496)	(4,316)
Net Profit (Loss) Before Tax	(13,356)	(7,353)	15,789	(6,567)	(5,296)	(5,861)	(6,443)	(686)
Basic Profit (Loss) per Share ¹	(0.46)	(0.28)	0.66	(0.25)	(0.19)	(0.23)	(0.26)	(0.02)
Diluted Profit (Loss) per Share ¹	(0.46)	(0.28)	0.63	(0.25)	(0.19)	(0.23)	(0.26)	(0.02)

1. The number of common shares for the comparative period was restated to reflect the one-for-three share consolidation that occurred in the period ended June 30, 2023.

For the three months ended December 31, 2023, compared to the three months ended December 31, 2022, the Company had an increase in operating expenses of \$5.6 million or 89%. This increase was mainly due to non-cash stock-based compensation of \$1.7 million, development costs increasing by \$0.6 million, salaries and wages increasing by \$1.1 million, professional fees increasing by \$0.9 million, general and administration increasing by \$1 million, and travel, marketing & promotion increasing by \$0.2 million. These operating expenses were for ongoing start-up work in Singapore and Canada to meet the Company's timelines for its various projects.

a. Revenue

During Q4 2023, the Company did not earn any additional royalty, but to date, \$0.2 million has been earned and accrued under the royalty agreement.

The Company has not yet generated revenue for its exchange and clearing house operations during the quarter ending December 31, 2023, or in the prior year's three-month quarter ending December 31, 2022, as revenue streams are still being developed with the AEX system launch expected in 2024.

b. Net (Profit) Loss Before Tax

For the quarter that ended December 31, 2023, the Company recorded a net loss before tax of \$13.4 million (December 31, 2022, \$5.3 million loss), a 152% increase. Abaxx is a developing technology company that did not generate revenues during either quarter. The loss was due primarily to its spending on development expenses of \$2.9 million

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(December 31, 2022, \$2.3 million), salaries and wages of \$2.2 million (December 31, 2022, \$1.1 million) professional fees of \$1.6 million (December 31, 2022, \$0.7 million), travel marketing & promotion \$0.5 million (December 31, 2022, \$0.3 million) and \$1.5 million on general & administration (December 31, 2022, \$0.5 million).

The Company also incurred non-cash stock-based compensation expense of \$3.1 million (December 31, 2022, \$1.4 million), unrealized loss on investments under the equity method of \$0.9 million (December 31, 2022, \$0.7 million), loss on fair value adjustment to notes receivables of \$0.6 million (December 31, 2022, \$27k) and loss on investments at fair value of \$54k (December 31, 2022, \$0.9 million gain).

c. Basic and Diluted Loss per Share

For the quarter ended December 31, 2023, the Company recorded basic and diluted loss per share of \$0.46 (December 31, 2022, \$0.19 loss per share).

Results of Operations

Basis of Presentation

The following are the consolidated results from operations for the quarter ended December 31, 2023, compared to the same period in 2022.

Consolidated Financial Results

(expressed in \$000s)	Q4 2023	Q4 2022	\$ Change	% Change	FY 2023	FY 2022	\$ Change	% Change
Revenue	-	-	-	0%	216	-	216	100%
Operating Expenses								
Research and development	2,897	2,255	642	28%	11,337	8,345	2,992	36%
Salaries and wages	2,229	1,137	1,092	96%	7,282	3,428	3,854	112%
Professional fees	1,597	720	876	122%	2,795	1,934	861	45%
Travel, marketing and promotion	472	298	174	59%	1,202	1,324	(123)	(9%)
General and administrative	1,484	455	1,029	226%	2,919	1,597	1,322	83%
Share-based compensation	3,112	1,378	1,735	126%	5,755	3,305	2,451	74%
Regulatory expenses	18	-	18	100%	18	-	18	100%
Total operating expenses	11,810	6,243	5,567	89%	31,309	19,934	11,376	57%
Operating loss for the period	(11,810)	(6,243)	(5,567)	89%	(31,094)	(19,934)	(11,160)	56%
Foreign exchange (loss) gain	(48)	37	(85)	(227%)	(186)	26	(212)	(824%)
Gain (loss) on fair value of short term investments	-	656	(656)	(100%)	304	(330)	634	(192%)
Other income	96	72	24	34%	317	301	16	5%
Profit (loss) on investment under equity method	(936)	(704)	(232)	33%	20,227	(2,174)	22,401	(1,030%)
(Loss) gain on investments at fair value	(54)	913	(967)	(106%)	(511)	179	(690)	(385%)
Fair value gain (loss) on note receivables	(604)	(27)	(577)	0%	(545)	(27)	(518)	100%
Fair value gain on distributed assets	-	-	-	0%	-	3,672	3,672	100%
Net loss for the period	(13,356)	(5,296)	(8,059)	152%	(11,487)	(18,286)	6,799	(37%)

Revenue

The Company did not generate any revenue during the quarter ended December 31, 2023, or in the prior year three-month quarter ended December 31, 2022, as revenue streams are still being developed with the AEX system launch in 2024.

Development

The Company increased its spending on development activities quarter over quarter (Q4 2023 over Q4 2022) by \$0.6 million or 28%. The Company has focused its development resources on building a world-class trading platform and clearing house operations. Furthermore, in Q4 2023, the Company continued to work with its technical partners to provide specific development work geared towards launching the AEX trading platform. Abaxx has made these development investments, with respect to AEX:

- **Building the Exchange:** AEX has licensed the software systems necessary to facilitate global order books and market matching and developed the rulebooks and compliance procedures to operate the exchange.
- **Building the Clearinghouse:** Modern clearinghouses facilitate these transactions and risk calculations via robust software systems. AEX has licensed the necessary software systems to facilitate global order clearing and risk monitoring and has developed the necessary rulebooks compliance procedures, and risk analysis monitoring systems to operate the exchange.

Salaries and wages

Abaxx is still building its core team of operators, managers, and support staff. During Q4 2023, staff costs increased by 96% or \$1.1 million compared to Q4 2022. This increase results from management's continued effort to align with the right vocational skill set to grow with the Company, especially in the Asia Pacific region where a net 4 additional staff were hired compared to Q4 2022. The Company also accrued launch bonuses to be paid to staff following the exchange and clearing house launch in Singapore in 2024. The Company expects salaries and wages to continue to increase in the coming quarters as management aims to hire more skilled staff as we move closer to an operational launch of the Exchange.

Professional fees

For Q4 2023, professional fees increased by \$0.9 million or 122% compared to Q4 2022. The Company incurred fees for accounting, audit, professional advisors, legal, and patent work. These professional fees were for intellectual property requirements, ongoing legal commitments, the Company's launch of the Exchange, and building a properly functioning corporate infrastructure.

Travel, marketing, and promotion

Travel, marketing, and promotion increased by 59% or \$0.2 million quarter over quarter. The major expenditures continue to relate to the development of our corporate brands, investment in marketing the brand, and building out investor relations protocols and podcasts, including SmarterMarkets. The Company continues to bring awareness to its brands and educate the public about major industry activities. Here is a link to our SmarterMarkets webpage for more information: <https://smartermarkets.media/>

General and administrative

During the quarter ending December 31, 2023, the Company's general and administrative expenses increased by \$1 million or 226%. These expenses are mainly related to

directors' and officers' insurance, public company fees, key software subscriptions (such as AWS, Microsoft, and Bloomberg), office spaces, internet services, postage, courier, delivery, communications, office equipment, and provisions.

Share-based compensation

Share-based compensation expense increased by 126% or \$1.7 million for Q4 2023 compared to Q4 2022. The increase was due to the annual bonus accruals in the form of grants of stock options and grants of RSUs in Q4 2023 to employees, directors, contractors, and consultants. The Company's stock options and RSU plans are intended to provide an incentive mechanism to foster the interest of its employees, directors, contractors, and consultants in the long-term success of the Company, and will continue to issue these going forward.

Gain on fair value of short-term investments

During Q4 2023, the Company recognized a nil\$ (December 31, 2022, \$0.7 million gain) on change in the fair market value of its gold investments, in its consolidated statement of operations and comprehensive loss. This was calculated based on the market price of gold as published on the London Bullion Market Association's website.

Gain (loss) on investments at fair value

During Q4 2023, the Company recognized a \$0.1 million loss (December 31, 2022, \$0.9 million gain) on change in investments at fair value in its consolidated statement of operations and comprehensive loss. The Company used a third-party valuator to determine the fair market value and the measurement basis for the investment at fair value was the projected revenue and revenue multiplier as at December 31, 2023.

Fair value gain (loss) on note receivables

During Q4 2023, the Company recognized a \$0.6 million loss (December 31, 2022, \$0.02 million) on change in investments at fair value, in its consolidated statement of operations and comprehensive loss. The Company used a third-party valuator to determine the fair market value and the measurement basis for the investment at fair value was the projected revenue and cash flows as at December 31, 2023.

Profit (loss) on investment under equity method

The Company (was a founding investor in Base Carbon Inc.) held an equity ownership of approximately 16.4% at December 31, 2023. The quoted market value for these shares in Base Carbon at December 31, 2023, was \$9.1 million. The Company reports its investment in Base Carbon under the equity method of accounting due to the Company's significant influence as a result of sharing two members of the board of directors and ownership percentage in Base Carbon.

Abaxx recorded a \$0.9 million loss as its share in its equity-accounted investee for Q4 2023 (Q4 2022: \$0.7 million loss), and year to date, it has recorded a share of profit of \$20.2 million (December 31, 2022: share of loss \$2.2 million).

Liquidity and Financial Position

Capital Resources

A key element of the Company's financing strategy is to fund its operations primarily by issuing equity instruments. Accordingly, the Company has historically carried manageable amounts of long-term debt.

The Company may enter into credit facilities or other financing arrangements in future periods to capitalize on market opportunities.

The following table summarizes capital resources and cash as of December 31, 2023, and December 31, 2022:

(expressed in \$000s)	December 31, 2023	December 31, 2022	\$ Change	% Change
Cash and cash equivalents	25,164.2	4,580.9	20,583.3	449%
Short term investments	56.3	5,025.0	(4,968.7)	(99%)
Other receivables	391.7	438.6	(46.9)	(11%)
Prepaid and other assets	681.2	533.9	147.3	28%
Convertible note receivables	760.3	1,290.1	(529.8)	(41%)
Accounts payable and accrued liabilities	(5,818.4)	(3,201.1)	(2,617.3)	(82%)
Net Working Capital	21,235.3	8,667.4	12,567.9	145%
Investments at fair value	1,718.1	2,134.9	(416.8)	(20%)
Investment in associate	19,931.3	-	19,931.3	100%
Tangible Capital	42,884.7	10,802.3	32,082.5	297%

At December 31, 2023, the Company had \$25.2 million in cash and cash equivalents and short-term investments, an increase of \$15.6 million or 163% over December 31, 2022. The net working capital on December 31, 2023, was \$21.2 million, an increase of \$12.6 million or 145% over December 31, 2022.

Tangible Capital on December 31, 2023, was \$42.9 million, as compared to \$10.8 million on December 31, 2022, this was an increase of \$32.1 million or 297%. The Company owns 19 million shares in Base Carbon (Cboe Canada Exchange: BCBN) with a market value of \$9.1 million on December 31, 2023. The investment in Base Carbon is not recognized on the Company's balance sheet at fair value due to the IFRS reporting requirements for investment in an associate entity, which must be accounted for under the equity method.

For the three months ended December 31, 2023, the Company's net working capital increased by \$23.4 million, which can be attributed to its continued fundraising activities.

The Company continued to use its cash for operations and spent \$6.9 million for the quarter ended December 31, 2023 (Q4 2022, \$3.7 million).

Cash Flow Summary

(expressed in \$000s)	Q4 2023	Q4 2022	\$ Change	% Change	FY 2023	FY 2022	\$ Change	% Change
Net cash provided by (used in)								
Operating activities	(6,863)	(3,730)	(3,132)	(84%)	(22,473)	(15,301)	(7,172)	(47%)
Investing activities	-	2,924	(2,924)	(100%)	5,242	(1,835)	7,076	386%
Financing activities	31,918	32	31,886	100,682%	38,922	1,273	37,649	2,958%
Increase (decrease) in cash and cash equivalents	25,055	(775)	25,830	3,335%	21,691	(15,863)	37,554	237%

Operating Activities

For Q4 2023, the Company used \$6.9 million in cash for operating activities, an increase of \$3.1 million or 84% compared to Q4 2022. This was due to a net loss of \$13.4 million adjusted for its share in its equity-accounted of \$0.9 million, share-based compensation of \$3.1 million, foreign exchange gain of \$0.5 million, fair value adjustment on convertible note receivables of \$0.6 million, change in accounts payable of \$1.9 million, and the loan from a shareholder \$0.4 million. The Company continues to invest and build its operational capabilities during the December 31, 2023, quarter.

During the year ended December 31, 2023, the Company used \$22.5 million in cash for operating activities, an increase of \$7.2 million or 47% compared to FY 2022. This was due to a net loss of \$11.5 million adjusted for share-based compensation of \$5.8 million, foreign exchange gain of \$0.2 million, gain on an investment in associate \$20.2 million, change in fair value of short-term investments of \$0.3 million, loss on investments at fair value \$0.5 million and change in accounts payable of \$2.6 million. The Company continues to invest and build its operational capabilities during the year ended December 31, 2023.

Investing Activities

During the year ended December 31, 2023, the Company sold gold and received proceeds of \$5.2 million (December 31, 2022, \$3.9 million).

During the year ended December 31, 2022, the Company received \$nil (December 31, 2022, \$0.7 million) from the sale of investments at fair value (Air Carbon).

Financing Activities

During the three months ended December 31, 2023, the Company received \$30.6 million in net proceeds from the issuance of its shares, \$0.6 million in net proceeds from the sale of its shares via the ATM program, and \$0.7 million from the exercise of stock options.

During the year ended December 31, 2023, the Company received \$30.6 million in net proceeds from the issuance of its shares, \$5.8 million in net proceeds from the sale of its shares via the ATM program, and \$1.5 million from the exercise of stock options.

After the quarter ended December 31, 2023, the Company has raised an additional \$6 million through the issuance of preferred shares in its subsidiary Abaxx Singapore, net of share issuance costs.

Commitments and Contractual Obligations

Royalty Payments

During the quarter ended December 31, 2019, the Company entered into a Royalty Agreement ("Royalty") with its subsidiary Abaxx Singapore. The Royalty payment contains the following terms:

- Abaxx Singapore will accrue and pay a royalty equal to 2% of gross revenue to the Company, payable quarterly as of April 1, 2019, continuing in perpetuity until the obligation is relinquished by the Company.
- The amounts payable become due to the Company after Abaxx Singapore generates positive earnings before income tax and depreciation of USD\$25,000,000 in a calendar quarter.
- There is no interest accrued on royalty payments accrued and not yet paid.

As of December 31, 2023, Abaxx Singapore has not achieved any revenue, and as such no amounts have been accrued in the consolidated financial statements.

In addition, the Royalty permits the Company to purchase an increase in the royalty payments by 1% for USD\$10,000,000 by February 1, 2024. As of December 31, 2023, the Company has not made any payments to Abaxx Singapore to increase the royalty earnings percentage.

The Company has a royalty agreement with Base Carbon that would pay Abaxx a 2.5% royalty on gross revenue for previous financial assistance and the usage of software it developed. The royalty is indefinite in term and Base Carbon has the right to buy back the royalty upon the payment of USD\$150,000,000 to Abaxx. As of December 31, 2023, \$215,510 has been accrued under the royalty agreement.

Transfer of Intellectual Property and License Agreement

The Company has developed proprietary digital technology and intellectual property for application to exchange trading and clearing for commodities and financial products including liquid natural gas as well as other tradable commodities and applications. ("Exchange Technology").

During the quarter ended December 31, 2019, the Company entered into a Master Licensing Agreement ("MLA") with its majority-owned affiliate Abaxx Singapore. As a result of this agreement, the Company was assigned exclusive title rights of use as well

as the sub-license rights to the Exchange Technology by way of a master license agreement.

The Company maintains ownership of the intellectual property licensing in the MLA.

Abaxx Singapore has agreed to pay the Company earnings if in the future it sub-licenses the Exchange Technology, in which case a result of the MLA royalty fees would be as follows:

- An amount equal to 20% of revenues on the first USD\$2,000,000
- An amount equal to 10% of revenues on the next USD\$3,000,000
- An amount equal to 5% of revenue on any excess revenue

Payments from Abaxx Singapore under these agreements are due monthly to the Company. As of December 31, 2023, Abaxx Singapore has accrued no amounts and no amounts have been recorded as receivable by the Company under either a royalty agreement or the MLA.

The Company has not recorded the benefits under either of these agreements as an asset due to the intellectual property still being under development, no revenues being generated, and the commercial viability of the Exchange Technology not yet been determined.

As of the quarter ended December 31, 2023, this agreement does not impact the Company's consolidated financial statements.

Contingency

The Company is a party to the claims & litigation arising in the normal course of business. Due to the inherent uncertainties of litigation and/or the early stage of certain proceedings, the outcomes of all ongoing litigation and claims cannot be predicted with certainty and the amount of any potential losses cannot be estimated reliably. The resolution of any future matters could materially affect the Company's financial position, results of operations, or cash flows.

As part of the December 14, 2020, reverse takeover with New Millennium Iron Corp., the Company took on a legacy legal claim. This is a lawsuit filed by a former NML consultant for \$2,600,000. The Company believes the consultant was appropriately compensated and is contesting this claim.

In management's opinion, based on its current knowledge and after consultation with counsel, the ultimate disposition of this action will not have a material adverse effect on the consolidated financial condition or the consolidated cash flows of the Company. However, because of the factors listed above and other uncertainties inherent in litigation, there is a possibility that the ultimate resolution of the legal action may be material to the Company's consolidated results of operations for any reporting period.

Off-Balance Sheet Arrangements

There are currently no off-balance sheet arrangements that could have an effect on current or future results or operations or the financial condition of Abaxx.

Subsequent event

On January 10, 2024, the Company announced that its subsidiary company, Abaxx Singapore has closed its equity private placement (the "Offering") for gross proceeds of US\$27,323,013. The Offering consisted of the issuance of 953,787 preferred shares (the "Preferred Shares") to strategic partners 4,837,392 ordinary shares (the "Ordinary Shares") and 3,730,362 Ordinary Share purchase warrants (the "Warrants"). The investors for Preferred Shares are Abaxx's first group of globally recognized strategic participants in the market infrastructure and commodity ecosystems (CBOE III LLC "Cboe", TLW Trading LLC "TLW", Traxys Lithium Investments Limited "Traxys"), while Abaxx Technologies Inc (through an indirect wholly-owned subsidiary) is the investor for the Ordinary Shares and Warrants.

The Preferred Shares have been offered solely to strategic partners for US\$4.718 per Preferred Share (the "Purchase Price"). The Preferred Shares will be convertible into Ordinary Shares of Abaxx Singapore at the holder's option or upon the occurrence of specific events, as well as a put right that, upon the occurrence of certain events, will allow purchasers of Preferred Shares the ability to sell their Preferred Shares back to Abaxx Singapore at the Purchase Price. In addition, strategic partners will be granted some limited pre-emptive rights in connection with any future capital raising by Abaxx Singapore. The holders of the Preferred Shares will also have the right to nominate one director to serve on the Abaxx Singapore board of directors, subject to regulatory approval.

In Q1 2024, Abaxx Technologies Corp. (Barbados) ("Abaxx Barbados"), an indirect wholly-owned subsidiary of the Company, has subscribed for 3,730,362 units (the "Units") of Abaxx Singapore at the Purchase Price, with each Unit consisting of one Ordinary Share and one Warrant exercisable for US\$4.718 for a period of 12 months. Abaxx Singapore has also issued 1,107,030 Ordinary Shares to Abaxx Barbados for settlement of intercorporate debts at the deemed Purchase Price, for an aggregate total of 4,837,392 Ordinary Shares and 3,730,362 Warrants being issued to Abaxx Barbados in connection with the Offering. The issuance of securities to Abaxx Barbados and the Preferred Shares to strategic partners under the Offering will result in Abaxx Barbados owning not less than 88.24% of the voting shares in Abaxx Singapore, assuming all Preferred Shares are converted into Ordinary Shares, and assuming the exercise of all of the Warrants issued to Abaxx Barbados.

Net proceeds from the Offering will be used for working and reserve capital purposes.

On March 28, 2024, the Company announced it had closed its previously announced bought-deal financing (the "Offering"). The Company issued 1,437,500 common shares (the "Common Shares") on a bought-deal basis at an offering price of \$13.00 per Common Share (the "Offering Price"), which includes 187,500 Common Shares issued pursuant to the exercise of an over-allotment option, in full, for gross proceeds of \$18,687,500.

The Company intends to use the net proceeds from the Offering for general corporate and working capital requirements, including to fund ongoing operations and/or working capital and minimum regulatory requirements for Abaxx Exchange and Abaxx Clearing, or other corporate purposes as outlined in its prospectus supplement to its base shelf prospectus dated March 20, 2024, filed in connection with the Offering.

Critical Accounting Estimates

The preparation of the consolidated financial statements requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods if the revision affects both current and future periods. The estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, if actual results differ from assumptions made, relate to, but are not limited to, the following:

Share-based payments

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the statement of loss and comprehensive loss, based on estimates of forfeiture and expected lives of the underlying stock options.

Warrants

Management is required to make certain estimates on all inputs in the Black Scholes option pricing model when determining the fair value of warrants included in unit financings.

Fair value of financial instruments

The individual fair values attributed to the different components of a financing transaction, and/or derivative financial instruments, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Consolidation

Judgment is applied in assessing whether the Company exercises control and/or has significant influence over the entities in which the Company directly or indirectly owns an interest. The Company has control when it has the power over the subsidiary, has exposure to rights or variable returns and has the ability to use its power to affect the returns. Significant influence is defined as the power to participate in the financial and operational decisions of the subsidiaries. Where the Company is determined to have control, these entities are consolidated. Additionally, judgment is applied in determining the effective date on which control, or significant influence was obtained.

Investment in associate

The values relating to investment in associate involve significant estimates and assumptions, including future cash flows and discount rates. It is tested for impairment annually or more frequently if the circumstances or assumptions change significantly.

Political and Economic Risk

In general, a deterioration may occur in the political or economic situation as related to the Company as a result of the Russian invasion of the Ukraine, conflict in the Middle East or an act of war or hostilities, invasion, armed conflict or act of a foreign enemy, revolution, insurrection, insurgency occurs resulting in a material adverse result directly or indirectly affecting the company. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

Capital risk management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholders' return by enhancing the share value.

The Company monitors its capital structure and adjusts according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general.

The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. Management and the Board of Directors review the capital structure on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, contributed surplus, reserves, non-controlling interest, cumulative other comprehensive income, and deficit, which totaled \$42.9 million as of December 31, 2023, (December 31, 2022, \$10.8 million).

The Company manages capital through its financial and operational forecasting processes. It reviews its working capital and forecasts its future cash flows based on operating expenditures and other investment and financing activities. The company's approach to capital risk management did not change during the year ended December 31, 2023, and it is not subject to any externally imposed capital requirements.

Related Party Transactions

The Company considers key management to be officers and directors. During the year ended December 31, 2023, \$345,589 (December 31, 2022, \$336,800) of compensation was incurred from key management and companies controlled by or related to key management.

Key management and directors received \$517,978 and \$614,925, respectively, in share-based compensation during the year ended December 31, 2023 (December 31, 2022, \$364,083 and \$312,174, respectively).

During the year that ended December 31, 2023, the Company received a loan of \$750,000 from Base Carbon, an associate entity. See note 6 in the audited financial statements for transactions with the Company's investment in associates.

During the year ended December 31, 2023, the Company received \$1,102,939 (December 31, 2022, \$nil) in advance from a shareholder and related party. The loan balance was repaid during the year.

During the year ended December 31, 2023, the Company recharged \$453,682 (December 31, 2022, \$750,000) for certain expenses to Base Carbon, an associate entity of the Company (see note 6 in the audited financial statements).

Outstanding Share Capital Data

As of the date of this MD&A, the Company had 32,841,695 common shares issued and outstanding, 1,668,952 options outstanding, each option exercisable for the purchase of one common share, 405,820 RSU's, each exercisable for one common share outstanding.

Risks and Uncertainties

Due to the nature of the Company's business and its present stage of development, prospective investors in the Company's securities should carefully consider the specific and general risks involved in an investment in the Company's securities. Risk factors that could materially affect the Company's business, results of operations, prospects, and financial condition include:

Nature of Business; Limited Operating History and Financial Resources; Dividends Reporting Issuer Risk; Limited Assets; Limited Market for Securities; Risks related to insurance of Abaxx's operations; Additional Financing Requirements; Exposure and Sensitivity to Macro-Economic Conditions; Risks related to regulation by governmental authorities; insurrection and war; anthropogenic and carbon market related risk, Operations in Foreign Jurisdictions; COVID-19 Global Pandemic; Protection of Abaxx Tech Software and IP Portfolio; Global Financing Conditions; Acquisition Risk; Risks related to volatility of share price, absence of dividends and fluctuation of operating results; Competition; Growth Risk; Risks related to conflicts of interest; Political Regulatory Risks; Currency Risk; Contractual Risk; Profitability Risks related to value of securities; Tax Amendment Risk; Litigation Risks; Going Concern Risk Economic environment and global economic risk; Market for Securities; Third Party Risk Clearinghouse Risk; Inadequacy of Risk Management Procedures; Malicious Actor Risk; Third-party Software License Risk; Competitive Risks for Abaxx Tech; Competitive Risks for AEX System Failure Risk; Security Threats; Limited Management Experience; Reliance on Management and Key Personnel; Software Development Risk; Undetected Error Risk; Risk of Technological Change; Dependence of Technical Infrastructure; Use and Storage of Personal Information and Compliance with Privacy Laws; Slow Acceptance of Products; Going Concern Risk;

Additional risks and uncertainties not presently known to the Company or that the Company does not currently anticipate will be material, may impair the Company's business operations and operating results, and as a result could materially impact its business, prospects and financial condition. Please refer to those risks discussed in the materials that management from time to time file with, or furnish to, the Canadian securities regulatory authorities, including the section entitled "Risks and Uncertainties" in the Company's most recently filed annual information form, available on SEDAR at www.sedar.com.

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of December 31, 2023, the Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of its disclosure controls and procedures, as defined under the Canadian securities regulatory authorities, and have concluded that the Company's disclosure controls and procedures are effective.

Internal control over financial reporting (ICFR)

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. These controls include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could materially affect the financial statements.

All control systems contain inherent limitations, no matter how well designed. As a result, the Company's management acknowledges that its internal control over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, management's evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected. Our management under the supervision of our CEO and CFO has evaluated the design of our ICFR based on the Internal Control – Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. As at December 31, 2023, management assessed the design of our ICFR and concluded that our ICFR is appropriately designed, and no material weaknesses have been identified.

Changes in internal control over financial reporting

There have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting during the year ended December 31, 2023.

Additional Information

Additional information relating to the Company, including the Company's annual information form, can be found on SEDAR at www.sedar.com.