

**TJR COATINGS INC.**

**FINANCIAL STATEMENTS**

**JANUARY 31, 2018 AND 2017**

## AUDITORS' REPORT

### To the Shareholders of TJR Coatings Inc.:

We have audited the accompanying financial statements of TJR Coatings Inc. which comprise the statements of financial position as at January 31, 2018 and 2017 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

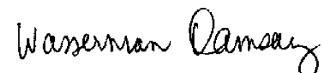
### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of TJR Coatings Inc. as at January 31, 2018 and 2017 and the results of its operations, changes in equity and cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements, which indicates that the Company had a working capital deficit of \$4,930 as at January 31, 2018 and currently has no cash and no active business. These conditions, along with other matters set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Markham, Ontario  
March 5, 2018



Chartered Accountants  
Licensed Public Accountants

# TJR COATINGS INC.

## STATEMENTS OF FINANCIAL POSITION

(Expressed in Cdn \$)

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>Current:</b>		
Cash	\$ <u>70</u>	\$ <u>-</u>
	\$ <u>70</u>	\$ <u>-</u>
<b>LIABILITIES</b>		
<b>Current:</b>		
Accounts payable and accrued liabilities	<u>5,000</u>	<u>6,216</u>
<b>Non-current:</b>		
Loan payable to director ( <i>Note 5</i> )	<u>366,885</u>	<u>318,686</u>
<b>SHAREHOLDERS' DEFICIENCY</b>		
Capital stock ( <i>Note 4</i> )	511,600	511,600
Deficit	<u>(883,415)</u>	<u>(836,502)</u>
	<u>(371,815)</u>	<u>(324,902)</u>
	\$ <u>70</u>	\$ <u>-</u>

*Description of business, status of operation and going concern - Note 1*  
*Subsequent event - Note 9*

Approved on behalf of the Board on March 5, 2018:

*"Edward Murphy"*  
Edward Murphy, Director

*"Inga Gratcheva"*  
Inga Gratcheva, Director

*The accompanying notes form an integral part of these financial statements*

# TJR COATINGS INC.

## STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

### FOR THE YEARS ENDED JANUARY 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Expenses:		
General and administrative	12,693	11,006
Interest on loan payable to director <i>(Note 5)</i>	<u>34,220</u>	<u>29,866</u>
	<u>46,913</u>	<u>40,872</u>
Net loss and comprehensive loss	\$ <u>(46,913)</u>	\$ <u>(40,872)</u>
Basic and fully diluted loss per share	<u>\$-</u>	<u>\$-</u>
Weighted average number of shares outstanding - basic and diluted	<u>22,363,636</u>	<u>22,583,836</u>

## STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEARS ENDED JANUARY 31, 2018 AND 2017

	<u>Number of Common shares</u>	<u>\$ Amount</u>	<u>Deficit</u>	<u>Total Shareholder Deficiency</u>
Balance - February 1, 2016	22,583,836	\$ 511,600	\$ (795,630)	\$ (284,030)
Net loss for the year	<u>-</u>	<u>-</u>	<u>(40,872)</u>	<u>(40,872)</u>
Balance, January 31, 2017	22,583,836	511,600	(836,502)	(324,902)
Net loss for the year	-	-	(46,913)	(46,913)
Correction <i>(Note 4)</i>	<u>(220,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, January 31, 2018	<u>22,363,636</u>	<u>\$ 511,600</u>	<u>\$ (883,415)</u>	<u>\$ (371,815)</u>

*The accompanying notes form an integral part of these financial statements*

# TJR COATINGS INC.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JANUARY 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash was provided by (used in) the following activities:		
<b>Operations:</b>		
Net loss for the year	\$ (46,913)	\$ (40,872)
Add: Item not involving an outlay of cash		
Net change in non-cash working capital item		
Accounts payable and accrued liabilities	<u>(1,216)</u>	<u>(132)</u>
	<u>(48,129)</u>	<u>(41,004)</u>
<b>Financing:</b>		
Loan advances from director	<u>48,199</u>	<u>41,004</u>
	<u>48,199</u>	<u>41,004</u>
Net change in cash	70	-
Cash, beginning of year	<u>-</u>	<u>-</u>
Cash, end of year	<u>\$ 70</u>	<u>\$ -</u>

*The accompanying notes form an integral part of these financial statements*

**TJR COATINGS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 31, 2018 AND 2017**

**1. Description of business, status of operations and going concern:**

TJR Coatings Inc. (the "Company") is incorporated under the laws of the Ontario. The registered office and principal place of business of the Company is 31 Sunset Trail, Toronto, Ontario.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The accompanying financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

These financial statements have been prepared under the assumption that the Company is a going concern. This assumption, among other things, contemplates that the Company will be able to realize on its assets and discharge its liabilities in the normal course of operations. At January 31, 2018 the Company has a working capital deficiency in the amount of \$4,930 (2017 - \$6,216). In addition, the Company has incurred a loss in the current year in the amount of \$46,913 (2017 - \$40,872), has generated a negative cash flow from operations in the amount of \$48,129 (2017 - \$41,004) and has no source of operating cash flows. The Company has been able to fund its operating losses through the receipt of interest bearing advances from a director. There can be no assurance that the Company will receive these advances in the future and therefore, there is doubt regarding the Company's ability to continue as a going concern, and accordingly, the use of accounting principles applicable to a going concern. If the going concern assumption were not appropriate for these financial statements, then adjustments to the carrying values of the assets and liabilities, the expenses and the statement of financial position classifications, which could be material, would be necessary.

These financial statements are presented in Canadian dollars, which is our presentation and functional currency. We have prepared these financial statements using the historical cost basis except for certain financial instruments that have been evaluated at fair value. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

**2. Statement of Compliance and significant accounting policies:**

The financial statements of the Company as at and for the years ended January 31, 2018 and 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements have been prepared in accordance with International Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect or available for early adoption as of January 31, 2018.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**Presentation Currency**

The Company's presentation currency and functional currency is the Canadian dollar ("C\$").

**Significant Accounting Judgments and Estimates**

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and notes. By their nature, these estimates, judgments and assumptions are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material. These 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. The more significant areas are as follows:

**Critical accounting estimates and judgments**

Deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values. Deferred income tax assets also result from unused loss carry-forwards and other deductions. The valuation of deferred income tax assets is adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

**TJR COATINGS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Financial Instruments**

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's does not currently have an financial assets.

Financial liabilities

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

Other financial liabilities - This category includes accounts payables and accrued liabilities, all of which are recognized at amortized cost.

**Fair value hierarchy:**

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to the valuation technique used to measure fair value as per IFRS 7. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

**Share-based Payments**

The Company may grant stock options to buy common shares of the Company to directors, officers and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of share purchase options granted is recognized as an expense with a corresponding increase in equity.

The fair value for share purchase options granted to those providing services is measured at the grant date and each tranche is recognized using the accelerated method basis over the period during which the share purchase options vest. The fair value of the share purchase options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

**Related party transactions**

Transactions with related parties which occur in the normal course of business are recorded at the exchange amount, being the amount of consideration established and agreed to by the related parties.

**TJR COATINGS INC.**  
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**Income Taxes**

Income tax on the profit or loss consists of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred 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 tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- goodwill not deductible for tax purposes; and
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied

**Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. The unwinding of the discount is recognised as finance expense ("notional interest").

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed. The Company presently does not have any amounts considered to be provisions.

**Loss per share**

Loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company does not currently have any options or warrants outstanding that could be considered dilutive.



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**3. New accounting pronouncement not yet adopted:**

IFRS 9, Financial Instruments effective for annual periods beginning after January 31, 2018. The standard is the first part of a multi-phase project to replace IAS 39, Financial Instruments: Recognition and Measurement. The Company does not expect the adoption of this new standard to impact its financial statements.

**4. Capital stock:**

(a) Capital stock consists of the following:

	<u>Number of Shares</u>	<u>Amount</u>
Authorized : Unlimited common shares		
Issued:		
Balance, January 31, 2017	22,583,836	\$ 511,600
Correction to agree balance with transfer agent	<u>(220,200)</u>	<u>-</u>
Balance, January 31, 2018	<u>22,363,636</u>	<u>\$ 511,600</u>

During the current year the balance of common shares outstanding was corrected to agree with the number of shares outstanding according to the Company's transfer agent.

(b) Stock incentive plan:

The Company maintains a Stock Incentive Plan for designated officers, directors consultants and employees. Each stock option entitles the holder to one common share. The Company has no options outstanding at January 31, 2018 and 2017.

**5. Related party transactions and balances:**

**Compensation of key Management and Directors**

Key management compensation includes the Chief Executive Officer and Chief Financial Officer. Director fees and share-based payments include the Board of Directors:

	<u>2018</u>	<u>2017</u>
Salaries, fees and short term benefits	\$ -	\$ -
Share-based payments	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

**Loan Payable to director:**

As disclosed in Note 1, the Company is dependent upon cash advances from a director in order to discharge its liabilities. At January 31, 2018 these advances totaled \$366,885 (2017-\$318,686) including accrued interest of \$154,490 (2017 - \$120,270). These advances, are interest bearing at a rate of 10% per annum, and unsecured. The balance is not due within the next twelve months. Interest charged on these loans in the current year totaled \$34,220 (2017 - \$29,866).

The fair value of the loan cannot be reliably determined as no active market exists for such related party instruments.

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**6. Income taxes:**

The following reconciles the effective tax rate to the statutory tax rate on a percentage basis:

	<u>2018</u>	<u>2017</u>
Statutory tax rate	26.50 %	26.50 %
Losses not recognized	<u>(26.50)</u>	<u>(26.50)</u> %
Effective tax rate	<u>-</u> %	<u>-</u> %

The Company has non-capital losses carried forward of approximately \$337,782 which will expire, if unused, as follows, the potential benefit of these losses has not been recorded in these financial statements:

2026	\$	1,500
2027		1,500
2028		1,500
2029		1,500
2030		1,500
2031		22,850
2032		57,775
2033		51,659
2034		35,660
2035		31,800
2036		42,750
2037		40,875
2038		<u>46,913</u>
	\$	<u><u>337,782</u></u>

The Company has the following temporary taxable or deductible differences:

	<u>2018</u>	<u>2017</u>
Income tax loss carry-forwards	\$ 84,450	\$ 72,700
Less: valuation allowance	<u>(84,450)</u>	<u>(72,700)</u>
	<u>\$ -</u>	<u>\$ -</u>

**7. Financial instruments:**

(a) Fair values

The carrying values of cash and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these instruments. The loans payable are carried at amortized cost which approximates fair value.

(b) Liquidity rate risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company's continued existence has been financed through the issuance of debt. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows. The Company has a working capital deficiency of \$4,930 at January 31, 2018 and has no internal source of cash. Therefore liquidity risk would be considered high.

**TJR COATINGS INC.**  
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**8. Capital management:**

The Company defines its capital as the advances from a director. Presently, the Company is managing capital in a manner to be able to survive until it either is able to raise additional capital or generate cash from a new business. This strategy remains unchanged from the prior year.

**9. Subsequent events:**

- 1) Subsequent to year end the Company signed a letter of intent to acquire all of the outstanding shares 2618249 Ontario Corp. ("DigiCrypts"). The Company will issue 191,000,000 common shares to acquire all of of the issued and outstanding shares of DigiCrypts. The transaction will result in a reverse takeover of the Company by DigiCrypts. Under the agreement the existing shareholder loan will be settled for \$100,000 with the balance (including any unpaid interest) to be forgiven.

Completion of the agreement is subject to approval of the board of directors of the Company and DigiCrypts, completion of due diligence by DigiCrypts, the negotiation, execution and delivery of a formal share exchange agreement, completion of the shareholder loan debt repayment and on the Company obtaining all regulatory approvals as required.

- 2) On February 13, 2018 a service provider for the Company filed a lawsuit in small claims court claiming they are owed \$25,000 plus interest from August 31, 2015 at 12% per annum by the Company. Management of the Company does not believe this amount is outstanding and believes this lawsuit is without merit and intends to vigorously defend itself. No provision has been set up for this amount.