



**NEPTUNE DASH TECHNOLOGIES CORP.**

**Consolidated Financial Statements  
For the Periods Ended August 31, 2019 and 2018**

(Expressed in Canadian Dollars)

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## **INDEPENDENT AUDITORS' REPORT**

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To the Shareholders and Directors of Neptune Dash Technologies Corp.

### **Opinion**

We have audited the consolidated financial statements of Neptune Dash Technologies Corp. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at August 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year ended August 31, 2019 and the period from incorporation on October 31, 2017 to August 31, 2018, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2019 and 2018, and its financial performance and its cash flows for the periods then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Information**

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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

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

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Fernando J. Costa.

*/s/ Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, Canada  
December 20, 2019

**Neptune Dash Technologies Corp.**  
Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

As at	August 31, 2019	August 31, 2018
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 509,996	\$ 1,062,306
Amounts receivable and prepaid expenses	52,031	73,363
Digital currencies (Note 4)	167,309	148,282
	729,336	1,283,951
Digital currencies (Note 4)	2,085,580	5,458,379
Office equipment (Note 5)	-	26,269
	\$ 2,814,916	\$ 6,768,599
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 129,293	\$ 31,838
Loans (Note 6)	100,000	100,000
	229,293	131,838
<b>Equity</b>		
Share capital (Note 7)	24,611,377	24,353,044
Reserves (Note 7)	4,412,626	4,360,820
Deficit	(26,438,380)	(22,077,103)
	2,585,623	6,636,761
<b>Total Liabilities and Equity</b>	<b>\$ 2,814,916</b>	<b>\$ 6,768,599</b>

Nature of operations (Note 1)  
Subsequent event (Note 12)

**On behalf of the Board on December 20, 2019:**

“Cale Moodie”
“Kalle Radage”

Director
Director

**Neptune Dash Technologies Corp.**  
Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)

	For the year ended August 31, 2019	Period from Incorporation on October 31, 2017 to August 31, 2018
<b>Revenue</b>	\$ 202,311	\$ 423,416
<b>Cost of Sales</b>		
Operating and maintenance costs	(10,207)	-
	<u>192,104</u>	<u>423,416</u>
<b>Expenses</b>		
Consulting fees (Note 6)	452,016	479,975
Depreciation (Note 5)	5,622	4,859
Directors fees	51,000	31,500
Listing fees (Note 3)	-	3,533,309
Marketing	31,184	604,956
Office and miscellaneous	62,437	99,827
Professional fees	98,987	149,884
Share-based compensation (Note 7)	310,139	3,822,544
Transfer agent	11,224	930
Travel, road shows and conferences	914	137,829
	<u>(1,023,523)</u>	<u>(8,865,613)</u>
Net loss before other expenditures	(831,419)	(8,442,197)
Other items		
Interest income	11,321	8,806
Gain on settlement of debt (Note 6)	35,606	-
Loss on disposal of equipment (Note 5)	(15,647)	-
Realized loss on sale of digital tokens (Note 4)	(104,409)	(2,291)
Revaluation of digital currencies (Note 4)	(3,456,729)	(13,641,421)
	<u>(3,439,859)</u>	<u>(13,632,615)</u>
<b>Loss and Other Comprehensive loss for the periods</b>	<u>\$ (4,361,277)</u>	<u>\$ (22,077,103)</u>
<b>Weighted Average Number of Common Shares Outstanding</b>		
Basic and Diluted	80,506,160	66,983,603
<b>Loss per Common Share</b>		
Basic and diluted	\$ (0.05)	\$ (0.33)

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

**Neptune Dash Technologies Corp.**  
Consolidated Statements of Changes in Equity  
(Expressed in Canadian Dollars)

	Share Capital			Reserves			Total
	Number of Common Shares	Share Capital	Share-based payments	Warrant reserve	Deficit		
<b>Balance on incorporation, October 30, 2017</b>							
Seed shares	12,000,000	600,000	-	-	-	\$ -	\$ 600,000
Private placements	18,000,000	2,400,000	-	-	-	-	2,400,000
Convertible Debenture							
Financing	41,400,000	20,700,000	-	-	-	-	20,700,000
Finders fees	1,200,000	180,000	-	-	-	-	180,000
Share issue costs	-	(3,173,621)	-	1,132,276	-	-	(2,041,345)
Shares issued for services	500,000	100,000	-	-	-	-	100,000
Acquisition of Crossroads	7,093,329	3,546,665	-	-	-	-	3,546,665
Share-based compensation	-	-	3,228,544	-	-	-	3,228,544
Loss and comprehensive loss for the period	-	-	-	-	(22,077,103)	(22,077,103)	(22,077,103)
<b>Balance at August 31, 2018</b>	80,193,329	24,353,044	3,228,544	1,132,276	(22,077,103)		6,636,761
Share-based payments	-	-	310,139	-	-	-	310,139
Restricted Share Units	516,666	258,333	(258,333)	-	-	-	-
Loss and comprehensive loss for the year	-	-	-	-	(4,361,277)	(4,361,277)	(4,361,277)
<b>Balance at August 31, 2019</b>	80,709,995	\$ 24,611,377	\$ 3,280,350	\$ 1,132,276	\$ (26,438,380)	\$	\$ 2,585,623

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

**Neptune Dash Technologies Corp.**  
Consolidated Statements of Cash Flows  
(Expressed in Canadian Dollars)

	For the year ended August 31, 2019	Period from Incorporation on October 30, 2017 to August 31, 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (4,361,277)	\$ (22,077,103)
Items not affecting cash:		
Depreciation (Note 5)	5,622	4,859
Listing fee	-	3,336,983
Realized loss on sale of digital currencies (Note 4)	104,409	2,291
Loss on disposal of equipment	15,647	-
Revaluation of digital currencies (Note 4)	3,456,729	13,641,421
Revenue from digital currencies (Note 4)	(202,311)	(423,416)
Gain on settlement of debt	(35,606)	-
Share-based compensation (Note 7)	310,139	3,822,544
Shares issued for services	-	100,000
Changes in non-cash working capital items:		
Amounts receivable and prepaid expenses	21,332	(73,363)
Digital currencies	-	(150,573)
Accounts payable	128,006	23,381
	<u>(557,310)</u>	<u>(1,792,976)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of digital currencies	-	(18,676,384)
Disposal (purchase) of equipment	5,000	(31,128)
	<u>5,000</u>	<u>(18,707,512)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from share issuance (Note 7)	-	23,106,000
Share issuance costs	-	(1,861,345)
Loans (Note 4 & 6)	-	100,000
	<u>-</u>	<u>21,344,655</u>
<b>Net change in cash</b>	(552,310)	844,167
<b>Cash, beginning of period</b>	1,062,306	-
<b>Cash acquired on acquisition of Crossroads Ventures Inc. (Note 3)</b>	-	218,139
<b>Cash, end of period</b>	<u>\$ 509,996</u>	<u>\$ 1,062,306</u>
Non-cash Financing Transactions		
Fully vested restricted share units	\$ 258,333	\$ -
Seed shares issued to founders	\$ -	\$ 594,000
Common shares and warrants issued for share issue costs	\$ -	\$ 1,132,276
Common shares issued for services	\$ -	\$ 100,000

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

## **1. NATURE OF OPERATIONS**

Neptune Dash Technologies Corp. (the “Company” or “Neptune”) (formerly Crossroad Ventures Inc.) was incorporated on March 15, 2000 under the laws of the province of British Columbia. The Company’s shares are listed on the TSX Venture Exchange (TSX-V) under the symbol DASH. The head office, registered and records office of the Company is located at 310-36 Water Street, Vancouver, BC, V6B 0B7.

Neptune is engaged in the business that builds, owns and operates digital currency infrastructure assets. Its core assets and primary business model is to build, operate and own masternodes on the Dash blockchain network.

On February 16, 2018 the Company incorporated a wholly owned subsidiary, Neptune Stake Technologies Corp. (“Neptune Stake”) which holds a portfolio of digital currencies.

During the year ended August 31, 2018 the Board of Directors authorized a 20-for-1 share split. The number of issued and outstanding shares has been retrospectively restated for all periods unless otherwise stated.

### **REVERSE TAKEOVER**

On December 1, 2017, the Company and Neptune Dash Nodes Corp. (“Dash”), entered into an Amalgamation Agreement whereby the Company acquired all of the outstanding shares of Dash, being 31,700,000 shares, in consideration for securities of the Company on a 1 for 1 basis. After completion of the Amalgamation Agreement, the shareholders of Dash held approximately 81.72% of the Company. Accordingly, Dash is considered to have acquired the Company with the transaction being accounted for as a reverse takeover of the Company by Dash shareholders (the “RTO”).

As Dash is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on October 30, 2017 are included in the consolidated financial statements at their historical carrying value. The Company’s results of operations are included from December 1, 2017 onwards. Concurrent with the RTO, the Company converted the \$20,700,000 financing and issued an additional 41,400,000 common shares (Note 7). On completion of the RTO the company changed its name to Neptune Dash Technologies Corp.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of compliance**

These consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

### **Basis of presentation**

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements are prepared on historical costs, except for financial instruments classified as fair value through profit or loss. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The functional currency of the Company is Canadian dollars.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Neptune Stake Technologies Corp. All inter-company balances and transactions are eliminated on consolidation.

**Significant accounting judgments and estimates**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant estimates include the valuation and impairment of Dash digital tokens and other digital currencies, and share-based payment calculations.

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

*Significant judgements*

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

(i) Going concern

The assessment of the Company's ability to execute its strategy by effectively operating the Company involves judgement. Management closely monitors the operations and cash flows in the Company.

(ii) Income taxes

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

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Significant accounting judgments and estimates (continued)**

*Significant judgements (continued)*

(iii) Functional currency

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

(iv) Digital currencies

Digital currencies are considered to be an identifiable non-monetary asset without physical substance. Management has determined that the digital currencies are treated as intangible asset in accordance with IAS 38 "Intangible Assets".

*Significant estimates*

(i) Digital currency valuation

Digital currencies consist of cryptocurrency denominated assets (Note 4) and are included in both current and long-term assets. Digital currencies are carried at their fair market value determined by the spot rate based on the hourly volume weighted average from [www.cryptocompare.com](http://www.cryptocompare.com). The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position. In addition, management estimates that selling costs will be nominal.

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. A decline in the market prices for coins could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its digital currencies.

(ii) Share based compensation

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

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Significant accounting policies (continued)**

**Revenue recognition**

The Company recognizes revenue from the provision of masternode server operations within digital currency networks, commonly termed “masternode hosting”. As consideration for these services, the Company receives digital currency from each specific network in which it participates (“Dash” or “ATOM”). Revenue is measured based on the fair value of the Dash or ATOM received. The fair value is determined using the spot price based on the hourly volume weighted average from [www.cryptocompare.com](http://www.cryptocompare.com) of Dash or ATOM on the date of receipt. A Dash or ATOM is considered earned on the completion and addition of a block to the blockchain, at which time the economic benefit is received and can be reliably measured.

**Digital Currencies**

Digital currencies that are being held with a short-term nature are recorded as current assets on the consolidated statements of financial position while Digital currencies being held to maintain the Company’s masternodes are classified as long-term assets.

Management of the Company view the Digital currencies as an intangible asset as it is an identifiable non-monetary asset without physical substance and accordingly the Company uses the revaluation model, as permitted under IAS 38 “Intangible Assets”, to measure its digital currencies. Initially the digital currencies are measured at cost and will not be subject to amortization. The revaluation model under IAS 38 requires intangible assets, after initial recognition, to be carried at revalued amounts less any accumulated amortization and accumulated impairment losses. The revalued amounts are determined at each reporting period at their fair market value which is calculated using the spot rate based on the hourly volume weighted average from [www.cryptocompare.com](http://www.cryptocompare.com). Under the revaluation method, increases in fair value are recorded in other comprehensive income, while decreases are recorded in profit or loss. There is no recycling of gains from other comprehensive income to profit or loss. However, to the extent that an increase in fair value reverses a previous decrease in fair value that has been recorded in profit or loss, that increase is recorded in profit or loss. On disposal, any cumulative revaluation surplus associated with the dash digital tokens is transferred directly to retained earnings.

**Shared-based payments**

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

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Significant accounting policies (continued)**

**Share-based payments (continued)**

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

**Income taxes**

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

**Provisions**

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

**Earnings (loss) per share**

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

**Financial instruments**

(i) Financial assets

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

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Significant accounting policies (continued)**

**Financial instruments (continued)**

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

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

(ii) Financial liabilities

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

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit and loss.

*Amortized cost*: This category includes accounts payables and loans payable, which are recognized at amortized cost.

**Impairment**

i) Non-financial assets

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

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

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

## **2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Significant accounting policies (continued)**

#### **Impairment (continued)**

##### ii) Financial assets

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

#### **Equipment**

Equipment is recorded at historical cost less accumulated depreciation. The Company provides for depreciation using the straight-line method at rates designed to depreciate the cost of equipment over the estimated useful life. The estimated useful lives of office furniture and equipment is 5 years.

#### **Comprehensive income (loss)**

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit. Other comprehensive income consists of changes to unrealized gain and losses on available for sale financial assets and digital currency, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income. The Company has not had other comprehensive income since inception.

#### **New standards, interpretations and amendments adopted**

On September 1, 2018, the Company adopted IFRS 9 – Financial Instruments (“IFRS 9”) which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking ‘expected loss’ impairment model. IFRS 9 also includes significant changes to hedge accounting. The Company adopted the standard retrospectively. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities.

The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The change did not impact the carrying amounts of any of the Company's financial assets on the transition date. Prior periods were not restated, and no material changes resulted from adopting this new standard.
- The adoption of the new “expected credit loss” impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of our financial assets on the transition date given the Company transacts exclusively with large international financial institutions and other organizations with strong credit ratings.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**New standards, interpretations and amendments adopted (continued)**

On September 1, 2018 the Company adopted IFRS 15 - Revenue from Contracts with Customers (“IFRS 9”) which replaced IAS 18 - Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers, and SIC 31 - Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The Company’s preliminary assessment is that the standard is not expected to have a significant impact on the recognition or measurement of revenue. IFRS 15 did not impact the classification, recognition or measurement of revenue.

**Future changes in accounting policies**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC (International Financial Reporting Interpretations Committee) that are mandatory for accounting periods noted below. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Standard is effective for annual periods beginning on or after January 1, 2019:

IFRS 16 Leases - In June 2016, the IASB issued IFRS 16 - Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The Company does not expect the adoption of this standard to significantly affect the Company’s consolidated financial statements.

**3. ACQUISITION OF CROSSROAD VENTURES INC**

On December 1, 2017, the Company and Neptune Dash Nodes Corp. (“Dash”), entered in to an Amalgamation Agreement whereby the Company acquired all of the outstanding shares of Dash, being 31,700,000 shares, in consideration for securities of the Company on a 1 for 1 basis. After completion of the Amalgamation Agreement, the shareholders of Dash held approximately 81.72% of the Company. Accordingly, Dash is considered to have acquired the Company with the transaction being accounted as a reverse takeover of the Company by Dash shareholders.

For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 – *Business Combinations* (“IFRS 3”) since Crossroad Ventures Inc. (“Crossroad”), prior to acquisition did not constitute a business. The transaction is accounted for in accordance with IFRS 2 – *Share-based Payments* whereby the Company is deemed to have issued shares in exchange for the net assets of Crossroad together with its listing status at the fair value of the consideration received.

As a result of this transaction, a listing expense of \$3,533,309 has been recorded. This reflects the difference between the estimated fair value of the Dash’s shares deemed to have been issued to the Company’s shareholders, plus transaction costs incurred, less the net fair value of the assets of the Company acquired.

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**3. ACQUISITION OF CROSSROAD VENTURES INC (continued)**

In accordance with reverse acquisition accounting:

- i) The assets and liabilities of Dash are included in the statement of financial position at their carrying values.
- ii) The net assets of the Company are included at their fair value of \$209,681.

<hr/> <hr/> Net assets acquired:	
Cash	\$ 218,139
Accounts payable	<u>(8,458)</u>
Fair value of net assets	<hr/> <hr/> \$ 209,681

- iii) The listing expense of \$3,533,309 was determined as follows:
  - a. The number of Company common shares held by former Dash shareholders outstanding was 31,700,000 or 81.72% of the combined entity.
  - b. The fair value of Dash is \$15,850,000, which is based on the concurrent financing price of \$0.50 per common share.
  - c. The fair value of the shares issued to acquire the Company under the reverse acquisition accounting was \$3,546,665 calculated as 7,093,329 common shares at approximately \$0.50 per share.
  - d. The difference between the fair value of \$3,546,665 being the consideration paid, and the fair value of the net assets of the Company of \$209,681, plus transaction costs of \$196,325 amounted to a net listing expense of \$3,533,309.

**4. DIGITAL CURRENCIES**

Digital currencies are recorded at their fair value on the acquisition date or when they are received as revenues and are revalued at their current market value at each reporting date. Fair value is determined from digital currency exchanges which list the different cryptocurrencies held.

***Dash and ATOM***

As at August 31, 2019, the Company has 16,382 units of Dash digital tokens with a fair value of \$1,741,120.

The Company has setup and operates 16 masternodes which require 1,000 Dash digital tokens each in order to operate on the Dash blockchain network. The remaining 382 Dash digital tokens will be used towards the construction of future Dash masternodes or investments within Neptune Stake. All 16 of the Company's Dash masternodes are operational and processing transactions on the Dash blockchain network. During the year the Company exchanged 3,656 Dash digital tokens with a cost of \$3,495,373 and a fair value of \$702,305 for ATOM as described below.

During the year ended August 31, 2019, the Company earned 1,213 (2018 – 825) Dash digital tokens with a fair value of \$189,618 (2018 - \$423,416), this is inclusive of pooling revenue earned. The amounts have been recorded as revenue in the current period.

As at August 31, 2019, the fair value of the 16,382 Dash digital tokens is as follows:

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**4. DIGITAL CURRENCIES (continued)**

*Dash and ATOM (continued)*

	Number	Amount
Balance on incorporation	-	\$ -
Purchases	18,000	18,676,384
Dash earned	825	423,416
Balance at book value, August 31, 2018	18,825	19,099,800
Revaluation of Dash digital tokens	-	(13,641,421)
Balance, August 31, 2018	18,825	5,458,379
Dash earned	1,213	189,618
Dash exchanged	(3,656)	(702,305)
Balance at book value, August 31, 2019	16,382	4,945,692
Revaluation of Dash digital tokens	-	(3,204,572)
Balance, August 31, 2019	16,382	\$ 1,741,120

The fair value of the Dash digital tokens held as at August 31, 2019 is based on the quoted value of Dash digital tokens on August 31, 2019.

On May 28, 2019, the Company announced its intent to add a Cosmos Validator node to its inventory of node assets. The Company executed this transaction through dismantling a single Dash masternode and used the proceeds of disposition to purchase sufficient ATOM in order to setup a Cosmos Validator node.

During the year ended August 31, 2019, the Company received 40,000 ATOM with a fair value of \$253,527 from directors of the Company. The Company transferred 3,656 Dash with a fair value of \$702,305 into the portfolio and exchanged these for 120,394 ATOM, of which 40,000 was returned to the directors. The fair value of the ATOM returned to directors was \$248,471 and the Company recognized a gain on the settlement of the debt of \$5,056. During the year ended August 31, 2019, the Company earned 2,858 ATOM valued at \$12,693. At the year ended August 31, 2019, the Company had 123,252 ATOM with a fair value of \$344,460.

As at August 31, 2019, the fair value of the 123,252 ATOM digital tokens is as follows:

	Number	Amount
Balance, August 31, 2018	-	\$ -
Receipt of ATOM Loan	40,000	253,527
Exchange of Dash into portfolio	120,394	702,305
Return of ATOM Loan	(40,000)	(248,471)
ATOM earned	2,858	12,693
Revaluation of digital currencies	-	(375,594)
Balance, August 31, 2019	123,252	\$ 344,460

As at August 31, 2019 the fair value of the Dash and ATOM digital tokens held was \$2,085,580 (2018 - \$5,458,379). During the year ended, August 31, 2019, \$104,409 was realized loss from the sale of digital tokens.

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**4. DIGITAL CURRENCIES (continued)**

*Other*

During the period ended August 31, 2018 the Company acquired holdings in a portfolio of digital currencies, including Bitcoin, Ethereum, Litecoin, Stellar, NEO, Dash, Omisego, and QTUM. The holdings are weighted based on the various digital currency market capitalizations. The Company intends to stake these assets and earn income subject to protocol upgrades in the future. The Company invested an initial \$200,000, which was rebalanced based on the market capitalizations on June 1, 2018.

	Other
Balance on incorporation	\$ -
Purchases	200,000
Exchange of digital currencies – disposals	(43,607)
Exchange of digital currencies – acquisitions	43,607
Realized loss on exchanges	(2,291)
Revaluation of digital currencies	(49,427)
Balance, August 31, 2018	148,282
Revaluation of digital currencies	19,027
Balance, August 31, 2019	\$ 167,309

As at August 31, 2019, the fair value of the digital currency portfolio was \$167,309 (2018 - \$148,282). A summary of the digital currency balances as follows:

	Holdings, August 31, 2019	Fair Value, August 31, 2019	Holdings, August 31, 2018	Fair value, August 31, 2018
Bitcoin	11	146,136	11	110,414
Ethereum	67	15,410	67	26,695
Litecoin	38	3,300	38	3,432
Stellar	12,784	1,075	12,784	3,965
NEO	44	513	44	1,326
Dash	6	617	5	1,630
Omisego	77	113	77	472
QTUM	52	145	52	348
Balance		\$ 167,309		\$ 148,282

The fair value of the digital currencies held as at August 31, 2019 is based on the quoted value of the digital currencies on August 31, 2019.

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**5. OFFICE EQUIPMENT**

	Office Equipment
<b>Cost</b>	
Balance, October 30, 2017	\$ -
Acquisitions for the period	31,128
Balance, August 31, 2018	31,128
Disposals for the period	(31,128)
Balance, August 31, 2019	\$ -
<b>Accumulated depreciation</b>	
Balance, October 30, 2017	\$ -
Depreciation for the period	4,859
Balance, August 31, 2018	4,859
Depreciation for the period	5,622
Disposals for the period	(10,481)
Balance, August 31, 2019	\$ -
<b>Carrying amounts</b>	
As at August 31, 2018	\$ 26,269
As at August 31, 2019	\$ -

During the year ended August 31, 2019, the Company disposed of all of its equipment with a net book value of \$20,647 for proceeds of \$5,000 and recognized a loss on disposal of \$15,647.

**6. RELATED PARTY BALANCES AND TRANSACTIONS**

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

During the year ended August 31, 2019 the Company incurred the following related party transactions:

	August 31, 2019	August 31, 2018
Consulting fees	\$ 396,004	\$ 344,168
Directors fees	51,000	31,500
Share-based compensation	304,250	3,005,645

Key management includes directors and key officers of the Company, including the President, Chief Executive Officer and Chief Financial Officer. The Company has the right to terminate the agreements with the officers of the Company by providing 12-24 months' notice or paying the equivalent of 12-24 months in fees to each officer. The compensation costs for key management personnel for the year ended August 31, 2019, and 2018, were as follows:

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**6. RELATED PARTY BALANCES AND TRANSACTIONS (continued)**

	August 31, 2019	August 31, 2018
Consulting fees and director fees	\$ 384,337	\$ 337,268
Share-based payments	304,250	3,005,645
	688,587	3,342,913

In addition to the transactions above the Company had entered into the following related party transactions during the period ended August 31, 2019 and during the period from incorporation on October 30, 2017 to August 31, 2018:

- On October 30, 2017 the Company entered into a shareholders' rights agreement where a shareholder of the Company provided a non-interest-bearing demand promissory note of \$100,000. The note is unsecured and due on demand or in any event within 10 years from the date the funds were advanced.
- During the period ended August 31, 2018 the Company agreed to pay \$50,000 as bonuses to two officers if the Company is able to raise \$2.0 million in equity prior to the public listing. The Company issued 500,000 common shares to the officers as bonus payments in accordance to their consulting agreements. The common shares were valued at \$0.20 per share based on the concurrent private placement. As a result, \$100,000 share-based compensation was recorded and included in consulting fees.
- During the period ended August 31, 2018 the Company granted 1,550,000 restricted share units to directors, officers and consultants of the Company. The Company recognized \$310,139 in share-based compensation expense during the year ended August 31, 2019 (Note 7). During the year ended August 31, 2018 the Company recognized \$295,030.
- During the period ended August 31, 2018 the Company granted 5,625,000 stock options to directors and officers of the Company and recognized \$2,728,168 in share-based compensation expense.
- During the year ended August 31, 2019, the Company received 40,000 ATOM with a fair value of \$253,527 from directors of the Company. The Company transferred 3,656 Dash with a fair value of \$702,305 into the portfolio and exchanged these for 102,394 ATOM, of which 40,000 was returned to the directors. The fair value of the ATOM returned to directors was \$248,471 and the Company recognized a gain on the settlement of the debt of \$5,056.
- During the year ended August 31, 2019, an officer and director of the company forgave \$30,550 of debt upon resignation. The Company recognized a gain on the settlement of debt of \$30,550.

As at August 31, 2019 there was \$111,980 (2018 - \$332) due to directors and officers of the Company and \$nil (2018 - \$27,183) in consulting fees to officers that have been prepaid. The balances to related parties are unsecured, non-interest bearing and without fixed repayment terms.

**7. SHARE CAPITAL**

**Authorized Capital**

Unlimited common shares without par value

**Shares issued**

During the year ended August 31, 2019, the Company:

- a) Issued 516,666 common shares due to the vesting of restricted share units during the year, there were no other shares issued during the year ended August 31, 2019.

**7. SHARE CAPITAL (continued)**

**Shares issued (continued)**

During the period ended August 31, 2018 the Company:

- a) Issued 12,000,000 common shares at \$0.01 per share for a total of \$6,000. Share-based compensation of \$594,000, being the difference between the share subscription price and the market price of 12,000,000 common shares issued to the shareholder of the Company, was charged to the statement of comprehensive income as share-based compensation.
- b) Completed a non-brokered private placement and issued 8,000,000 common shares for gross proceeds of \$400,000. In connection with the private placement, the Company issued 400,000 common shares of Finder's fees at fair value of \$20,000.
- c) Completed a non-brokered private placement and issued 10,000,000 common shares for gross proceeds of \$2,000,000. In connection with the private placement, the Company issued 800,000 common shares and 800,000 warrants as Finder's fees, with a fair value of \$160,000 and \$76,313 respectively. Each agent warrant entitles the holder to purchase a share at a price of CAD\$0.20 per share expiring November 10, 2019. The fair value of the warrants was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: Risk-free interest rate – 1.27%; Expected volatility – 89%; Expected dividend yield – nil; Expected life – 2 years; forfeiture rate – 0%.
- d) Issued 500,000 common shares as bonus payment with a fair value of \$100,000, pursuant to the consulting agreements described in Note 6.
- e) Issued 41,400,000 common shares at \$0.50 per share for gross proceeds of \$20,700,000. The financing was raised via a convertible debenture, which as per the terms of the convertible debenture did not incur any interest and was automatically converted upon completion of the RTO (Note 3). In connection with the private placement, the Company issued 3,239,360 warrants as Finder's fees, with a fair value of \$1,055,963. Each agent warrant entitles the holder to purchase a share at a price of CAD\$0.50 per share expiring January 20, 2020. The fair value of the warrants was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: Risk-free interest rate – 1.80%; Expected volatility – 131%; Expected dividend yield – nil; Expected life – 2 years; forfeiture rate – 0%.

**Escrowed Shares**

In accordance with the policies of the TSXV as at August 31, 2019 an aggregate of:

- a) 26,343,329 of the escrowed common shares are being released from escrow as follows: 25% (6,585,832) upon issuance of the Final Bulletin (released); 25% (6,585,832) on the date that is six months after the date of the Final Bulletin; 25% (6,585,832) on the date that is 12 months after the date of the Final Bulletin; and 25% (6,585,833) on the date that is 18 months after the date of the Final Bulletin. As of the date of this report nil remain in escrow.

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7. **SHARE CAPITAL** (continued)

**Share Purchase Warrants and Stock Options**

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, October 30, 2017	-	-	-	\$ -
Granted	4,039,360	\$ 0.44	6,075,000	0.50
Outstanding, August 31, 2018 and August 31, 2019	4,039,360	\$ 0.44	6,075,000	\$ 0.50
Number currently exercisable	4,039,360	\$ 0.44	6,075,000	\$ 0.50

As at August 31, 2019 the following incentive stock options and share purchase warrants were outstanding:

	Number of Shares	Exercise Price	Remaining life (years)	Expiry Date
<b>Stock options</b>	6,075,000	\$ 0.50	8.39	January 20, 2028
<b>Agents warrants</b>	800,000	0.20	0.19	November 10, 2019
	3,239,360	0.50	0.39	January 20, 2020

**Share-based payments**

The Company has a stock option plan under which it is authorized to grant options to directors, employees and consultants to acquire up to 10% of the issued and outstanding common stock. The exercise price of each option is based on the market price of the Company's stock for a period preceding the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

During the year ended August 31, 2019 the Company did not grant any stock options. During the period ended August 31, 2018, the Company granted 6,075,000 options with a weighted-average fair value of CAD \$0.48 per option to directors, officers and consultants. Total share-based payments recognized in the statement of operations for the period ended August 31, 2018 was \$2,933,514 for incentive options granted and vested. This amount was also recorded as reserves on the statement of financial position.

The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options granted during the period ended:

	August 31, 2019	August 31, 2018
Share price		\$0.50
Risk-free interest rate	-	2.27%
Expected life of options	-	10 years
Expected annualized volatility	-	131%
Dividend yield	-	0.0%
Forfeiture rate	-	0.0%

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**7. SHARE CAPITAL (continued)**

**Restricted share units**

The Company has a long-term restricted share unit plan (“RSU’s”). The RSU’s entitle directors, officers or employees to common shares of the Company upon vesting, based on vesting terms determined by the Company’s Board of Directors at the time of grant.

During the period ended August 31, 2018 the Company granted 1,580,000 RSU’s which vest over the course of three years, such that 33.33% vest every 12 months. During the year ended August 31, 2019, 30,000 RSU’s were forfeited. The net RSU share-based expense recognized in the consolidated statements of comprehensive loss for the period ended August 31, 2019 was \$310,139 (2018 - \$295,030). During the year ended August 31, 2019 the first tranche of RSU’s vested and the Company issued 516,666 common shares. The RSU’s had a fair value of \$0.50 per unit on grant date based on the market price on the TSX-V for the Company’s shares on the date the RSUs were granted.

**8. CAPITAL DISCLOSURES**

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

**9. INCOME TAXES**

The Company has losses carried forward losses of approximately \$5,141,723 available to reduce income taxes in future years which expire in 2039.

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income taxes:

	Year ended August 31, 2019	Period ended August 31, 2018
Canadian statutory income tax rate	27%	27%
	\$	\$
Income tax recovery at statutory rate	(1,177,545)	(5,916,664)
Effect of income taxes of:		
Non-deductible items and other	94,394	1,443,034
Change in current and future tax rate	-	(33,385)
Change in unrecognized deferred income tax asset	1,083,151	4,507,015
<b>Deferred income tax expense</b>	<b>-</b>	<b>-</b>

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**9. INCOME TAXES (continued)**

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows:

	August 31, 2019	August 31, 2018
	27%	27%
	\$	\$
Non-capital loss carry forwards	1,388,265	363,469
Share issuance costs	307,484	460,363
Digital currencies	3,894,417	3,683,183
<b>Unrecognized deferred income tax liabilities</b>	<b>5,590,166</b>	<b>4,507,015</b>

**10. FINANCIAL INSTRUMENTS**

**Classification**

The Company's financial instruments consist of cash, accounts payable and loans. The Company classifies its cash as fair value through profit and loss, and accounts payable and loans payable as amortized cost. The carrying amount of cash, accounts payable and loans approximate their carrying values because of the short-term nature of these instruments.

**Fair values**

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

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

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as at August 31, 2019

	Level 1	Level 2	Level 3
	\$	\$	\$
<b>Financial assets</b>			
Cash	509,996	-	-
<b>Total financial assets</b>	<b>509,996</b>	<b>-</b>	<b>-</b>

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

*Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. Financial instruments which are potentially subject to credit risk for the Company consist of cash and digital currencies.

The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure at August 31, 2019 relating to cash of \$509,996. All cash is held at Canadian chartered banks, which minimizes credit risk.

**10. FINANCIAL INSTRUMENTS (continued)**

*Liquidity risk*

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

*Interest risk*

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

*Foreign currency risk*

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations may affect the costs that the Company incurs in the future in its operations as well as the currency in which the Company has historically raised capital. The Company is not currently exposed to significant currency risk as the Company's presentation currency is the Canadian dollar and major purchases and financings to date have been transacted in Canadian dollars.

**11. SEGMENTED INFORMATION**

The Company's sole operation is Canada. Accordingly, the chief decision makers consider the Company to currently have one segment and, therefore, segmented information is not presented.

**12. SUBSEQUENT EVENT**

- a) 800,000 warrants expired unexercised on November 15, 2019.