DIGICRYPTS BLOCKCHAIN SOLUTIONS INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 31, 2020 AND 2019

(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
DigiCrypts Blockchain Solutions Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of DigiCrypts Blockchain Solutions Inc. (the Company), which comprise the consolidated statements of financial position as at January 31, 2020 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2020 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company had a deficit of $3,359,492 and incurred a comprehensive loss of $1,108,503 during the year ended January 31, 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended January 31, 2019, were audited by another auditor, who expressed an unmodified opinion on those statements on May 31, 2019.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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 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, 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, 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 relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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 auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism 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 auditor’s 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 auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the 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.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Pat Kenney.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
July 14, 2020

DIGICRYPTS BLOCKCHAIN SOLITIONS INC.
Consolidated Statements of Financial Position
Expressed in Canadian dollars

	Notes	As at January 31, 2020	As at January 31, 2019
ASSETS		**$**	**$**
Current assets			
Cash		**207,140**	146,080
HST receivable		**88,236**	35,474
Prepaid expenses		**-**	15,134
Total current assets		**295,376**	196,688
Non-current assets			
Software	6	**15,148**	-
Development costs	7	**-**	293,000
Total non-current assets		**15,148**	293,000
Total Assets		**310,524**	489,688
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**75,411**	151,016
Subscriptions received in advance		**-**	10,000
Total Current Liabilities		**75,411**	161,016
Non-current liabilities			
Convertible debentures	11	**434,339**	380,140
Derivative liabilities	11	**168,070**	58,140
Total non-current liabilities		**602,409**	438,280
Total Liabilities		**677,820**	599,296
SHAREHOLDERS' DEFICIENCY			
Share capital	9	**2,801,381**	2,141,381
Contributed surplus		**219,054**	-
Accumulated deficit		**(3,387,731)**	(2,250,989)
Total Shareholders' Deficiency		**(367,296)**	(109,608)
Total Liabilities and Shareholders' Deficiency		**310,524**	489,688

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Approved by the Board

Signed: Signed:

"Chris Carl", Director "Lowell Kamin", Director

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

DIGICRYPTS BLOCKCHAIN SOLITIONS INC.
Consolidated Statements of Loss and Comprehensive Loss
For the year ended January 31, 2020 and 2019
(Expressed in Canadian dollars)

	Notes	**2020** $	2019 $
Revenues			
Concession fees		**65,996**	-
Advisory fees		**100,610**	13,936
Total revenues		**166,606**	13,936
Expenses			
Consulting fees	12	**554,573**	167,000
Professional fees		**79,695**	418,357
Investor relations		**142,802**	56,011
Business development		**109,216**	94,623
General and administration		**93,916**	124,061
Share based compensation	9	**219,054**	175,000
Listing expense	4	**-**	663,768
Total expenses		**(1,199,256)**	(1,698,820)
Interest, finance and accretion expense	11	**(240,640)**	(27,173)
Gain on revaluation of derivative liabilities	11	**445,136**	6,460
Loss from continuing operations		**(828,154)**	(1,705,597)
Loss from discontinued operations	15	**(308,588)**	(545,392)
Loss and comprehensive loss		**(1,136,742)**	(2,250,989)
Weighted average number of shares outstanding			
- Basic and diluted		**56,961,594**	51,623,375
Loss per share from continued operations – basic and diluted		**$ (0.02)**	$ (0.03)
Loss per share from discontinued operations – basic and diluted		**$ (0.01)**	$ (0.01)

DIGICRYPTS BLOCKCHAIN SOLITIONS INC.
Consolidated Statements of Cash Flows
For the years ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
	$	$
Cash Flows from Operating Activities		
Loss for the year from continuing operations	**(828,154)**	(1,705,597)
Non-cash items:		
Listing expense	**-**	663,768
Gain on revaluation of derivative liabilities	**(445,136)**	(6,460)
Shares issued for services	**-**	167,000
Share based compensation	**219,054**	175,000
Interest, finance and accretion expense	**240,640**	11,377
	(813,596)	(694,912)
Net change in non-cash working capital items:		
HST receivable	**(52,762)**	(35,474)
Prepaid expenses	**15,134**	(15,134)
Accounts payable and accrued liabilities	**(75,605)**	(9,431)
Cash used in continued operating activities	**(926,829)**	(754,951)
Cash provided by (used in) discontinued operating activities	**4,857**	(121,181)
Cash flows used in operating activities	**(921,972)**	(876,132)
Cash Flows from Financing Activities		
Convertible debenture proceeds	**550,000**	466,963
Issuance costs on convertible debentures	**(85,006)**	-
Interest paid on debentures	**(96,367)**	-
Subscriptions received in advance	**-**	10,000
Private placements, net of issuance costs	**650,000**	1,197,290
Cash flows from financing activities	**1,018,626**	1,674,253
Cash Flows from Investing Activities		
Cash received on completion of RTO	**-**	69
Software	**(15,148)**	-
Development costs	**-**	(270,899)
Cash flows used in continued investing activities	**(15,148)**	(270,830)
Cash used in discontinued investing activities	**(20,446)**	(381,211)
Cash flows used in investing activities	**(35,594)**	(652,041)
Increase in cash	**61,060**	146,080
Cash, beginning of year	**146,080**	-
Cash, end of year	**207,140**	146,080

Supplemental cash flow information:

	2020	2019
Derivative liabilities on issuance of convertible debenture	**$ 555,067**	$ 64,600
Development costs accrued through accounts payable and accrued liabilities	**$ -**	$ 22,101
Convertible debenture costs accrued through accounts payable	**$ 8,600**	$ 33,600

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

DIGICRYPTS BLOCKCHAIN SOLUTIONS INC.
Consolidated Statements of Changes in Equity (Deficiency)
For the years ended January 31, 2020 and 2019
(Expressed in Canadian dollars)

	Notes	Common Shares #	Share Capital $	Contributed surplus $	Deficit $	Total $
Balance, January 31, 2018		-	-	-	-	-
Shares issued for reverse takeover	4	5,590,909	559,091	-	-	559,091
Issuance of shares on private placements	9	20,900,000	1,208,500	-	-	1,208,500
Shares issued for services	9	15,000,000	210,000	-	-	210,000
Founders shares	9	12,500,000	175,000	-	-	175,000
Share issue costs	9	-	(11,210)	-	-	(11,210)
Net loss for the year		-	-	-	(2,250,989)	(2,250,989)
Balance, January 31, 2019		**53,990,909**	**2,141,381**	**-**	**(2,250,989)**	**(109,608)**
Issuance of shares on private placements	9	6,600,000	660,000	-	-	660,000
Stock option issuances	10	-	-	219,054	-	219,054
Net loss for the year		-	-	-	(1,136,742)	(1,136,742)
Balance, January 31, 2020		**60,590,909**	**2,801,381**	**219,054**	**(3,387,731)**	**(367,296)**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

DigiCrypts Blockchain Solutions 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.

The Company's principal activities are assisting businesses interested in raising capital and in the general development of their business. The Company's subsidiary, DigiMax Capital Corp., is a registered Exempt Market Dealer ("EMD") in Ontario.

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.

As the former shareholders of Digi owned a majority interest in the Company immediately after closing, the substance of the transaction, for accounting purposes, is an RTO. The transaction does not constitute a business combination as the Company does not meet the definition of a business as defined under IFRS. As a result, the transaction was accounted for as a capital transaction in substance, with Digi being identified as the acquirer for accounting purposes.

Concurrent with the transaction, the Company changed its name to DigiCrypts Blockchain Solutions Inc. and began trading on the Canadian Securities Exchange ("CSE") under the symbol "DIGI".

As at January 31, 2020, the Company had working capital of $219,965 (January 31, 2019 - $35,672), had not yet achieved profitable operations, had accumulated losses of $3,387,731 (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. These conditions raise material uncertainties as to the use of the going concern assumption in these consolidated financial statements.

These consolidated financial statements 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.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

These financial statements were authorized by the Board of Directors of the Company on July 14, 2020.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies below have been applied to all periods presented in these consolidated financial statements and are in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”) issued and outstanding as of July 14, 2020.

(b) Significant judgments, estimates and assumptions

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 stock options and warrants, recognition of deferred tax assets and liabilities, capitalization of development costs, determination and valuation of derivative liabilities, and the assumption that the Company will continue as a going concern.

i. Determination of fair values using option pricing models

The Company measures the cost of equity-settled transactions consisting of stock options and 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. 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.

iii. 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.

2. BASIS OF PRESENTATION - CONTINUED

iv. 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.

v. Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in note 1.

(c) Basis of presentation

These consolidated financial statements are presented in Canadian dollars, which is functional currency of the Company and its wholly owned subsidiaries. The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Share-based payments

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically measured, they are measured at fair value of the share-based payment. The fair value of the share-based payments is recognized together with a corresponding increase in equity over a period that services are provided or goods are received.

The costs of equity settled transactions with employees are measured by reference to the fair value at the date on which they are granted. The costs of equity settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative cost recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus. Upon exercise of the stock options, the consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase in share capital. No expense is recognized for awards that do not ultimately vest. The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

The Company uses the Black-Scholes Option Pricing Model to calculate the fair value of stock options and of common share purchase warrants issued. The model requires the input of subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and common share purchase warrants.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Consolidation

These financial statements include the financial statements of the Company and its wholly owned subsidiaries, which are controlled by the Company.

Control is achieved when the parent company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if, and only if, the group has all of the following: (i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect its returns.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company transactions, balances, income and expenses are eliminated on consolidation.

As of January 31, 2020, the Company had two wholly owned Canadian subsidiaries: 2618249 Ontario Corp. was incorporated on January 31, 2018 and Digimax Capital Corp. was incorporated by the Company on May 17, 2018.

Compound instruments

The components of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the market interest rate then in effect for a similar non-convertible instrument. This amount is recorded as a liability, at amortized cost, using the effective interest rate method until its expiry at the time of conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component of the total fair value of the compound instrument. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured. Transaction costs related to the issuance of the convertible debenture are allocated to the liability and equity components

in proportion to their initial carrying amounts. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the debenture using the effective interest method. Interest and accretion expense are recognized as a finance cost in the consolidated statements of loss and comprehensive loss.

Taxation

Income tax expense represents the sum of tax currently payable and any deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred taxation is recognized using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred taxation is not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred taxation is determined using tax rates (and laws) that have been enacted

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes conversion, exercise or contingent issuance of options, warrants and securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share.

Financial instruments

Financial assets

Initial recognition and measurement
Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either FVPL or FVOCI, and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Amounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at amortized cost
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statements of loss and comprehensive loss.

Subsequent measurement – Financial assets at FVPL
Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of loss. The Company does not measure any financial assets at FVPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Subsequent measurement – Financial assets at FVOCI
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of loss when the right to receive payments is established.

Derecognition
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets
The Company's only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statements of loss.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Impairment of financial assets

The Company assesses at each financial reporting date whether a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in net income or loss.

Cash

Cash in the consolidated statement of financial position comprises cash at banks and lawyer's trust accounts which is available on demand.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. Finite life intangible assets not yet available for use are tested annually for impairment.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. An impairment loss is recognized immediately in profit or loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount, but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized in profit or loss for the period.

Depreciation

Depreciation of computing equipment is an estimate of its expected life. In order to determine the useful life of computing equipment, assumptions are required about a range of computing industry market and economic factors, technological changes, availability of hardware and other inputs, and production costs. Management has elected to use a depreciation policy consistent with its peers in the industry and thereby depreciate the computing equipment and software on a 30% per annum declining basis starting the month the equipment is placed into service.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Depreciation of software is calculated straight line over 3 years starting the month the software starts being used.

Leases and right-of-use assets

Effective February 1, 2019, the Company adopted IFRS 16 – Leases. Previously, the Company classified leases as operating or finance leases based on IAS 17 - Leases.

The Company has applied IFRS 16 in accordance with the modified retrospective approach. Under this approach, the cumulative effect of applying IFRS 16 is recognized in opening retained earnings at the date of initial application (i.e. February 1, 2019). The Company analysed the impact of the transition to IFRS 16 and concluded that there were no adjustments on the opening retained earnings and the current year financial statements.

Revenue from contracts with customers

Revenue recognition policy

The Company derives its revenues from providing consulting fees to its clients and assisting clients to raise capital financing.

Concession fees are earned from successful investment banking intermediary transactions of non-registered customer investments. The fees earned are contingent upon the successful completion of the underlying transaction for which the services are rendered. As such, the Company records this revenue as earned upon successful completion of a transaction.

Advisory and due diligence fees are recognized when the related services are provided, the underlying transaction is completed and when the revenue is reasonably determinable with collection assured. The amount of revenue can be reasonably determined as the fees earned are specified in the underlying advisory agreements.

Performance obligation
On successfully pairing a seller with a buyer and the underlying financial transaction closes. At this point the Company has no further performance obligations.

Variable Consideration
The nature of the Company's business does not give rise to variable consideration that would otherwise decrease the transaction price which would reduce revenue.

Various economic factors affect revenue and cash flows. In substantially all revenue transactions, cash collections on concession fees earned from successful transactions are realized immediately after the transaction is consummated.

Related party 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. Parties are also considered to be related if they are subject to common control or common significant influence. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Share issuance costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

Share capital

In situations where the Company issues units, the value of units is bifurcated (using the residual method) and the value of warrants is included as a separate reserve of the Company's equity.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Foreign currency translation

The functional currency of the Company is the Canadian dollar, which is the presentation currency of the financial statements.

Monetary assets and liabilities denominated in currencies other than Canadian dollars are translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the transaction exchange rate. Foreign currency gains and losses resulting from translation are reflected in net loss for the period.

The assets and liabilities of entities with a functional currency that differs from the presentation currency are translated to the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the financial period end;
- Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions);
- Equity transactions are translated using the exchange rate at the date of the transaction; and
- All resulting exchange differences are recognized as a separate component of equity as reserve for foreign exchange.

When a foreign operation is disposed of, the relevant amount in the reserve for foreign exchange in other comprehensive income is transferred to profit or loss as part of the profit or loss on disposal.

Discontinued operations

A discontinued operation is a component of the Company that either has been disposed of or abandoned, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; or (b) is part of a single plan to dispose of a separate major line of business or geographical area of

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

operations. Assets, liabilities, comprehensive income, and cash flows relating to a discontinued operation are segregated and reported separately from the continuing operations in the year of reclassification, with restatement of comparative information prior to the reporting year in which the reclassification occurs.

Development costs

Development costs consist of costs incurred to develop the app to earn revenue with respect to the Company's business operations. Development costs are capitalized in accordance with IAS 38, *Intangible Assets*, and accordingly are recognized when the Company can demonstrate (i) the technical feasibility of the asset, (ii) the intention to complete and use or sell the asset, (iii) the ability to use or sell the asset, (iv) how the intangible asset will generate probable future economic benefits, (v) the availability of adequate technical, financial and other resources to complete the app and to use or sell the asset, and (vi) ability to reliably measure the expenditure attributable to the asset during its development. Costs that do not meet these criteria are considered research costs and are expensed as incurred.

Intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. Software and platform development costs are intangible assets with a finite useful life, and accordingly are amortized over the assets' estimated useful life commencing when the asset was available for use, being when it is in the condition necessary for it to be capable of operating in the manner intended by management.

Software development costs are amortized on a straight-line basis over 3 years, while platform development costs are amortized on a 30% per annum declining basis.

When a project is deemed to no longer have commercially viable prospects to the Company, development expenditures in respect of that project are deemed to be impaired. As a result, those development costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss. (see note 7)

New standards and interpretations

At the date of authorization of these consolidated Financial Statements, the IASB and the IFRS Interpretations Committee have issued certain new and revised Standards and Interpretations which are not yet effective. Many are not applicable or do not have a significant impact to the Company and have been excluded from these consolidated financial statements. The Company has not early adopted and is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

4. ACQUISITION OF 2618249 ONTARIO CORP. ("DIGI")

On March 15, 2018, the Company entered into a definitive agreement with Digi. Pursuant to the definitive agreement, on March 29, 2018 the Company acquired all the issued and outstanding common shares of Digi (the "Digi Shares") on a 1-for-1-exchange basis from the Digi shareholders, which constituted a reverse takeover of the Company by Digi shareholders (the "RTO").

Pursuant to the RTO, the Company issued common shares at a deemed price of $0.10 per common share in exchange for all of the issued and outstanding shares of Digi. The Company also issued 5,375,000 share purchase warrants under the same terms and conditions of the warrants issued by Digi.

The Company had 5,590,909 common shares outstanding prior to the completion of the RTO. On closing of the

(Expressed in Canadian Dollars)

4. ACQUISITION OF 2618249 ONTARIO CORP. (“DIGI”) - CONTINUED

RTO the total shares outstanding in the Company subsequent to the RTO was 53,990,909. As a result, the original shareholders of the Company retained 10.3% and Digi shareholders obtained 89.7% of the Company.

Since the Company did not meet the definition of a business under IFRS 3 – Business Combinations, the acquisition was accounted for as a purchase of the Company’s net assets. The consideration paid was determined as equity-settled share-based payments under IFRS 2, at the fair value of the Digi common shares on the date of closing of the RTO, which was determined to be $0.10 per common share based on the most recent equity raise completed by Digi just prior to the RTO.

No stock options had been issued by either company at the time of the RTO.

The table below summarizes the fair value of the assets acquired and the liabilities assumed at the acquisition date, as well as the consideration paid:

The fair value of the consideration is as follows:	
Issuance of 5,590,909 common shares to the former shareholders of the Company	$ 559,091
The allocation of the consideration is as follows:	
Cash	$ 69
Accounts payable and accrued liabilities	(104,746)
Listing expense	663,768
Value attributed to shares issued	$ 559,091

In conjunction with the RTO transaction, on March 29, 2018, the Company issued 10,650,000 units for gross cash proceeds of $1,065,000 less legal and other costs of $6,487, resulting in net cash proceeds of $1,058,513. Each unit was comprised of one common share and one half of one common share purchase warrant. Each whole share warrant can be converted into one common share at an exercise price of $0.20 per common share until the earlier of two years from the Closing Date, or thirty days following notice from the Company after the common shares have traded on a stock exchange for ten consecutive days at a closing price in excess of $0.40 per share (see note 9(ii)).

5. CAPITAL MANAGEMENT

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’s subsidiary, DigiMax Capital Corp., must maintain an excess minimum capital requirement, as defined by National Instrument 31-103, of not less than $50,000 plus their financial institutional bond policy deductible ($5,000), any other margin requirements as applicable, in order to maintain its status as an exempt market dealer. As at January 31, 2020, the Company was in compliance with its regulatory capital requirements. The Company is not subject to other externally imposed capital requirements.

The Company considers its capital to be shareholders’ equity (deficiency), which is comprised of share capital, contributed surplus, and accumulated deficit.

(Expressed in Canadian Dollars)

5. CAPITAL MANAGEMENT - CONTINUED

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. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

6. COMPUTER SOFTWARE

	31 January 2019	Additions	Acc. depreciation and write offs	January 31, 2020
Computer software	$ -	$15,148	$ -	$15,148

7. DEVELOPMENT COSTS

	31 January 2019	Additions	Write downs	31 January 2020
App development costs	$ 293,000	$20,446	$ 313,446	$ -

As at January 31, 2020, the Company held no digital currencies and had ceased all digital mining and currency operations, therefore, management determined that there are uncertainties over the recoverability of application development costs asset. Accordingly, the Company tested the development costs for impairment and recorded an impairment of $313,446 (2019 -$nil) based on a recoverable amount of $nil.

8. FINANCIAL INTRUMENTS

Fair value

Financial instruments of the Company consist of cash, receivables, accounts payable and accrued liabilities, convertible debentures, and the derivative liabilities. 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,

8. FINANCIAL INSTRUMENTS - CONTINUED

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 (see note 1).

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 holds cash balances in foreign currencies which give rise to exposure to foreign exchange risk.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Cash is held with a reputable Canadian chartered bank. Management believes that the credit risk concentration with respect to financial instruments included in cash is minimal.

Trade and other receivables represent concession fees earned from acting as intermediary to successful investment banking financing transactions. No bad debts were incurred during the year ended January 31, 2020 (2019 - $Nil). These fees are principally due from major international financial institutions and are paid shortly after closing with proceeds from the related financing transaction. Management therefore believes that the associated credit risk is minimal.

9. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without par value.

(i) On February 10, 2018, the Company issued 12,500,000 shares at a fair value of $175,000, recorded as share based compensation in profit and loss.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL - CONTINUED

(ii) On February 10, 2018, the Company issued 10,250,000 shares at $0.014 per share for gross and net cash proceeds of $143,500.

(iii) On February 10, 2018, the Company issued 15,000,000 shares at $0.014 per share for services provided to the Company.

(iv) On March 29, 2018, 10,650,000 units were issued at $0.10 per share for gross proceeds of $1,065,000, and net proceeds of $1,058,513. Each unit entitled the holder to one common share and one-half common share purchase warrant. Each whole warrant is exercisable at a price of $0.20 per share and expire on the earlier of (i) March 29, 2020, or (ii) 30 days following the date that a notice is delivered from the Company to the holder of the warrant that the shares have traded on a stock exchange for 10 consecutive days at a closing price in excess of $0.40 per share.

The fair value of the common share purchase warrants was valued at $nil using the residual method as the price of the units equaled the fair value of the common shares at the date of issuance.

(v) On April 15, 2018, 100,000 units (as described in 9(iv)) were subscribed for at $0.10 per unit for gross proceeds of $10,000. As at January 31, 2019 the shares remained unissued and therefore classified as subscriptions received in advance.

(vi) On August 20, 2019, the Company completed a non-brokered private placement of 6,600,000 common shares issued at $0.10 per share for proceeds of $660,000.

10. STOCK OPTIONS

The Company has a Share Option Plan (the "Plan") under which it is authorized to grant options to purchase common shares of the Company to directors, senior officers, employees and/or consultants of the Company. The aggregate number of shares of the Company which may be issued and sold under the Plan will not exceed 10% of the total number of common shares issued and outstanding from time to time. Share options are granted with a maximum term of ten years with vesting requirements at the discretion of the Board of Directors.

Company records a charge to the statement of loss and comprehensive loss using the Black-Scholes fair valuation option pricing model with respect to a share option grant. The valuation is dependent on a number of estimates, including the risk-free interest rate, the level of share volatility, together with an estimate of the level of forfeiture. The level of share volatility is calculated with reference to the historic traded daily closing share price at the date of issue. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

	Number of stock options	**Weighted average exercise price**
Balance on January 31, 2019	-	-
Issued (i) (ii)	6,289,000	0.04
Forfeited (iii)	(2,989,000)	0.06
Balance on January 31, 2020	**3,300,000**	**0.04**

(Expressed in Canadian Dollars)

10. STOCK OPTIONS - CONTINUED

(i) On March 22, 2019, the Company granted 4,389,000 options to officers, directors and consultants exercisable at $0.10 expiring on March 22, 2021. The options were valued at $161,453 using the Black-Scholes option pricing model with the following assumptions: risk free interest rate 1.540%; expected volatility of 88.34%; expected dividend yield of 0% and an expected life of 2 years. During the year, 2,989,000 of the options expired unexercised early as the holders of the options ceased to be a director and/or officer and/or service provider of the Company.

(ii) On August 12, 2019, the Company granted 1,900,000 options to officers and directors exercisable at $0.10 expiring on August 12, 2021. The options were valued at $57,600 using the Black-Scholes option pricing model with the following assumptions: risk free interest rate 1.36%; expected volatility of 198.74%; expected dividend yield of 0% and an expected life of 2 years.

The following table reflects the actual stock options outstanding as of January 31, 2020:

Number of options outstanding	Grant date fair Value ($)	Exercise price ($)	Expiry date
1,400,000	161,453	0.10	March 22, 2021
1,900,000	57,600	0.10	August 10, 2021

11. WARRANTS

Share purchase warrant transactions for the years ended January 31, 2020 and 2019 are as follows:

	Warrants #	Exercise Price $	Fair Value $
Balance January 31, 2018	-	-	-
Warrants issued (i)	5,325,000	0.20	-
Balance January 31, 2019	**5,325,000**	**0.20**	**-**
Warrants issued (ii)	2,586,250	0.11	56,400
Balance January 31, 2020	**7,911,250**	**0.17**	**56,400**

(i) Pursuant to the issuance of 10,650,000 units (see Note 9 (iv)), the Company issued 5,325,000 common share purchase warrants. Each whole warrant is exercisable at a price of $0.20 per share and expire on the earlier of (i) March 29, 2020, or (ii) 30 days following the date that a notice is delivered from the Company to the holder of the warrant that the shares have traded on a stock exchange for 10 consecutive days at a closing price in excess of $0.40 per share.

(ii) On February 8, 2019, the Company issued to the holders of the February 2019 Debentures (Note 12) and the September 2018 Debentures (Note 11) 2,586,250 common share purchase warrants. These warrants are exercisable for a period of two years from issuance into common shares at an exercise price equal to the lowest of (i) $0.30, (ii) the product of the conversion price (lesser: of (i)

(Expressed in Canadian Dollars)

11. WARRANTS - CONTINUED

$0.20; or (ii) 75% of the lowest price offered in a private placement of common shares subsequent to debentures being issued) multiplied by 1.5, and (iii) the exercise price of common share purchase warrants issued by the Company prior to the expiration of the warrants for each warrant exercised.

The following table reflects the actual warrants outstanding and exercisable as of January 31, 2020:

Number of warrants outstanding	Grant date fair Value ($)	Exercise price ($)	Expiry date
5,325,000	-	0.20	March 29, 2020
2,586,250	56,400	As above	February 8, 2021

12. CONVERTIBLE DEBENTURES

On September 29, 2018, the Company issued convertible debentures (the “September 2018 Debentures”) in the amount of $484,500. The holders of the September 2018 Debentures were granted a first-position General Security Arrangement over the assets of the Company and its subsidiaries. The September 2018 Debentures carry a 10% simple interest coupon payable in cash at the end of each calendar quarter and the Company may force the conversion of the September 2018 Debentures to common equity if the Company’s shares are listed on the CSE and close above $0.20 per share for more than 20 consecutive trading days. The conversion price will be the lower of $0.075 per share, or 75% of the lowest price any common shares are issued by the Company subsequent to the closing of this September 2018 Debentures issuance. Upon conversion, the September 2018 Debentures holders will also receive a warrant for ½ of one common share for each converted common share at a strike price equal to 1.5 times the conversion price and such warrants will have a term of 2 years following the date of conversion. The September 2018 Debentures mature September 28, 2021.

On February 8, 2019, the Company completed a secured convertible debenture (the "February 2019 Debentures") financing for $550,000, incurring issuance costs of $85,006, for net proceeds of $464,994. Each February 2019 Debentures bears interest at a rate of 10% per annum, which is payable in cash to the holders thereof on the last date of each calendar quarter for a period of three years from the date of issue or the date the February 2019 Debentures are converted. The February 2019 Debentures are convertible at the option of the holder into common shares (the "Common Shares"), at a conversion price that is the lesser of (i) $0.20, or (ii) 75% of the lowest price offered in a private placement of the Company's common shares (the "Conversion Price") while such February 2019 Debentures remain outstanding.

On February 28, 2019, the Company issued amended secured convertible debentures to the holders of the September 2018 Debentures such that the terms of the September 2018 Debentures have been amended to mirror the terms of the above February 2019 Debentures.

(Expressed in Canadian Dollars)

12. CONVERTIBLE DEBENTURES – CONTINUED

The following is a summary of the convertible debenture liability:

	$
Balance January 31, 2018	**-**
Issuance of debentures	484,500
Issuance costs	(51,137)
Derivative liability component	(64,600)
Accretion expense	11,377
Balance, January 31, 2019	**380,140**
Issuance of debentures	550,000
Issuance costs	(85,007)
Derivative liability component	(498,666)
Accretion expense	87,872
Balance, January 31, 2020	**434,339**

The Debentures are classified as a financial liability recorded at amortized cost, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the debentures being less than the face value.

The conversion feature meets the definition of a derivative liability instrument because the conversion rate is variable and therefore does not meet the "fixed-for-fixed" criteria outlined under IFRS. As a result, the conversion feature is required to be recorded as a derivative liability recorded at fair value and marked-to-market each period with the changes in fair value each period recorded in profit or loss.

The derivative liability of the September 2018 Debentures was valued at $64,600 on the issuance date. As at January 31, 2020, the derivative liability had a value of $64,845 (January 31, 2019 - $58,140), which resulted in a loss on revaluation of the derivative liability for the year ended January 31, 2020 of $6,705. The derivative liability was valued as at September 29, 2018, January 31, 2019 and January 31, 2020 using the Black Scholes model with the following assumptions:

	September 29, 2018	**January 31, 2019**	**January 31, 2020**
Annualized volatility	100%	100%	165%
Risk-free interest rate	2.00%	2.00%	1.4%
Dividend yield	0%	0%	0%
Expected life	3 years	2.66 years	1.66 years

(Expressed in Canadian Dollars)

12. CONVERTIBLE DEBENTURES – CONTINUED

The derivative liability of the February 2019 Debentures was valued at $498,666 on the issuance date. As at January 31, 2020, the derivative liability had a value of $84,825, which resulted in a gain on revaluation of the derivative liability for the year ended January 31, 2020 of $413,842. The derivative liability was valued as at February 8, 2019 and January 31, 2020 using the Black Scholes model with the following assumptions:

	February 8, 2019	**January 31, 2020**
Annualized volatility	100%	165%
Risk-free interest rate	1.78%	1.40%
Dividend yield	0%	0%
Expected life	3.00 years	2.02 years

The warrants issued in connection with the February 2019 Debentures (see note 11 (ii)), are also considered a derivative liability because they do not meet the “fixed for fixed” criteria. As at January 31, 2020, the derivative warrant liability had a value of $18,400, which resulted in a gain on revaluation of the derivative liability for the year ended January 31, 2020 of $38,000.

13. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

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 years ended January 31, 2020 and 2019:

(i) During the year ended January 31, 2020, $125,331 (2019 - $93,500) was charged by the Chief Executive Officer for consulting fees.

(ii) During the year ended January 31, 2020, $36,000 (2019 - $4,500) was charged by CFO Advantage Inc. (“CAI”), a Company owned by the Chief Financial Officer of the Company, for CFO consulting fees. As at January 31, 2020, $3,390 (2019 - $4,500) of these fees were included in accounts payable and accrued liabilities.

(iii) During the year ended January 31, 2020, a director was paid consulting fees of $49,497 (2019 - $nil) for advisory work related to Digimax Capital Corp.

(iv) During the year ended January 31, 2020, $nil (2019 - $42,000) was charged by 1600793 Ontario Inc., a Company owned by the Chief Executive Officer of the Company, for consulting fees. As at January 31, 2020, $nil (2019 - $1,744) was due to the CEO.

(v) During the year ended January 31, 2020, $nil (2019 - $80,500) was charged by 1407535 Ontario Limited., a Company owned by a director of the Company, for consulting and marketing services.

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTI ONS AND KEY MANAGEMENT COMPENSATION - CONTINUED

(vi) During the year ended January 31, 2020, $nil (2019 - $126,000) was charged by three founders of the Company for consulting services.

(vii) During the year ended January 31, 2020, 2,650,000 stock options were issued to various related parties with share-based payment expense of $219,053 (2019 - $nil).

14. COMMITMENTS

The Company has no commitments as at January 31, 2020.

15. INCOME TAX

The reconciliation of the combined Canadian federal and provincial income tax rate to the income tax recovery presented in the accompanying consolidated statements of loss and comprehensive loss is provided below:

	2020	**2019**
Loss before provision for income taxes	**$ (1,136,742)**	$ (2,250,989)
Combined statutory income tax rate	**26.5%**	27.0%
Expected income tax recovery	**$ (301,237)**	$ (607,767)
Adjustment resulting from:		
Share-based payment expense	**58,049**	-
Permanent differences and other	**24,658**	244,000
Impact of RTO	**-**	(93,000)
Deferred financing fees	**(4,982)**	(3,000)
Change in tax benefits not recognized	**223,512**	459,767
Deferred tax recovery	$ -	$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	As at January 31, 2020	**As at January 31, 2020**
Deferred income taxes	**$**	$
Non-current assets	**171,493**	102,870
Deferred financing fees and other	**19,929**	1,000
Debt with accretion	**(114,504)**	(14,310)
Non-capital losses available for future periods	**606,594**	370,440

As at January 31, 2020, the Company had non-capital tax losses of $2,289,034, available to use against future taxable income for income tax purposes. The non-capital losses expire from 2026 through 2040.

(Expressed in Canadian Dollars)

16. DIGITAL CURRENCIES AND DISCONTINUED OPERATIONS

As at January 31, 2020, the Company held no digital currencies and had ceased all mining operations and therefore has presented these operations as a discontinued operation in the consolidated statements of loss and cash flows. Income from digital currency mining was measured based on the fair value of the coins on the date the transfer to the wallet was made. The fair value was determined using the closing price of the coin on the date of receipt.

Results of discontinued operations are as follows:

	2020	2019
	$	$
Revenue – Digital currencies mined	**4,857**	61,547
Cost of revenue	**-**	(175,390)
Gross Profit	**4,857**	(113,843)
Expenses		
Consulting fees	**-**	43,000
Investor relations	**-**	14,003
Travel	**-**	23,656
General and administration	**-**	31,016
Total Expenses	**-**	(111,675)
Operating Loss	**-**	(225,518)
Write off of mining equipment	**(313,446)**	(302,938)
Loss on sale of digital currencies	**-**	(16,936)
Net loss from discontinued operations	**(308,589)**	(545,392)

Cash flows from discontinued operations are as follows:

	2020	2019
	$	$
Cash Flows from Operating Activities		
Net loss for the year	**(308,588)**	(545,392)
Non-cash items		
Write down of development costs	**313,446**	-
Shares issued for services	**-**	43,000
Depreciation	**-**	381,211
Cash provided by (used in) operating activities	**4,857**	(121,181)
Cash Flows from Investing Activities		
Equipment	**-**	(381,211)
Development costs	**(20,446)**	-
Cash used in investing activities	**(20,446)**	(381,211)

17. SUBSEQUENT EVENTS

Subsequent to January 31, 2020, the outbreak of the novel strain of corona virus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods.