



**DIGICRYPTS BLOCKCHAIN SOLUTIONS INC.**

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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FOR THE THREE MONTHS ENDED APRIL 30, 2020 AND 2019

(EXPRESSED IN CANADIAN DOLLARS)

## **NOTICE TO SHAREHOLDERS**

The accompanying interim condensed financial statements of DigiCrypts Blockchain Solutions Inc. for the three months ended April 30, 2020 and 2019 have been prepared by management in accordance with International Financial Reporting Standards applicable to interim financial statements (see notes 2 & 3 to the interim consolidated financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented. Auditors Involvement The external auditors of DigiCrypts Blockchain Solutions Inc., have not audited or performed a review of the unaudited interim financial statements for the three months ended April 30, 2020 and 2019 nor have they conducted any procedures with respect to the supplementary financial schedules included herein.

**DIGICRYPTS BLOCKCHAIN SOLUTIONS INC.**

Unaudited Interim Condensed Consolidated Statements of Financial Position  
Expressed in Canadian dollars

		As at April 30, 2020	As at January 31, 2020
	Notes		
<b>ASSETS</b>		<b>\$</b>	<b>\$</b>
<b>Current assets</b>			
Cash		169,710	207,140
HST receivable		89,763	88,236
Prepaid expenses		-	-
<b>Total current assets</b>		<b>259,473</b>	<b>295,376</b>
<b>Non-current assets</b>			
Software	5	15,148	15,148
<b>Total non-current assets</b>		<b>15,148</b>	<b>15,148</b>
<b>Total Assets</b>		<b>274,621</b>	<b>310,524</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		98,761	75,411
<b>Total Current Liabilities</b>		<b>98,761</b>	<b>75,411</b>
<b>Non-current liabilities</b>			
Convertible debentures	10	466,169	434,339
Derivative liabilities	10	317,694	168,070
<b>Total non-current liabilities</b>		<b>783,863</b>	<b>602,409</b>
<b>Total Liabilities</b>		<b>882,624</b>	<b>677,820</b>
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	7	2,801,381	2,801,381
Contributed surplus		219,054	219,054
Accumulated deficit		(3,628,438)	(3,387,731)
<b>Total Shareholders' Deficiency</b>		<b>(608,003)</b>	<b>(367,296)</b>
<b>Total Liabilities and Shareholders' Deficiency</b>		<b>274,621</b>	<b>310,524</b>
<b>Nature of operations and going concern</b>	1		
<b>Commitments</b>	12		
<b>Subsequent events</b>	13		

Approved by the Board

Signed:

"Chris Carl", Director

Signed:

"Lowell Kamin", Director

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

**DIGICRYPTS BLOCKCHAIN SOLUTIONS INC.**

Unaudited Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

For the three months ended April 30, 2020 and 2019

(Expressed in Canadian dollars)

		2020	2019
	Notes	\$	\$
<b>Revenues</b>			
Advisory fees		96,869	-
<b>Total revenues</b>		96,869	-
<b>Expenses</b>			
Consulting fees	11	100,524	108,691
Professional fees		8,207	48,151
Investor relations		-	48,496
Business development		1,634	47,772
General and administration		19,304	23,627
Share based compensation	8	-	237,006
<b>Total expenses</b>		(128,670)	(513,743)
Interest, finance and accretion expense	10	(58,283)	(47,040)
Gain on revaluation of derivative liabilities	10	(149,624)	(19,900)
<b>Loss and comprehensive loss</b>		(240,707)	(580,683)
<b>Weighted average number of shares outstanding</b>			
- Basic and diluted		60,590,909	54,090,909
<b>Loss per share – basic and diluted</b>		\$ (0.00)	\$ (0.01)

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

**DIGICRYPTS BLOCKCHAIN SOLUTIONS INC.**

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the three months ended June 30, 2020 and 2019

(Expressed in Canadian Dollars)

	2020	2019
	\$	\$
<b>Cash Flows from Operating Activities</b>		
Loss for the period	(240,707)	(580,683)
Non-cash items:		
Gain on revaluation of derivative liabilities	149,624	19,900
Share based compensation	-	237,006
Interest, finance and accretion expense	58,283	47,040
	(32,801)	(276,737)
Net change in non-cash working capital items:		
HST receivable	(1,527)	(6,324)
Prepaid expenses	-	5,788
Accounts payable and accrued liabilities	(3,104)	(91,100)
<b>Cash flows used in operating activities</b>	(37,431)	(368,373)
<b>Cash Flows from Financing Activities</b>		
Convertible debenture proceeds	-	550,000
Issuance costs on convertible debentures	-	(85,006)
Interest paid on debentures	-	(11,247)
<b>Cash flows from financing activities</b>	-	453,746
<b>Increase in cash</b>	(37,431)	85,373
Cash, beginning of period	207,140	146,080
<b>Cash, end of period</b>	169,709	231,453
<b>Supplemental cash flow information:</b>		
Derivative liabilities on issuance of convertible debenture	\$ -	\$115,500
Interest paid	\$ -	\$ 11,247

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

**DIGICRYPTS BLOCKCHAIN SOLUTIONS INC.**

Unaudited Interim Condensed Consolidated Statements of Changes in Equity (Deficiency)

For the three months ended April 30, 2020 and 2019

(Expressed in Canadian dollars)

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		<b>Common Shares</b>	<b>Share Capital</b>	<b>Contributed surplus</b>	<b>Deficit</b>	<b>Total</b>
	Notes	<b>#</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance, January 31, 2019</b>		53,990,909	2,141,381	237,006	(2,250,989)	127,398
Net loss for the period		-	-	-	(580,683)	(580,683)
<b>Balance, April 30, 2019</b>		53,990,909	2,141,381	-	(2,831,672)	(453,285)
<b>Balance, January 31, 2020</b>		60,590,909	2,801,381	219,054	(3,387,731)	(367,296)
Net loss for the period		-	-	-	(240,707)	(240,707)
<b>Balance, April 30, 2020</b>		60,590,909	2,801,381	219,054	(3,628,438)	(608,003)

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

## **DIGICRYPTS BLOCKCHAIN SOLUTIONS INC.**

Notes to the Unaudited Interim Condensed Consolidated Financial Statements  
Three months ended April 30, 2020 and 2019  
(Expressed in Canadian Dollars)

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

As at April 30, 2020, the Company had working capital of \$160,712 (January 31, 2020 - \$219,965), had not yet achieved profitable operations, had accumulated losses of \$3,628,438 (January 31, 2020 - \$3,387,731), 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 unaudited interim condensed 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 unaudited interim condensed 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.

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.

These financial statements were authorized by the Board of Directors of the Company on August 12, 2020.

## **DIGICRYPTS BLOCKCHAIN SOLUTIONS INC.**

Notes to the Unaudited Interim Condensed Consolidated Financial Statements  
Three months ended April 30, 2020 and 2019  
(Expressed in Canadian Dollars)

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### **2. BASIS OF PRESENTATION**

#### (a) Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance and compliance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the Company’s annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended January 31, 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.



## **DIGICRYPTS BLOCKCHAIN SOLUTIONS INC.**

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

Three months ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

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### **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**

The accounting policies applied in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's January 31, 2020 annual financial statements, except for the adoption of new standards and interpretations as of April 30, 2020.

#### **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. 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 April 30, 2020, the Company was in compliance with its regulatory capital requirements. The Company is not subject to other externally imposed capital requirements.

## DIGICRYPTS BLOCKCHAIN SOLUTIONS INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

Three months ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

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### 4. CAPITAL MANAGEMENT - CONTINUED

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

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.

### 5. COMPUTER SOFTWARE

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	<b>Additions</b>	<b>January 31, 2020 Accumulated depreciation and write offs</b>	<b>NBV</b>
Computer software	\$ 15,148	\$ -	\$ 15,148

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### 6. FINANCIAL INSTRUMENTS

#### 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, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings and deposits.

**DIGICRYPTS BLOCKCHAIN SOLUTIONS INC.**

Notes to the Unaudited Interim Condensed Consolidated Financial Statements  
Three months ended April 30, 2020 and 2019  
(Expressed in Canadian Dollars)

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**6. FINANCIAL INSTRUMENTS - CONTINUED****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 three months ended April 30, 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.

## DIGICRYPTS BLOCKCHAIN SOLUTIONS INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

Three months ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

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### 7. SHARE CAPITAL

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

As at April 30, 2020, there are 60,590,909 (January 31, 2020 – 60,590,909) shares outstanding.

- (i) 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.

### 8. 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	0.10
Forfeited (iii)	(2,989,000)	0.10
Balance on January 31, 2020 and April 30, 2020	3,300,000	0.10

- (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.

**DIGICRYPTS BLOCKCHAIN SOLUTIONS INC.**

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

Three months ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

**8. STOCK OPTIONS - CONTINUED**

The following table reflects the actual stock options outstanding as of April 30, 2020:

Number of options outstanding	Grant date fair Value (\$)	Exercise price (\$)	Expiry date
1,400,000	51,515	0.10	March 22, 2021
1,900,000	57,600	0.10	August 10, 2021

**9. WARRANTS**

Share purchase warrant transactions for the three months ended April 30, 2020 and the year ended January 31, 2020 are as follows:

	Warrants #	Weighted Average \$	Fair Value \$
Warrants issued (i)	5,325,000	0.20	-
<b>Balance January 31, 2019</b>	<b>5,325,000</b>	<b>0.20</b>	-
Warrants expired (i)	(5,325,000)	(0.20)	-
Warrants issued (ii)	2,586,250	0.11	56,400
<b>Balance January 31, 2020</b>	<b>2,586,250</b>	<b>0.11</b>	<b>56,400</b>

- (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) \$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 April 30, 2020:

Number of warrants outstanding	Grant date fair Value (\$)	Exercise price (\$)	Expiry date
2,586,250	56,700	As above	February 8, 2021

## DIGICRYPTS BLOCKCHAIN SOLUTIONS INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

Three months ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

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### 10. 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.

**The following is a summary of the convertible debenture liability:**

	\$
<b>Balance January 31, 2018</b>	<b>380,140</b>
Issuance of debentures	550,000
Issuance costs	(85,007)
Derivative liability component	(498,666)
Accretion expense	87,872
<b>Balance, January 31, 2019</b>	<b>434,339</b>
Accretion expense	31,830
<b>Balance, April 30, 2020</b>	<b>466,169</b>

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.

## DIGICRYPTS BLOCKCHAIN SOLUTIONS INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

Three months ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

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### 10. CONVERTIBLE DEBENTURES – CONTINUED

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 April 30, 2020, the derivative liability had a value of \$122,740 (January 31, 2020 - \$64,845), which resulted in a loss on revaluation of the derivative liability for the three months ended April 30, 2020 of \$58,140. The derivative liability was valued as at September 29, 2018, January 31, 2019, January 31, 2020 and April 30, 2020 using the Black Scholes model with the following assumptions:

	September 29, 2018	January 31, 2019	January 31, 2020	April 30, 2020
Annualized volatility	100%	100%	165%	165%
Risk-free interest rate	2.00%	2.00%	1.4%	1.4%
Dividend yield	0%	0%	0%	0%
Expected life	3 years	2.66 years	1.66 years	1.41 years

The derivative liability of the February 2019 Debentures was valued at \$498,666 on the issuance date. As at April 30, 2020, the derivative liability had a value of \$161,333 (January 31, 2020 - \$84,825), which resulted in a gain on revaluation of the derivative liability for three months ended April 30, 2020 of \$76,508. The derivative liability was valued as at February 8, 2019, January 31, 2020 and April 30, 2020 using the Black Scholes model with the following assumptions:

	February 8, 2019	January 31, 2020	April 30 2020
Annualized volatility	100%	165%	165%
Risk-free interest rate	1.78%	1.40%	1.4%
Dividend yield	0%	0%	0%
Expected life	3.00 years	2.02 years	1.78 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 April 30, 2020, the derivative warrant liability had a value of \$33,621 (January 31, 2020 - \$18,400), which resulted in a gain on revaluation of the derivative liability for the three months ended April 30, 2020 of \$15,221.

## **DIGICRYPTS BLOCKCHAIN SOLUTIONS INC.**

Notes to the Unaudited Interim Condensed Consolidated Financial Statements  
Three months ended April 30, 2020 and 2019  
(Expressed in Canadian Dollars)

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### **11. 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 three months ended April 30, 2020 and 2019:

- (i) During the three months ended April 30, 2020, \$24,250 (2019 - \$30,000) was charged by the Chief Executive Officer for consulting fees, 15,000 of which was base compensation with the balance paid as a percentage of revenues earned.
- (ii) During the three months ended April 30, 2020, \$9,000 (2019 - \$9,000) 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, 2020, \$13,560 (January 31, 2020 - \$3,390) of these fees were included in accounts payable and accrued liabilities.
- (iii) During the three months ended April 30, 2020, a director was paid consulting fees of \$16,518 (2019 - \$nil) for advisory work related to Digimax Capital Corp, all of which was paid as a percentage of revenues earned.

### **12. COMMITMENTS**

The Company has no commitments as at April 30, 2020.

### **13. SUBSEQUENT EVENTS**

The Company signed a Letter of Intent to acquire all of the outstanding shares of DataNavee Corporation, based in Toronto, Ontario. DataNavee ("DNV") was formed by an experienced team of professionals that have been involved in the Artificial Intelligence and data analytics sector for over twenty years. DNV is currently focused in providing sophisticated "predictive analytics as a service" solutions to companies around the world on a Software as a Service (SaaS) basis. It is anticipated that prior to completing the acquisition, DigiMax will conduct a capital raise of up to \$1 million by issuing Units consisting of one common share at 5 cents per share and ½ warrant exercisable at 7.5 cents per share for 24 months following closing of the funding. The Company will issue 55,000,000 shares to the existing shareholders of DNV. One-quarter of these shares will be issued without escrow and the remaining shares will be placed in escrow and one-third will be released at the end of each 3-month period after the closing of this transaction.