NEPTUNE DIGITAL ASSETS CORP.

Consolidated Financial Statements
For the Years Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Neptune Digital Assets Corp.

Opinion

We have audited the consolidated financial statements of Neptune Digital Assets Corp. (the "Company"), which comprise the consolidated statement of financial position as at August 31, 2021 and the consolidated statements of income and comprehensive income, changes in equity and 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 consolidated financial position of the Company as at August 31, 2021, and its consolidated financial performance and its consolidated 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of Company for the year ended August 31, 2020, were audited by another auditor who expressed an unmodified opinion on those financial statements on December 22, 2020.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. 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 ini this auditor's report. 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 related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Curtis Dorfman.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
December 29, 2021
Toronto, Ontario

Neptune Digital Assets Corp.
Consolidated Statement of Financial Position
(Expressed in Canadian Dollars)

As at		**August 31, 2021**		**August 31, 2020**
ASSETS				
Current				
Cash	$	154,803	$	117,558
Amounts receivable and prepaid expenses		213,756		77,948
Digital currencies (Note 3)		-		121,752
USD Coin (Note 3)		10,965,496		-
Digital currencies related to lending activities (Note 3)		22,248,793		765,638
Short-term investments (Note 4)		3,327,316		392,088
		36,910,164		1,474,984
Equipment (Note 5)		2,797,312		-
Digital currencies (Note 3)		14,968,205		2,323,974
	$	54,675,681	$	3,798,958
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Notes 6 and 7)	$	769,083	$	233,818
Equity				
Share capital (Note 7)		56,762,630		25,171,684
Reserves (Note 7)		16,709,730		4,174,587
Accumulated other comprehensive income (Note 8)		8,745,032		494,304
Deficit		(28,310,794)		(26,275,435)
		53,906,598		3,565,140
Total Liabilities and Equity	$	54,675,681	$	3,798,958

Nature and continuance of operations (Note 1)
Subsequent events (Note 16)

On behalf of the Board on December 29, 2021:

"Cale Moodie" Director *"Kalle Radage"* Director

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

Neptune Digital Assets Corp.
Consolidated Statement of Income and Comprehensive Income
(Expressed in Canadian Dollars)

For the year ended		August 31, 2021		August 31, 2020
Mining revenue (Note 3)	$	358,701	$	-
Expenses				
Consulting fees (Note 6)		1,001,568		320,681
Depreciation (Note 5)		177,764		-
Directors' fees		84,000		42,000
Foreign exchange recovery		(12,185)		-
Marketing		64,991		421
Office and miscellaneous		58,279		33,370
Professional fees		371,234		130,298
Share-based compensation (recovery) (Note 7)		5,589,958		(72,439)
Transfer agent		21,546		17,372
		(7,357,155)		(471,703)
Loss before other items		(6,998,454)		(471,703)
Other items:				
Other income (Note 3)		1,707,142		162,073
Gain (loss) on settlement of accounts payable		13,740		(111,513)
Unrealized gain on short-term investments (Note 4)		2,935,228		21,098
Realized gain (loss) on sale of digital currencies (Note 3)		205,628		(2,470,180)
Revaluation of digital currencies (Note 3)		101,357		3,033,170
Net (loss) income		(2,035,359)		162,945
Other comprehensive income				
Revaluation of digital currencies (Note 3)		8,250,728		494,304
Comprehensive income for the year	$	6,215,369	$	657,249
Weighted Average Number of Common Shares Outstanding				
Basic		102,493,569		82,865,783
Diluted		102,493,569		82,865,783
(Loss) Earnings per Common Share				
Basic	$	(0.02)	$	0.01
Diluted	$	(0.02)	$	0.01

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

Neptune Digital Assets Corp.
Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)

	Share Capital		Reserves				
	Number of Common Shares	**Share Capital**	**Share-based Payments**	**Warrant Reserve**	**Accumulated Other Comprehensive Income**	**Deficit**	**Total**
Balance, August 31, 2019	80,709,995	$ 24,611,377	$ 3,280,350	$ 1,132,276	$ -	$ (26,438,380)	$ 2,585,623
Private placement	1,250,000	100,000	-	-	-	-	100,000
Share issuance costs	-	(9,419)	-	-	-	-	(9,419)
Shares issued for debt	3,379,182	304,126	-	-	-	-	304,126
Share-based compensation recovery	-	-	(72,439)	-	-	-	(72,439)
Restricted Share Units	530,001	165,600	(165,600)	-	-	-	-
Revaluation of digital currencies	-	-	-	-	494,304	-	494,304
Income for the year	-	-	-	-	-	162,945	162,945
Balance, August 31, 2020	85,869,178	25,171,684	3,042,311	1,132,276	494,304	(26,275,435)	3,565,140
Private placement	35,981,649	36,325,903	-	5,037,100	-	-	41,363,003
Share issuance costs – cash	-	(3,192,997)	-	-	-	-	(3,192,997)
Share issuance costs – brokers' warrants	-	(2,157,605)	-	2,157,605	-	-	-
Restricted Share Units	557,199	224,840	(224,840)	-	-	-	-
Warrant exercises	2,376,785	341,125	-	-	-	-	341,125
Option exercises	125,000	49,680	(24,680)	-	-	-	25,000
Share-based compensation	-	-	5,589,958	-	-	-	5,589,958
Loss for the year	-	-	-	-	-	(2,035,359)	(2,035,359)
Revaluation of digital currencies	-	-	-	-	8,250,728	-	8,250,728
Balance, August 31, 2021	124,909,811	$ 56,762,630	$ 8,382,749	$ 8,326,981	$ 8,745,032	$ (28,310,794)	$ 53,906,598

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

Neptune Digital Assets Corp.
Consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)

For the year ended		August 31, 2021		August 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss) income for the year	$	(2,035,359)	$	162,945
Items not affecting cash:				
Depreciation		177,764		-
Expenses paid by digital currency		63,000		-
Interest income from digital currencies related to lending activities		(1,466,335)		(8,640)
Realized (gain) loss on sale of digital currencies		(205,628)		2,470,180
Revaluation of digital currencies		(101,357)		(3,033,170)
Other income – Dash, Fantom and ATOM earned		(240,118)		(149,071)
Mining revenue		(358,701)		-
Share-based compensation (recovery)		5,589,958		(72,439)
(Gain) loss on settlement of accounts payable		(13,740)		111,513
Unrealized foreign exchange gain		(7,403)		-
Unrealized gain on short-term investments		(2,935,228)		(21,098)
Changes in non-cash working capital items:				
Amounts receivable and prepaid expenses		(72,493)		(25,917)
Accounts payable and accrued liabilities		549,005		197,138
		(1,056,635)		(368,559)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of digital currencies		(38,303,578)		(47,843)
Purchase of short-term investments		-		(370,990)
Redemption of short-term investments		-		1,547
Proceeds on sale of digital currencies		861,327		302,826
		(37,442,251)		(114,460)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from private placements		41,363,003		100,000
Proceeds from warrant exercises		341,125		-
Proceeds from option exercises		25,000		-
Share issuance costs		(3,192,997)		(9,419)
		38,536,131		90,581
Net change in cash		37,245		(392,438)
Cash, beginning of year		117,558		509,996
Cash, end of year	$	154,803	$	117,558

Non-cash Investing Transactions:				
Digital currencies sold for digital currencies	$	1,343,244	$	473,074
Digital currencies purchased with digital currencies	$	1,343,244	$	473,074
Fair value of digital currencies and USD Coin loaned as part of lending activities	$	47,952,639	$	629,005
Digital currencies and USD Coin loan payments received	$	26,537,231	$	-
Fair value of digital currencies and USD Coin used to purchase equipment	$	3,038,391	$	-
Non-cash Financing Transactions:				
Fully vested restricted share units	$	224,840	$	165,600
Shares issued for debt	$	-	$	304,126
Fair value of common shares issued to settle loans	$	-	$	157,895
Fair value of common shares issued to settle accounts payable	$	-	$	146,231
Fair value of digital currency received as part of borrowing activity	$	945,000	$	-
Digital currency loan repaid	$	945,000	$	-

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Neptune Digital Assets Corp. (the "Company" or "Neptune") (formerly Neptune Dash Technologies Corp.) was incorporated on October 31, 2017 under the laws of the province of British Columbia. On December 17, 2020, the Company changed its name to Neptune Digital Assets Corp. The Company's shares are listed on the TSX Venture Exchange (TSX-V) under the symbol NDA. The head office, registered office and records office of the Company are located in 2800 – 666 Burrard Street, Vancouver, BC.

Neptune is engaged in the business that builds, owns and operates digital currency infrastructure assets. Its core assets are digital currencies and its primary business model is to mine Bitcoin. The Company's ancillary activities include staking and lending various digital currencies with the goal of earning interest and staking rewards. Digital currency staking is the process of actively participating in transaction validation on a blockchain.

On February 16, 2018 the Company incorporated a wholly owned subsidiary, Neptune Stake Technologies Corp. ("Neptune Stake") which holds no assets or liabilities as at August 31, 2021.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's ability to raise funds in the future, however the Company has not been significantly impacted by the outbreak and its effects.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on December 29, 2021.

Basis of presentation

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

These consolidated financial statements are prepared on the historical cost basis, except for financial instruments classified as fair value through profit or loss and digital currencies (including those related to lending activities) that are measured at revalued amounts. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The functional currency of the Company is Canadian dollars.

Going concern

The directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements, which assumes that the Company will realize its assets and discharge its liabilities.

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

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Neptune Stake Technologies Corp. Control is achieved when the 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. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

All inter-company balances and transactions are eliminated on consolidation.

Significant accounting judgments and estimates

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

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

Significant judgments

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include the following:

(i) Income taxes - Management exercises judgment to determine the extent to which deferred tax assets are recoverable and can therefore be recognized in the consolidated statements of financial position and income and comprehensive income.

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

(iii) Digital currency transactions and balances - Digital currencies are considered to be an identifiable non-monetary asset without physical substance. Management has determined that the digital currencies are treated as intangible assets in accordance with IAS 38 *Intangible Assets* ("IAS 38").

The Company adopts the revaluation model in accounting for its digital currencies. In determining fair values, management needs to apply judgments to identify the relevant available markets, and to consider accessibility to and activity within those markets in order to identify the principal digital asset markets for the Company.

Digital currencies related to lending activities representing digital currencies loaned out to third parties are accounted for as intangible assets and are presented separately on the consolidated statement of financial position. Management determined that digital currencies loaned out to third parties do not meet the derecognition criteria of IAS 38.

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

Significant accounting judgments and estimates (continued)

Significant judgments (continued)

(iii) (continued)

In June 2019, the IFRS IC published its agenda decision on 'Holdings of Cryptocurrencies,' and management exercises significant judgment in determining the appropriate accounting treatment for matters with no current definitive and uniform answers. In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies, which could have an effect on the Company's consolidated financial position and results from operations.

Management exercises judgment to determine whether a digital currency meets the definition of a financial asset under IFRS 9 *Financial Instruments* ("IFRS 9"). Management has determined that USD Coin represents a contractual right to receive cash from the USD Coin issuer and, therefore, meets the definition of a financial asset.

(iv) Short-term investments - The fair value of investments in investment funds which are not quoted in an active market is determined by using net asset value as determined by the investee fund's administrator. Management deems the net asset value to be the fair value after considering key factors such as the liquidity of the investee fund or its underlying investments, any restrictions on redemptions and basis of accounting.

Included in short-term investments is a 34.42% investment in an investment fund. Management accounted for such investment at fair value to profit or loss under IFRS 9, because the Company does not exercise significant influence over the investee. The Company does not have any contractual right to appoint any representative to the investee's board of directors. In addition, the Company does not have any participation in policy-making processes and does not have any material transactions with the investee.

Significant estimates

(i) Digital currency valuation - Digital currencies consist of cryptocurrency denominated assets (Note 3). Digital currencies are revalued to their fair value determined based on volume weighted average price from www.cryptocompare.com at 7:00 am UTC. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position. In addition, management estimates that selling costs will be nominal.

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

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

Revenue recognition

Revenue from Bitcoin mining

The Company has executed a contract with a mining pool operator to provide computing power to the mining pool. The contract is terminable at any time by either party and the Company's enforceable right to compensation only begins when the Company provides computing power to the mining pool operator. In exchange for providing computing power, the Company is entitled to a fractional share of the fixed digital currency award the mining pool operator is expected to receive (less digital asset transaction fees to the mining pool operator), for successfully adding a block to the blockchain. The Company's fractional share is based on the proportion of computing power the Company contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving the current algorithm.

Providing computing power in digital asset transaction verification services is an output of the Company's ordinary activities. The provision of providing such computing power is the only performance obligation in the Company's contract with mining pool operator. The transaction consideration the Company receives, if any, is noncash consideration, which the Company measures at fair value on the date received, which is not materially different than the fair value at contract inception or the time the Company has earned the award from the pools. The consideration is all variable. Because it is not probable that a significant reversal of cumulative revenue will not occur, the consideration is constrained until the Company receives confirmation of the consideration it will receive at which time revenue is recognized. There is no significant financing component in these transactions. Fair value of the cryptocurrency award received is determined using the quoted price of the related cryptocurrency at the time of receipt.

Other income from staking

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

Other income from staking is presented as part of other income as management deems this as part of its ancillary operations.

Interest income from digital currencies related to lending activities and from digital currency balances held in an exchange and lending platform

From time to time, the Company loans out digital currencies to earn interest on these digital currencies prior to them being used to purchase mining machines or funding other asset acquisitions. The loans are in both open and closed terms at varying interest rates. Interest rates are based on a percentage of the digital currencies loaned and are denominated in the related digital currencies.

The Company also earns interest income from digital currency balances held in an exchange and lending platform based on contractual interest rates.

Interest income from digital currencies loaned is presented as part of other income as management deems this as part of its ancillary operations.

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

Digital currencies

Digital currencies that are expected to be realized within 12 months of the reporting period are recorded as current assets on the consolidated statement of financial position. All other digital currencies are classified as non-current.

Management of the Company views each digital currency as an intangible asset as it is an identifiable non-monetary asset without physical substance and accordingly the Company uses the revaluation model, as permitted under IAS 38 to measure its digital currencies. Initially, the digital currencies are measured at cost. For purposes of revaluation, fair value is determined by reference to the volume weighted average price from www.cryptocompare.com at 7:00 am UTC.

If the carrying amount of a digital currency is increased as a result of a revaluation, the increase is recognized in other comprehensive income and accumulated in equity under the heading of accumulated other comprehensive income. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If the carrying amount of a digital currency is decreased as a result of a revaluation, the decrease is recognized in profit or loss. However, the decrease is recognized in other comprehensive income to the extent of any credit balance in the other comprehensive income in respect to that digital currency.

The Company does not transfer the cumulative revaluation surplus included in equity directly to retained earnings when the surplus is realized. The whole surplus may be realized on the disposal of the asset.

The Company has assessed that the digital currencies have an indefinite useful life because there is no foreseeable limit to the period over which the assets are expected to generated cash inflows for the Company.

Purchases of digital currencies by the Company are included within investing activities on the consolidated statement of cash flows, while digital currencies awarded to the Company through its mining activities are included within operating activities on the consolidated statement of cash flows. The sales of digital currencies are included within investing activities on the consolidated statement of cash flows and any realized gains or losses from such sales are included as an item under other items on the consolidated statement of income and comprehensive income.

Digital currencies that are used in lending activities do not meet the derecognition criteria under IAS 38 and are presented as digital currencies related to lending activities on the consolidated statement of financial position. When a digital currency is transferred to digital currencies related to lending activities, both the revalued amount and the corresponding cost of the digital currency are transferred to that category.

The Company’s realized gain or loss on digital currencies is calculated as the proceeds received from the sale of digital currencies less their cost, which is determined on a First-in, First-out basis.

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

Shared-based payments

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

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

Income taxes

The income tax expense or credit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current taxation is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries the Company and its subsidiary operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Foreign currency transactions and balances

Foreign currency transactions in currencies other than the Company's functional currency are translated into its functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Provisions

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

Earnings (loss) per share

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

Financial instruments

(i) Financial assets

Initial recognition and measurement

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

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

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

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.

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

Financial instruments (continued)

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.

Financial assets are classified as follows:

Classification	IFRS 9
Cash	Amortized cost
USD Coin	Amortized cost
Short-term investments	FVTPL

(ii) Financial liabilities

Initial recognition and measurement

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

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL, as is the case with derivative instruments, or the Company has opted to measure the financial liability at FVTPL. All financial liabilities are recognized initially at fair value, and where applicable 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 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.

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 statement for profit or loss.

Financial liabilities consist only of accounts payable and accrued liabilities which are measured at amortized cost.

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

Impairment

(i) Non-financial assets

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

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

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

The Company's accounting policy for impairment on digital currencies is discussed within the digital currencies significant accounting policy.

(ii) Financial assets

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

The Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Equipment

Equipment is recorded at historical cost less accumulated depreciation. The Company provides for depreciation using the declining balance at 50% per year for all mining equipment.

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

Unit share issuances

For unit share issuances consisting of common shares and warrants, the Company uses the fair value of common shares as the more reliably measurable instrument. The proceeds from the issuance of units are first allocated to the share capital and the residual amount, being the difference between the proceeds from issuance and the fair value of the common shares, is allocated to warrants.

Comprehensive income

Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit. Other comprehensive income consists of changes to unrealized gains and losses on digital currencies that are measured at revalued amounts during the period. Comprehensive income measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as accumulated other comprehensive income.

New standards, interpretations and amendments adopted

There were no new standards, interpretations, or amendments adopted for the year ended August 31, 2021.

Accounting standards and amendments issued but not yet adopted

There are no new standards or amendments issued but not yet adopted that are expected to have a material impact on the Company's financial statements.

(Expressed in Canadian Dollars)

3. DIGITAL CURRENCIES AND USD COIN

Digital currencies are recorded at their fair value on the acquisition date or when they are received as revenues and are revalued at their current market value at each reporting date. Fair value is determined based on volume weighted average price from www.cryptocompare.com at 7:00 am UTC. During the year ended August 31, 2021, the Company reclassified the balance of its current digital currencies to non-current assets. A summary of the digital currency balances is as follows:

	Holdings, August 31, 2021	Fair Value, August 31, 2021	Holdings, August 31, 2020	Fair Value, August 31, 2020
ATOM*	144,384	$ 4,166,227	134,762	$ 1,266,680
Fantom*	1,447,503	1,314,946	-	-
Bitcoin	110	6,533,978	5	76,584
Dash*	2,091	591,566	9,090	1,057,945
Ethereum	302	1,309,157	67	37,935
Tether	595,414	750,222	-	-
Litecoin	348	74,810	38	3,048
Bitcoin Cash	92	73,784	-	-
Polkadot	3,632	143,690	-	-
Stellar	12,784	5,521	12,784	1,622
Neo	44	2,864	44	1,164
OMG Network	77	619	77	518
Qtum	52	821	52	230
Balance		$ 14,968,205		$ 2,445,726

* *Digital currencies used for staking*

The Company's digital currencies are remeasured as of the reporting date. The following overview shows the difference between fair values and carrying amounts as at August 31, 2021 and 2020:

	Fair Value, August 31, 2021	Cost, August 31, 2021	Fair Value, August 31, 2020	Cost, August 31, 2020
ATOM	$ 4,166,227	$ 957,380	$ 1,266,680	$ 772,679
Fantom	1,314,946	72,144	-	-
Bitcoin	6,533,978	3,010,742	76,584	59,968
Dash	591,566	1,821,633	1,057,945	8,236,847
Ethereum	1,309,157	564,244	37,935	56,392
Tether	750,222	746,567	-	-
Litecoin	74,810	72,144	3,048	6,132
Bitcoin Cash	73,784	64,692	-	-
Polkadot	143,690	138,779	-	-
Stellar	5,521	4,954	1,622	4,954
Neo	2,864	3,215	1,164	3,215
OMG Network	619	1,164	518	1,164
Qtum	821	991	230	991
Balance	$ 14,968,205	$ 7,458,649	$ 2,445,726	$ 9,142,342

(Expressed in Canadian Dollars)

3. DIGITAL CURRENCIES AND USD COIN (continued)

The following is a reconciliation of digital currencies as at August 31, 2021 and 2020:

	August 31, 2021	August 31, 2020
Balance, beginning of year	$ 2,445,726	$ 2,252,889
Dash, Fantom and ATOM earned	240,118	149,071
Bitcoin mining	358,701	-
Purchase of digital currencies	38,921,702	47,843
Disposal of digital currencies	(1,431,857)	(302,827)
Digital currencies loaned as part of lending activities	(47,952,639)	(589,239)
Digital currencies received as interest	979,986	2,914
Digital currency received as part of borrowing activities	945,000	-
Digital currencies used to pay for expenses and equipment	(1,196,126)	-
Digital currency used to settle digital currency borrowed	(945,000)	-
Digital currencies received to settle digital currencies loaned as part of lending activities	13,930,877	-
Revaluation of digital currencies	8,671,717	885,075
Balance, end of year	14,968,205	2,445,726
Less current portion	-	(121,752)
Balance, non-current	$ 14,968,205	$ 2,323,974

Management considers the fair value of digital assets to be Level 2 under IFRS 13 *Fair Value Measurement* ("IFRS 13") fair value hierarchy as the volume weighted average price taken from www.cryptocompare.com uses the volumes of multiple digital currency exchanges.

There has been no change in the valuation techniques during the year.

Other income for the year is comprised of the following:

	Year Ended August 31, 2021	Year Ended August 31, 2020
Dash earned	$ 35,741	$ 92,789
ATOM earned	204,377	56,282
Interest earned on digital currency and USD Coin loans	1,148,320	-
Interest earned on digital currency balances	318,704	12,634
Other	-	368
Other income	$ 1,707,142	$ 162,073

(Expressed in Canadian Dollars)

3. DIGITAL CURRENCIES AND USD COIN (continued)

Bitcoin

As at August 31, 2021, the Company has 110 units (2020 – 5 units) of Bitcoin with a fair value of $6,533,978 (2020 - $76,584). During the year ended August 31, 2021, the Company commenced Bitcoin mining operations. Included within net and comprehensive income is $358,701 related to 8 Bitcoins mined during the year. A continuity for Bitcoin as at August 31, 2021 and 2020 is as follows:

	Number	Value
Balance, August 31, 2019	11	$ 146,136
Bitcoin acquired	44	520,916
Bitcoin loan made	(50)	(589,239)
Interest received	-	2,914
Revaluation	-	(4,143)
Balance, August 31, 2020	5	76,584
Bitcoin acquired	48	1,874,025
Interest received	4	155,682
Mining revenue	8	358,701
Bitcoin loans returned	90	1,324,522
Bitcoin loans made	(40)	(695,517)
Bitcoin disposals	(5)	(66,640)
Revaluation	-	3,506,621
Balance, August 31, 2021	110	$ 6,533,978

All revenue from Bitcoin mining was generated from only one mining pool operator. Revenue from Bitcoin mining is recognized over time.

ATOM

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

During the year ended August 31, 2021, the Company earned 12,951 (2020 – 11,510) ATOM valued at $204,377 (2020 - $56,282) recorded within other income and exchanged an aggregate of 3,329 ATOM with a cost base of $19,676 and fair value of $81,007 for Bitcoin. The Company recognized a gain of $61,331 on the transaction.

(Expressed in Canadian Dollars)

3. DIGITAL CURRENCIES AND USD COIN (continued)

ATOM (continued)

As at August 31, 2021 and 2020, the fair value of ATOM digital tokens is as follows:

	Number		Amount
Balance, August 31, 2019	123,252	$	344,460
ATOM earned	11,510		56,282
Revaluation of digital currencies	-		865,938
Balance, August 31, 2020	134,762		1,266,680
ATOM earned	12,951		204,377
Disposal	(3,329)		(19,676)
Revaluation of digital currencies	-		2,714,846
Balance, August 31, 2021	144,384	$	4,166,227

Bitcoins related to lending activities

On July 10, 2020, the Company entered into a loan agreement whereby it loaned 50 Bitcoins to a third party originally maturing October 13, 2020 and repaid during the year ended August 31, 2021. The loan bears interest at 6.5% per annum, accrued daily and payable monthly in Bitcoins. Bitcoins received as interest were valued based on daily average price. During the year ended August 31, 2021, the Company entered into another loan agreement with the same party by lending 20 Bitcoins. The new loan bears interest at 4.0% per annum with no fixed maturity date. Both loans were repaid during the year ended August 31, 2021. During the year ended August 31, 2021 the Company borrowed $750,000 Tether (valued at $945,000 on issuance) from a third party at zero percent interest rate secured against a 20 Bitcoins loan with a fair value of $1,281,109. Both loans were repaid during the year ended August 31, 2021. On repayment, the Company also received 153,980 Tether valued at $193,245.

The change in the Bitcoins related to lending activities for the year August 31, 2021 is as follows:

	Number		Amount
Balance, August 31, 2019	-	$	-
Bitcoins loaned	50.00		629,005
Interest accrued	0.46		7,092
Interest received	(0.19)		(2,914)
Revaluation	-		132,455
Balance, August 31, 2020	50.27		765,638
Bitcoins loaned	40.00		695,517
Bitcoins loan repaid	(90.00)		(1,324,522)
Interest accrued	2.56		100,605
Interest received	(2.83)		(104,729)
Revaluation	-		(132,509)
Balance, August 31, 2021	-	$	-

(Expressed in Canadian Dollars)

3. DIGITAL CURRENCIES AND USD COIN (continued)

Tether and USD Coin related to lending activities

During the year ended August 31, 2021, the Company entered into a series of loans whereby it loaned an aggregate of 27,500,000 Tether with the following interest rates and maturities:

a) 20,000,000 Tether, valued at $25,212,709, bearing 11% interest, maturing May 21, 2021;
b) 7,500,000 Tether, valued at $9,454,766, bearing 11.25% interest, maturing October 22, 2021; and
c) 10,000,000 Tether, valued at $12,589,647, bearing 10% interest, maturing September 28, 2021.

Interest on above loans is payable in Tether. Subsequent to maturity, the 20,000,000 was rolled into two new loans bearing 11% and maturing on June 21, 2021. 10,000,000 of the loans were rolled into USD Coin, and the remaining 10,000,000 remained as Tether. As Tether and USD Coin had the same value, the Company did not recognize any gain or loss on the loan roll forwards. The two loans were repaid during the year ended August 31, 2021. As at August 31, 2021, the Company has accrued interest on the remaining loans in the amount of $198,258.

The change in the Tether and USD Coin related to lending activities for the year ended August 31, 2021, is as follows:

	USD Coin Quantity	Tether Quantity	Amount
Balance, August 31, 2020	-	-	$ -
Tether loaned	-	37,500,000	47,257,122
Tether loan rolled into USD Coin	10,000,000	(10,000,000)	-
Tether interest accrued	-	157,772	198,258
Repayment of loans	(10,000,000)	(10,000,000)	(25,212,709)
Revaluation of loan	-	-	6,122
Balance, August 31, 2021	-	17,657,772	$ 22,248,793

USD Coin

The Company held $10,965,496 of USD Coin as at August 31, 2021 (2020 - $nil). The underlying U.S. dollar denominated assets are held by the issuer in US-regulated financial institutions on behalf of USD Coin holders.

For purposes of impairment assessment, USD Coin is considered to have a low credit risk as the overall investment portfolio (excluding cash and cash equivalents) backing USD Coin maintains a weighted average credit rating of A or better on S&P scale. Accordingly, for the purpose of impairment assessment for this instrument, the loss allowance is measured at an amount equal to 12-month expected credit losses. Management determined that USD Coin is subject to insignificant credit losses.

	Number	Amount
Balance, August 31, 2020 and 2019	-	$ -
USD Coin received to settle loans	10,000,000	12,606,354
USD Coin interest received	235,518	292,215
USD Coin used to settle accounts payable	(1,543,600)	(1,945,308)
Foreign exchange	-	12,235
Balance, August 31, 2021	8,691,918	$ 10,965,496

(Expressed in Canadian Dollars)

4. SHORT-TERM INVESTMENTS

The Company's short-term investments include two investments into private funds made during the years ended August 31, 2021 and 2020.

The change in short-term investments for the year is as follows:

		August 31, 2021		August 31, 2020
Balance, beginning of year	$	392,088	$	-
Additions		-		370,990
Interest income		-		1,547
Redemptions		-		(1,547)
Unrealized gain on short-term investments		2,935,228		21,098
Balance, end of year	$	3,327,316	$	392,088

As at August 31, 2021 and 2020, the Company's short-term investments include an investment in an investment fund. The investment in the investee fund is valued based on the latest available net asset value, as determined by the investee fund's administrator. The fair values of the investments are remeasured based on monthly valuation reports provided to the Company by the investee fund administrator.

Management considers the fair value of short-term investments to be Level 2 under IFRS 13 fair value hierarchy.

There has been no change in the valuation techniques during the year.

5. EQUIPMENT

Equipment is comprised of Bitcoin miners acquired during the year ended August 31, 2021.

		Equipment
Cost:		
Balance, August 31, 2020	$	-
Additions		2,975,076
Balance, August 31, 2021		2,975,076
Accumulated depreciation:		
Balance, August 31, 2020		-
Depreciation		177,764
Balance, August 31, 2021		177,764
Net book value:		
August 31, 2020	$	-
August 31, 2021	$	2,797,312

6. RELATED PARTY BALANCES AND TRANSACTIONS

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

(Expressed in Canadian Dollars)

6. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

During the year ended August 31, 2021, the Company incurred the following related party transactions:

	Year Ended August 31, 2021	Year Ended August 31, 2020
Consulting fees	$ 967,068	$ 285,004
Directors' fees	84,000	42,000
Share-based compensation	5,331,549	98,597

Key management includes directors and key officers of the Company, including the President, Chief Executive Officer and Chief Financial Officer. The Company has the right to terminate the agreements with the officers of the Company by providing 12-24 months' notice or paying the equivalent of 12-24 months in fees to each officer. Consulting fees include payments made or accrued to the Company's CEO and CFO for services.

As at August 31, 2021, there was $599,082 (2020 - $194,889) due to directors and officers of the Company. The balances to related parties are unsecured, non-interest bearing and without fixed repayment terms. During the year ended August 31, 2020, the Company issued an aggregate of 1,624,797 common shares to related parties, valued at $146,232 to settle accounts payable and accrued liabilities of $92,614. The Company recognized a loss of $53,618 on the common share issuance.

On October 30, 2017, the Company entered into a shareholders' rights agreement where a shareholder of the Company provided a non-interest-bearing demand promissory note of $100,000. The note was unsecured and due on demand or in any event within 10 years from the date the funds were advanced. During the year ended August 31, 2020, the Company issued 1,754,385 common shares valued at $157,895 to settle the note. The Company recognized a loss of $57,895 on the common share issuance.

During the year ended August 31, 2021, the Company settled an aggregate of $63,000 in consulting fees to two officers of the Company through the issuance of 50,000 Tether with a fair value of $63,000.

7. SHARE CAPITAL

Authorized Capital

Unlimited common shares without par value

Shares issued

During the year ended August 31, 2021, the Company:

a) completed a non-brokered private placement by issuing 1,875,000 units at a price of $0.08 per unit and 1,428,571 units at a price of $0.105 for gross proceeds of $300,000. Each unit consists of one common share and one transferable common share purchase warrant entitling the holder to purchase one common share at a price of $0.13 and $0.175 respectively, for a period of three years from the issue date. The securities will be subject to a four-month-and-one-day hold period. In connection with the offering, the Company incurred share issuance costs of $7,525;

b) issued 2,376,785 common shares on the exercise of warrants for gross proceeds of $341,125;

c) issued an aggregate of 557,199 common shares relating to 250,000 restricted share units vested and 307,199 newly issued restricted share units that vested immediately;

7. SHARE CAPITAL (continued)

Shares issued (continued)

d) completed a non-brokered private placement by issuing 1,500,000 units at a price of $0.175 per unit for gross proceeds of $262,500. Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase one additional common share at a price of $0.294 for a period of three years. In connection with the offering, the Company incurred share issuance costs of $8,916;

e) completed a non-brokered private placement by issuing 923,076 units at a price of $0.325 per unit for gross proceeds of $300,000. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to acquire one additional common share at a price of $0.40 per common share for a period of three years;

f) completed a non-brokered private placement by issuing 625,000 units at a price of $0.80 per unit for gross proceeds of $500,000. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to acquire one additional common share at a price of $1.00 per common share for a period of three years. In connection with the offering, the Company incurred share issuance costs of $2,250; and

g) completed a private placement by issuing 29,630,002 units at a price of $1.35 per unit for gross proceeds of $40,000,503. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to acquire one additional common share at a price of $1.75 per common share for a period of three years. Of the proceeds, $5,037,100 was allocated to warrant reserves using the residual value method. The Company paid a finder's fee of $2,800,035 and issued 2,222,250 non-transferrable finder's warrants exercisable for a period of three years at a price of $1.6875 per warrant. The finder's warrants were valued at $2,157,605 using the Black-Scholes valuation model with the following assumptions: stock price of $1.18, volatility of 166.24%, expected life of three years, and risk-free interest rate of 0.49%. In connection with the closing, the Company incurred additional share issuance costs of $374,271.

During the year ended August 31, 2020, the Company:

a) issued 3,379,182 common shares valued at $0.09 per common share, for a total value of $304,126, in settlement of accounts payable and accrued liabilities and loans with related parties in the amount of $192,614 (Note 6). The Company recognized a loss of $111,513 on settlement of debt to the statement of loss and comprehensive loss.

b) entered into a non-binding agreement for a drawdown equity facility of up to $4 million in units. Each unit consisting of one common share and one common share purchase warrant, at discounts ranging from 15% to 25% of the market price of the Shares and warrants at a 25% premium over the market price of the shares. During the year ended August 31, 2020, the Company issued 1,250,000 units (each, a "Unit") at a price of $0.08 per Unit for gross proceeds of $100,000. Each Unit consists of one common share and one common share purchase warrant, entitling the holder to purchase an additional common share at a price of $0.13 for a period of three years. In connection with the closing, the Company incurred share issuance costs of $9,419; and

c) issued an aggregate of 530,001 common shares relating to 250,000 restricted share units vested and 280,001 newly issued restricted share units that vested immediately.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

Share Purchase Warrants and Stock Options

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

	Warrants			Stock Options		
	Number		Weighted Average Exercise Price	Number		Weighted Average Exercise Price
Outstanding, August 31, 2019	4,039,360	$	0.44	6,075,000	$	0.50
Issued	1,250,000		0.13	-		-
Cancelled	-		-	(4,325,000)		0.50
Expired	(4,039,360)		0.44	(1,750,000)		0.50
Outstanding, August 31, 2020	1,250,000	$	0.13	-	$	-
Exercised	(2,376,785)		0.14	(125,000)		0.20
Issued	22,614,860		1.38	10,200,000		0.54
Outstanding, August 31, 2021	21,488,075	$	1.44	10,075,000	$	0.55
Number currently exercisable	21,488,075	$	1.44	10,075,000	$	0.55

The weighted average share price at the date of exercise for share purchase warrants and stock options exercised during the year was $0.65 (2020 - $nil) and $0.92 (2020 - $nil), respectively. The weighted average remaining contractual life of the warrants and stock options as at August 31, 2021 was 2.56 years (2020 – 2.72 years) and 9.51 years (2020 – Nil), respectively.

As at August 31, 2021, the following incentive stock options were outstanding:

	Number		**Exercise price**	**Expiry date**
Stock Options	5,875,000	$	0.20	January 21, 2031
	4,200,000	$	1.03	April 28, 2031
	10,075,000			

As at August 31, 2021, the following common share purchase warrants were outstanding:

	Number		**Exercise price**	**Expiry date**
Warrants	625,000	$	0.130	May 22, 2023
	837,500	$	0.130	December 3, 2023
	714,286	$	0.175	December 3, 2023
	1,500,000	$	0.294	February 16, 2024
	461,538	$	0.40	March 2, 2024
	312,500	$	1.00	March 31, 2024
	14,815,001	$	1.75	April 16, 2024
	2,222,250	$	1.6875	April 16, 2024
	21,488,075			

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

Share-based compensation

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

The weighted average fair value of options granted during the year ended August 31, 2021 was $0.54 (2020 - $nil). Total share-based compensation recognized in the statement of shareholders' equity for the year ended August 31, 2021, was $5,589,958 (2020 - $nil) for stock options granted and vested and was recognized in profit or loss. The fair value of options at the date of grant was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	August 31, 2021	**August 31, 2020**
Weighted average share price	$0.54	N/A
Risk-free interest rate	1.14%	N/A
Expected life of option	10 years	N/A
Expected annualized volatility	159.89%	N/A
Expected dividend rate	Nil	N/A

Restricted share units

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

During the year ended August 31, 2018, the Company granted 1,580,000 RSU's which vest over the course of three years, such that 33.33% vest every 12 months. During the year ended August 31, 2019, 30,000 RSU's were forfeited. During the year ended August 31, 2020 of the remaining unvested 1,033,333 RSU's, 533,333 RSU's held by former officers and directors were cancelled. In connection with the cancellation, the Company recognized a recovery to share-based compensation of $113,039. During the year ended August 31, 2020, the second tranche of RSU's vested and the Company issued 250,000 common shares. For the year ended August 31, 2021, the Company recognized $16,204 in share-based compensation related to the remaining RSU's. During the year ended August 31, 2021, the final tranche of RSU's vested and the Company issued 250,000 common shares.

During the year ended August 31, 2020, the Company granted 280,001 RSU's to certain consultants, officers, and directors. The RSU's vested immediately and shares were issued concurrent with the tranche of vested RSU's as discussed above. The new RSU's were valued at $0.145 per RSU and $40,600 was recognized directly to share-based compensation. The aggregate impact of the cancelled RSU's and the new issuance resulted in the recognition of a recovery of $72,439 to share-based compensation on the consolidated statement of income and comprehensive income for the year ended August 31, 2020.

During the year ended August 31, 2021, the Company granted 307,199 RSU's to certain consultants, officers, and directors. The RSU's vested immediately and shares were issued concurrent with the final tranche of vested RSU's as discussed above. The new RSU's were valued at $0.325 per RSU and $99,840 was recognized directly to share-based compensation.

(Expressed in Canadian Dollars)

8. ACCUMULATED OTHER COMPREHENSIVE INCOME

Revaluation surplus arising from revaluation of digital currencies, including those related to lending activities, is presented under accumulated other comprehensive income.

The change in revaluation surplus is as follows:

		August 31, 2021		August 31, 2020
Balance, beginning of year	$	494,304	$	-
Revaluation increase on digital currencies		8,250,728		494,304
Balance, end of year	$	8,745,032	$	494,304

9. CAPITAL DISCLOSURES

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

10. INCOME TAXES

The Company has losses carried forward of approximately $13,462,904 (2020 - $12,278,530) available to reduce income taxes in future years which expire in 2041.

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

		Year ended August 31, 2021		Year ended August 31, 2020
Canadian statutory income tax rate		27%		27%
Income tax expense (recovery) at statutory rate	$	(549,547)	$	43,995
Effect of income taxes of:				
Non- deductible items and other		3,726,429		9,372
Change in current and future tax rate		(396,256)		(2,848)
Change in unrecognized deferred income tax asset		(2,780,626)		(50,519)
Income tax	$	-	$	-

(Expressed in Canadian Dollars)

10. INCOME TAXES (continued)

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

		August 31, 2021		August 31, 2020
Non-capital loss carryforwards	$	3,634,984	$	3,567,766
Share issuance costs		504,608		208,712
Digital currencies (including those related to lending activities)		(617,045)		1,763,169
Unrecognized net deferred tax assets	$	3,522,547	$	5,539,647

11. FINANCIAL INSTRUMENTS

Classification of financial instruments

		August 31, 2021		August 31, 2020
Financial assets at amortized cost				
Cash	$	154,803	$	117,558
USD Coin		10,965,496		-
Financial assets at fair value to profit or loss				
Short-term investments		3,327,316		392,088
Total	$	14,447,615	$	509,846

		August 31, 2021		August 31, 2020
Financial liabilities at amortized cost				
Accounts payable and accrued liabilities	$	769,083	$	233,818

The carrying amounts of cash, USD Coin and accounts payable and accrued liabilities approximate their fair values because of the short-term nature of these instruments.

Financial risk management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. Financial instruments which are potentially subject to credit risk for the Company consist of primarily cash and USD Coin. The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure at August 31, 2021, related to cash of $154,803 and USD Coin of $10,965,496. All cash is held at Canadian chartered banks, which minimizes credit risk. USD Coin risk is mitigated by the fact that it is fully backed by cash and equivalents and short-duration U.S. Treasuries. The reserve account backing the USD Coin includes cash balances that exceed the U.S. Federal Deposit Insurance Corporation deposit insurance limit of $250,000 USD per institution.

11. FINANCIAL INSTRUMENTS

Financial risk management (continued)

Liquidity risk

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

Interest risk

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

Price risk

Price risk is the risk that the value of a security or investment will decrease. The Company is exposed to price risk on its holdings in USD Coin. As USD Coin is tied to the US Dollar, fluctuations in foreign exchange rates may impact the valuation of the Company's assets. A 10% fluctuation in the price of USD Coin would result in a change to profit or loss of approximately $1.1 million.

Foreign currency risk

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

(Expressed in Canadian Dollars)

12. FAIR VALUE MEASUREMENT

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

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

The following table sets forth the Company's assets measured at fair value by level within the fair value hierarchy as at August 31, 2021.

August 31, 2021	Level 1	Level 2	Level 3
Digital currencies	$ -	$ 14,968,205	$ -
Digital currencies related to lending activities	-	22,248,793	-
Short-term investments	-	3,327,316	-
Total	$ -	$ 40,544,314	$ -

August 31, 2020	Level 1	Level 2	Level 3
Digital currencies	$ -	2,445,726	$ -
Digital currencies related to lending activities	-	765,638	-
Short-term investments	-	392,088	-
Total	$ -	$ 3,603,452	$ -

The fair values of digital currencies, including those related to lending activities, are based on volume weighted average price from www.cryptocompare.com at 7:00 am UTC. The fair values of the short-term investments are remeasured based on monthly valuation reports provided to the Company by the investee fund administrator.

There were no transfers between any levels during the year.

13. DIGITAL CURRENCY RISKS

Price risk related to digital currencies

Digital asset prices are volatile and affected by various factors including global supply and demand, interest rates, exchanges rates, inflation or deflation and the political and economic conditions. Supply and demand for such assets rapidly change from time to time affecting by regulations and general economic trends. A decline in the market prices of digital assets could impact the Company's future operations. The management of the Company constantly monitors the exposure in response to the market conditions.

Digital assets that the Company deals within its operating and investing activities are various digital currencies which can be traded in a number of public exchanges or through over-the-counter market. The Company's exposure to price risk arises from digital currencies which are measured at revalued amounts.

At August 31, 2021, if the prices of digital currencies (except stablecoins) held by the Company had decreased by 15% (being a reasonably expected change determined based on average monthly price movements) in the principal markets with other variables held constant, the impact on accumulated other comprehensive income arising from changes in fair value of digital currencies (including digital currencies related to lending activities) would have been $2,132,697 lower.

If the prices of digital assets (except stablecoins) had been 15% higher and all other variables were held constant, other comprehensive income would increase by $2,132,697.

Credit risk

The Company's digital currencies related to lending activities are exposed to credit risk. The Company limits its credit risk for digital currencies related to lending activities by placing these digital assets with high quality counterparties that are believed to have sufficient capital to meet their obligations as they come due and on which the Company has performed due diligence procedures. The Company's due diligence procedures may include review of the financial position of the borrower, liquidity levels of the borrower in applicable assets, review of the borrower's management, review of certain internal control procedures of the borrower, review of market information, and monitoring the Company's risk exposure thresholds. As at August 31, 2021, and subsequently, the Company does not expect a material loss on any of its digital currencies related to lending activities.

The Company also limits its credit risk by placing its cryptocurrencies with crypto trading exchanges on which the Company has performed internal due diligence procedures.

The Company deems these procedures necessary as some trading exchanges are unregulated and not subject to regulatory oversight. Furthermore, trading exchanges may engage in the practice of commingling client assets in exchange wallets. When cryptocurrencies are commingled, individual transactions and balances are not recorded on the applicable blockchain ledger but are only recorded by the exchange. Therefore, there is a risk around the occurrence of transactions or the existence of period end balances represented by exchanges.

Loss of access risk

The loss of access to the private keys associated with the Company's digital asset holdings may be irreversible and could adversely affect the future operation. Digital assets are controllable only by an individual that possesses both the unique public key and private key or keys relating to the "digital wallet" in which the digital asset is held. To the extent a private key is lost, destroyed or otherwise compromised and no backup is accessible the Company may be unable to access the digital assets. It is the policy of the Company to conduct due diligence surrounding private key management performed by custodians as part of the onboarding process in order to mitigate this risk.

13. DIGITAL CURRENCY RISKS (continued)

Irrevocability of transactions

Digital asset transactions are irrevocable and if stolen or incorrectly transferred digital assets may be irretrievable. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer or theft generally will not be reversible, and the Company may not be capable of seeking compensation. The Company seeks to mitigate risk by establishing policies and procedures to require a careful review of each transaction before execution.

Hard fork and air drop risks

When a proposed modification to the digital currency network is not accepted by the vast majority of miners and users but is nonetheless accepted by a substantial population of participants in the network, a “fork” in the blockchain occurs, resulting in two separate digital currency networks. A “hard fork” is a software upgrade that introduces a new rule to the network that is not compatible with the older software, while a “soft fork” is any change that is backward compatible. Holders of digital currency on the original digital currency network, at the time the block is mined and the fork occurs, can then also typically receive an identical amount of new tokens on the new network. Hard forks could affect the value and harm the sustainability of the affected digital currencies.

Air drops occur when the promoters of a new digital asset send amounts of the new digital asset to holders of another digital asset that they will be able to claim a certain amount of the new digital asset for free. The Company may not be able to realize the economic benefit of a hard fork or air drop, either immediately or ever, for various reasons. For instance, the Company may not have any systems in place to monitor or participate in hard forks or airdrops. Therefore, the Company may not receive any new digital assets created as a result of a hard fork or airdrop, thus losing any potential value from such digital assets.

For the years ended August 31, 2021 and 2020, there was no loss relating to a hard fork or airdrop.

Regulatory oversight risk

Regulatory changes or actions may restrict the use of digital assets or the operation of digital asset networks or exchanges in a manner that adversely affects investments held by the Company. The Company consistently engages with external legal counsels or regulatory advisors to understand any updates on the regulatory landscape which might have impacts on its businesses.

Cybersecurity risk

While the Company’s security technology is designed to prevent, detect, and mitigate inappropriate access to its systems, it is possible that hackers, employees or service providers acting contrary to its policies, or others could circumvent these safeguards to improperly access its systems or documents, or the systems or documents of its business partners, agents, or service providers, and improperly access, obtain, misuse its digital currencies and USD Coin held in hot wallets.

As at August 31, 2021, digital currencies held in hot and cold wallets amounted to $8,866,721 and $6,101,484 (2020 - $1,175,511 and $1,270,215), respectively. As at August 31, 2021, USD Coin held in hot wallets amounted to $10,965,496 (2020 - $nil).

13. DIGITAL CURRENCY RISKS (continued)

Staking risk

Digital currency prices are volatile and can drop quickly. If any of the Company's staked assets suffer a large price drop, that could outweigh any staking income earned on them. Staking can require the Company to lock up its digital currencies for a minimum amount of time. Staking also exposes the Company to slashing. Slashing is a penalty enforced at the protocol level associated with malicious attack against the network by a validator.

14. SEGMENTED INFORMATION

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

15. CONTINGENCY

The Company has filed a claim against a company located in Alberta (the "Defendant") arising out of the breach of Master Service Agreement entered into between the Company and the Defendant on February 27, 2021. Under the Master Service Agreement, the Defendant agreed to procure and operate 300 Bitcoin mining rigs at its facility in Alberta. The Defendant's facility was subsequently shut down due to failure to have appropriate consents, licenses and approvals from the Alberta Utilities Commission. The Company sought from the Defendant for (a) damages for losses sustained between May 1, 2021 and August 27, 2021, (b) future lost profits, (c) damages for bad faith and (d) punitive damages. The Company also sought for the return of the mining rigs. In the opinion of management and legal counsel, the Company has a valid claim and is entitled to a certain payment. Because the amount is indeterminable, the claim has not been reflected in the consolidated financial statements.

16. SUBSEQUENT EVENTS

Subsequent to the year ended August 31, 2021 the Company:

a) On September 7, 2021, the Company acquired an additional 530 Antminer Pro S19 100 Terahash machines for a total cost of $4,876,000 USD;

b) On September 29, 2021, the 10,000,000 USDT loan was rolled into $10,000,000 USD loan (fiat). The loan carried interest at 9% per annum, and matured and was collected on December 29, 2021;

c) On October 22, 2021, the 7,500,000 USDT loan was collected and converted into US Dollars (fiat);

d) On November 25, 2021 the Company issued 400,000 stock options to a consultant. These stock options are to expire on November 25, 2023 and have an exercise price of $0.60;

e) On November 29, 2021, 298 mining rigs that were part of litigation discussed in Note 15 were returned to the Company. Management initiated on a transaction to sell these mining rigs. In addition, management, having the appropriate level of authority, committed to a formal plan to sell these mining rigs; and

f) On December 15, 2021, the Company through its subsidiary purchased real estate in New York City valued at $3,100,000 USD.