



DIGICRYPTS BLOCKCHAIN SOLUTIONS INC.
(formerly TJR COATINGS INC.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED APRIL 30, 2019

(EXPRESSED IN CANADIAN DOLLARS)

Dated June 27, 2018

INTRODUCTION

The following is a discussion and analysis of the activities, results of operations and financial condition of DigiCrypts Blockchain Solutions Inc. (formerly TJR Coatings Inc.) (“DigiCrypts” or the “Company”) for three months ended April 30, 2019 and the comparable period ended April 30, 2018. The discussion should be read in conjunction with the unaudited condensed interim financial statements for the three months ended April 30, 2019 and April 30, 2018 and related notes thereto, and the audited annual financial statements for the year ended January 31, 2019 and the period of incorporation to January 31, 2018. The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). All monetary amounts are reported in Canadian dollars unless otherwise noted. These documents, as well as additional information on the Company, are filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and are available online at www.sedar.com

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “forward-looking statements”). These statements relate to future events or the Corporation’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Corporation’s ability to predict or control. Please also make reference to those risk factors referenced in the “Risk and Factors” section below. Readers are cautioned that such risk factors, uncertainties and other factors are not exhaustive. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the Corporation’s ability to meet its working capital needs at the current level for the next twelve-month period; management’s outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; and general business and economic conditions.

All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Corporation undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Corporation does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

DESCRIPTION OF BUSINESS

DigiCrypts Blockchain Solutions Inc., formerly TJR Coatings Inc. (the “Company”) was incorporated on December 11, 1998 under the laws of the Province of Ontario, Canada. The registered office and principal place of business of the Company 33 Bloor St E, Toronto ON M4W 3H1.

On March 29, 2018, the Company completed a reverse takeover transaction (“RTO”) with 2618249 Ontario Corp. (“Digi”), pursuant to which the Company acquired all of the issued and outstanding shares of Digi in exchange for 5,590,909 common shares of the Company. This MDA includes the historical financial information of Digi. Digi was incorporated on January 31, 2018 and as such, the comparative periods are not presented as there were no transactions or operations on or as at January 31, 2018.

The Company is listed on the Canadian Securities Exchange (“CSE”) under the symbol “DIGI”.

The Company was formed to exploit “revenue and profit opportunities” on a global basis in all fields related to crypto currencies and the Digital Security Offering (“DSO”) marketplace.

On December 27, 2018, the Company completed the consolidation of its common shares on the basis of one post-consolidation common share for every four pre-consolidation common shares.

GOING CONCERN

As at April 30, 2019, the Company had working capital of \$212,681 (January 31, 2019 - \$35,672), had not yet achieved profitable operations, had accumulated losses of \$2,831,672 (January 31, 2019 - \$2,250,989), and currently expects to incur further losses in the development of its business. There is no assurance that the operations of the Company and any future operations will be successful and profitable, and as such, there is an uncertainty with respect to the Company’s ability to continue as a going concern.

The unaudited interim condensed consolidated financial statements for the three months ended April 30, 2019 and 2018, have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern.

HIGHLIGHTS

On June 17, 2019, the Company, through its wholly owned subsidiary Digimax Capital Corp (“Digimax”), was granted registration in the category of Exempt Market Dealer in the province of Ontario. Chris Carl has also been individually registered as Chief Compliance Officer of DigiMax Capital. This registration allows the Company to serve Ontario based corporations and investors as an exempt market dealer in various forms of funding, and to market such offerings to institutional or accredited investors. Working with our growing network of similarly registered dealers in other countries, the Company is focused on becoming the leader of a global syndicate of dealers able to assist companies to raise capital around the world. Subsequent to the quarter-end, DigiMax, commenced commercial operations and generated revenue of USD\$15,000.

Financing Developments

On February 8, 2019, the Company completed a secured convertible debenture financing in the amount of \$550,000. The proceeds from the private placements will be used to execute the business plan of the Company and for general working capital purposes.

OUTLOOK AND PLANS

The Company has evolved to become primarily interested in operating in the emerging world of “digital securities” which are essentially another class of corporate securities acting as a hybrid between common shares and preferred shares issued by corporations as a means of raising capital for their business. DigiCrypts has put forth considerable effort to be able to generate revenue in four separate areas of this growing industry including (1) Global Consulting and Syndication on behalf of Issuing companies to assist the company to match their business plan with their security offering in a manner that is of interest to qualified investors, and then assisting the company to build a global syndication or registered broker dealers to complete the Issue; (2) To work with Joint Venture partners already contracted to apply to become a registered broker dealer in seven or more additional countries outside of Canada, all under the DigiMax trade name; (3) to complete the development of an App to be named DigiMax Drop (the “App”) whereby Issuers can pay to advertise their Issue and both broker dealers and qualified investors can gain advanced information about such issues in manner that is consistent with what is allowed under securities laws around the world (note this is an information sharing service and is not an exchange); (4) To assist companies to comply with reporting requirements as a public issuer after they have issued a digital security and to allow the DigiMax Drop App to be used a single global repository of required filing information (similar but in addition to what would be found on EDGAR in the US or SEDAR in Canada).

RESULTS OF OPERATIONS

For the three months ended April 30, 2019 compared to the three months ended April 30, 2018

During the three months ended April 30, 2019 the Company focused on its application and registration for becoming an Exempt Market Dealer in the province of Ontario. As noted earlier, this was completed subsequent to the end of the quarter. In the comparable quarter, the Company was focused on completing the RTO and developing its App.

Net loss and comprehensive loss for the three months ended April 30, 2019 and April 30, 2018 are detailed as follows:

| | 2019 | 2018 |
|---|-----------|-------------|
| | \$ | \$ |
| Expenses | | |
| Consulting fees (i) | 68,521 | 210,000 |
| Management fees (ii) | 40,170 | - |
| Professional fees (iii) | 48,151 | 53,473 |
| Investor relations (iv) | 48,496 | - |
| Travel (v) | 47,772 | 14,485 |
| General and administration (vi) | 23,627 | 6,578 |
| Share based compensation (vii) | 237,006 | 175,000 |
| Listing expense (viii) | - | 663,768 |
| Total expenses | (513,743) | (1,123,304) |
| Interest and accretion expense (ix) | (47,040) | - |
| Gain on revaluation of derivative liability (x) | (19,900) | - |
| Loss and comprehensive loss | (580,683) | (1,123,304) |

- (i) There was a decrease in the current period as there was additional costs related to the set up of the Company in the prior period concurrent with the RTO. The consulting fees in the prior period were paid through the issuance of common shares.
- (ii) No management fees were charged during the first quarter of 2018.
- (iii) During the end of the last fiscal year the Company engaged a group for investor marketing and to help educate the public on the company.
- (iv) Consists of corporate legal and accrued audit fees.
- (v) Travel was required to establish for meetings, promote the company and to establish operations abroad.
- (vi) General and administrative consists of office expenses, transfer agent, shareholder communication and other such expenses.
- (vii) Represents the value of stock options that vested during the period.
- (viii) The excess of the deemed acquisition cost over the net assets acquired on the RTO from the prior period has been charged to operations and is presented as a cost of listing.
- (ix) Represent the interest and accretion expense on the convertible debentures.
- (x) Represents the change in value of the derivative liability. This is revalued each reporting period with the change in fair value recorded in the statement of profit and loss.

SELECTED QUARTERLY FINANCIAL INFORMATION

| Three Months Ended | Net Revenues (\$) | Net Loss | |
|--------------------|----------------------|---------------|---|
| | | Total (\$) | Basic and Diluted Loss Per Share (\$) |
| 30-Apr-19 | - | (580,683) | (0.01) |
| 31-Jan-19 | - | (608,444) | (0.00) |
| 31-Oct-18 | - | (214,002) | (0.00) |
| 31-Jul-18 | - | (306,320) | (0.00) |
| 30-Apr-18 | - | (951,299) | (0.02) |

LIQUIDITY AND CAPITAL RESOURCES

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development of its planned business activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements.

The Company considers its capital to be shareholders' deficiency, which is comprised of share capital, and accumulated deficit, which as at April 30, 2019 totaled \$(453,285) (January 31, 2019 - \$(109,608) as well as the convertible debentures which as at April 30, 2019 was \$765,426 (January 31, 2019 - \$380,140).

| | April 30, 2019 | January 31, 2019 |
|-----------------|----------------|------------------|
| | \$ | \$ |
| Cash | 231,453 | 146,080 |
| Working capital | 212,681 | 35,672 |

| | 2019 | 2018 |
|--------------------------------------|-----------|-----------|
| For the three months ended April 30: | | |
| | | \$ |
| Cash used in operating activities | (368,373) | (121,399) |
| Cash used in investing activities | - | (467,369) |
| Cash from in financing activities | 453,746 | 1,201,653 |

Cash used in operating activities

Cash used in operating activities for the three months ended April 30, 2019 and April 30, 2018 were as follows:

| | 2019 | 2018 |
|---|-----------|-------------|
| | \$ | \$ |
| Cash Flows from Operating Activities | | |
| Loss for the year | (580,683) | (1,123,304) |
| Non-cash items | | |
| Listing expense | - | 663,768 |
| Gain on revaluation of derivative liability | 19,900 | - |
| Shares issued for services | - | 210,000 |
| Share based compensation | 237,006 | 175,000 |
| Accretion and interest expense | 47,040 | - |
| | (276,737) | (74,536) |
| Net change in non-cash working capital items: | | |
| Receivables | (6,324) | (325) |
| Prepaid expenses | 5,788 | (20,255) |
| Accounts payable and accrued liabilities | (91,100) | (20,283) |
| Cash flows used in operating activities | (368,373) | (121,399) |

Cash flows used in investing activities

Major components of this were costs to develop the Company's App.

Cash flows from financing activities

Cash from financing activities included net proceeds of \$464,993 from the issuance of convertible debentures less \$11,247 of interest paid on convertible debentures.

The Company's objective when managing capital is to obtain adequate levels of funding to support its business activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the development of its business. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of

private placements and issuance of convertible debentures.

Notwithstanding its cash position at April 30, 2019, the Company will need additional financing for costs related to operations, conducting trials and its growth strategy. Management recognizes the need for improved cash flow and liquidity for future operations and growth. Management closely monitors the Company's current cash position and the short-term and long-term cash requirements. The Company may be required to obtain additional funding to take advantage of the market opportunities. If additional funding is required, an issuance of common shares or a commitment to issue common shares will most likely be a component of the funding.

The Company's operations currently generate negative cash flow and may depend on future equity issuances or other means of financing to assist in financing its operations, cover administrative costs, conduct research and finance growth.

The ability of the Company to continue operations will be dependent upon obtaining additional financing as required. The timing and ability to do so will depend on the liquidity of the financial markets as well as the acceptance of investors to small cap companies, in addition to the results of the Company's operation. There can be no guarantee that the Company will be able to secure any required financing.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

PROPOSED TRANSACTIONS

Other than information disclosed in this MD&A, the Company has no proposed transactions.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The most significant judgments relate to the valuation of warrants, determination of functional currency, recognition of deferred tax assets and liabilities, capitalization of development costs, determination and valuation of derivative liabilities, and the accounting treatment of digital mining operations.

i. Determination of fair values using option pricing models

The Company measures the cost of equity-settled transactions consisting of share purchase warrants offered to service providers and employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. Changes in the input assumptions can materially affect the fair value estimate. The Company uses the Black-Scholes Option Pricing Model to calculate the fair value.

ii. Determination of functional currency

Management uses its judgment to determine the functional currency that most appropriately represents the economic effects of the underlying transactions, events and conditions. The functional currency of a company

is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

iii. Deferred taxes

The recognition of deferred tax assets is based on likelihood of future taxable income. The measurement of future taxable income for the purposes of determining whether or not to recognize deferred tax assets depends on many factors, including the Company's ability to generate such profits and the implementation of effective tax planning strategies. The occurrence or non-occurrence of such events in the future may lead to significant changes in the measurement of deferred tax assets.

iv. Development costs

The capitalization of costs for internally generated intangible assets is subject to judgment including the technical feasibility, timeframe to commercialization, assessment of availability of resources to complete the project, and if economic benefits will be generated from its use.

v. Derivative liabilities

The Company values derivative liabilities by reference to their fair value at the date at which the instrument is granted. Estimating fair value requires determining the most appropriate valuation model. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life and volatility and making assumptions about them. Changes in the input assumptions can materially affect the fair value estimate. The Company uses the Black-Scholes Option Pricing Model to calculate the fair value.

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

IFRS 16 was issued in January 2016 and requires lessees to recognize assets and liabilities for most leases. For lessors, there is little changed to the existing accounting in IAS 17 Leases. The new standards is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. The adoption of this standard had no impact on the financial statements.

RELATED PARTY TRANSACTIONS

Key management salaries

Key management includes members of the board of directors, the Chief Executive Officer and the Chief Financial Officer. The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows for the three months ended April 30, 2019:

- (i) During the three months ended April 30, 2019, \$30,000 (three months ended April 30, 2018 - \$nil) was charged by the CEO for consulting fees.
- (ii) During the three months ended April 30, 2019, \$9,000 (plus HST) was charged by CFO Advantage Inc. ("CAI"), a Company owned by the Chief Financial Officer of the Company, for CFO consulting fees. As at April 30, 2019, \$9,000 (January 31, 2019 - \$4,500) of these fees were included in accounts payable and accrued liabilities.

Other during the three months ended April 30, 2018

During the three months ended April 30, 2018, \$42,000 was charged by 1600793 Ontario Inc., a Company owned by the Chief Financial Executive of the Company, for consulting fees. As at January 31, 2019, \$1,744 is due to the CEO.

During the three months ended April 30, 2018, was charged by 1407535 Ontario Limited., a Company owned by a director of the Company, for consulting fees and \$38,500 for marketing services.

During the three months ended April 30, 2018, \$126,000 was charged by three founders of the Company for consulting services.

See note 9(i) to the financial statements for the three months ended April 30, 2019.

COMMITMENTS AND CONTINGENCIES

The Company has no commitments as at April 30, 2019.

OUTSTANDING SHARE DATA

As at the date of this MD&A the Company has the following outstanding: 53,990,909 common shares, 4,389,000 stock options and 7,911,250 warrants.

FINANCIAL INSTRUMENTS

Fair value

Financial instruments of the Company consist of cash, receivables, accounts payable and accrued liabilities, convertible debenture, and the derivative liability. There are no significant differences between the carrying amounts of the items reported on the statements of financial position and their estimated fair values.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. Where quoted market values are not readily available, the Company may use considerable judgment to develop estimates of fair value. Accordingly, any estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange and could be materially affected by the use of different assumptions or methodologies. The derivative liability is the only financial instrument at fair value through profit and loss and falls into level 3 fair value hierarchy.

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

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, foreign exchange risk, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Interest rate risk

The Company is exposed to interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates received on its cash balance. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short-term nature of interest-bearing cash.

Liquidity risk

The Company is exposed to liquidity risk. Liquidity risk is the exposure of the Company to the risk of not being able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's future liquidity is dependent on factors such as the ability to generate cash from operations and to raise money through debt or equity financing.

Foreign exchange risk

The Company's functional currency is the Canadian dollar and all major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk is negligible and therefore does not hedge its foreign exchange risk.

The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

Credit risk

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash is held with reputable financial institutions, from which management believes the risk of loss to be remote. Currently, receivables are primarily sales taxes receivable which management believes are collectable. Management believes that the credit risk concentration with respect to these items is remote.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited annual consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements, and (ii) the audited annual consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52109. In particular, the certifying officers filing this certificate do not make any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

OTHER RISK FACTORS

See risk section detailed in the Company's listing statement as filed on SEDAR on March 15, 2019.