



**NEPTUNE DIGITAL ASSETS CORP.**

**Condensed Consolidated Interim Financial Statements  
For the Three and Six Month Periods Ended February 28, 2021**

(Unaudited)  
(Expressed in Canadian Dollars)

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

As at	February 28, 2021	August 31, 2020
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 129,941	\$ 117,558
Amounts receivable and prepaid expenses	88,791	77,948
Digital currencies (Note 3)	-	121,752
Loan receivable (Note 3)	4,029,660	765,638
Short-term investments (Note 4)	2,375,419	392,088
	6,623,811	1,474,984
Digital currencies (Note 3)	5,485,587	2,323,974
	\$ 12,109,398	\$ 3,798,958
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Notes 5 and 6)	\$ 300,510	\$ 233,818
	300,510	233,818
<b>Equity</b>		
Share capital (Note 6)	26,023,833	25,171,684
Reserves (Note 6)	5,250,430	4,174,587
Accumulated other comprehensive income	3,230,937	494,304
Deficit	(22,696,312)	(26,275,435)
	11,808,888	3,565,140
<b>Total Liabilities and Equity</b>	<b>\$ 12,109,398</b>	<b>\$ 3,798,958</b>

Nature and continuance of operations (Note 1)  
Subsequent events (Note 10)

On behalf of the Board on March XX, 2021:

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

**Neptune Digital Assets Corp.**

## Condensed Consolidated Interim Statement of Income and Comprehensive Income

(Expressed in Canadian Dollars)

(Unaudited)

	For the three months ended		For the six months ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
<b>Expenses</b>				
Consulting fees (Note 5)	\$ 79,875	\$ 79,876	\$ 159,751	\$ 160,929
Directors' fees	13,500	10,500	27,000	15,000
Marketing	28,645	121	32,680	339
Office and miscellaneous	12,720	7,434	17,080	17,372
Professional fees	51,688	47,579	54,701	58,855
Share-based compensation (recovery) (Note 6)	1,290,267	(147,092)	1,300,683	(93,273)
Transfer agent	4,941	422	5,545	3,535
Income (loss) before other items	(1,481,636)	1,160	(1,597,440)	(162,757)
Other items				
Other income (Note 3)	94,911	40,925	140,153	82,217
Gain on settlement of accounts payable	13,740	-	13,740	-
Unrealized gain on investments	2,127,208	-	1,983,331	-
Unrealized gain on loan receivable	2,249,079	-	2,763,495	-
Realized gain on sale of digital currencies (Note 3)	216,904	-	218,714	-
Revaluation of digital currencies (Note 3)	66,694	580,679	57,130	302,870
<b>Net income</b>	<b>3,286,900</b>	<b>622,764</b>	<b>3,579,123</b>	<b>222,330</b>
<b>Other comprehensive income</b>				
Revaluation of digital currencies (Note 3)	2,782,046	-	2,736,633	-
<b>Comprehensive income</b>	<b>\$ 6,068,946</b>	<b>\$ 622,764</b>	<b>\$ 6,315,756</b>	<b>\$ 222,330</b>
<b>Weighted Average Number of Common Shares Outstanding</b>				
Basic	89,926,941	80,942,962	87,886,850	80,826,479
Diluted	94,356,334	80,942,962	92,318,243	80,826,479
<b>Income per Common Share</b>				
Basic	\$ 0.04	\$ 0.01	\$ 0.04	\$ 0.00
Diluted	\$ 0.03	\$ 0.01	\$ 0.04	\$ 0.00

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

**Neptune Digital Assets Corp.**

Condensed Consolidated Interim Statement of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Share Capital		Reserves		Accumulated Other Comprehensive Income	Deficit	Total
	Number of Common Shares	Share Capital	Share-based payments	Warrant reserve			
<b>Balance, August 31, 2019</b>	80,709,995	\$ 24,611,377	\$ 3,280,350	\$ 1,132,276	\$ -	\$ (26,438,380)	\$ 2,585,623
Share-based compensation recovery	-	-	(133,873)	-	-	-	(133,873)
Restricted Share Units	530,001	165,600	(125,000)	-	-	-	40,600
Income for the period	-	-	-	-	-	222,330	222,330
<b>Balance, February 29, 2020</b>	81,239,996	24,776,977	3,021,477	1,132,276	-	(26,216,050)	2,714,680
Private Placement	1,250,000	100,000	-	-	-	-	100,000
Share issuance costs	-	(9,419)	-	-	-	-	(9,419)
Shares for debt	3,379,182	304,126	-	-	-	-	304,126
Share-based compensation	-	-	61,434	-	-	-	61,434
Restricted Share Units	-	-	(40,600)	-	-	-	(40,600)
Loss for the period	-	-	-	-	-	(59,385)	(59,385)
Revaluation of digital currencies	-	-	-	-	494,304	-	494,304
<b>Balance, August 31, 2020</b>	85,869,178	25,171,684	3,042,311	1,132,276	494,304	(26,275,435)	3,565,140
Private Placement	4,803,571	562,500	-	-	-	-	562,500
Share issuance costs	-	(16,441)	-	-	-	-	(16,441)
Restricted Share Units	557,199	224,840	(224,840)	-	-	-	-
Warrant exercises	625,000	81,250	-	-	-	-	81,250
Share-based compensation	-	-	1,300,683	-	-	-	1,300,683
Income for the period	-	-	-	-	-	3,579,123	3,579,123
Revaluation of digital currencies	-	-	-	-	2,736,633	-	2,736,633
<b>Balance, February 28, 2021</b>	91,854,948	\$ 26,023,833	\$ 4,118,154	\$ 1,132,276	\$ 3,230,937	\$ (22,696,312)	\$ 11,808,888

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

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

For the six months ended,	February 28, 2021	February 29, 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income for the period	\$ 3,579,123	\$ 222,330
Items not affecting cash:		
Interest	(60,538)	-
Realized gain on sale of digital currencies	(218,714)	-
Revaluation of digital currencies	(57,130)	(302,870)
Revenue from digital currencies	(78,926)	(79,329)
Share-based compensation (recovery)	1,300,683	(93,273)
Unrealized gain on short-term investments	(2,763,495)	-
Unrealized gain on loan receivable	(1,983,331)	-
Changes in non-cash working capital items:		
Amounts receivable and prepaid expenses	(10,843)	(11,939)
Accounts payable	66,692	101,972
	(226,479)	(163,109)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of digital currencies	(793,578)	-
Proceeds on sale of digital currencies	405,131	-
	(388,447)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from private placements	562,500	-
Share issuance costs	(16,441)	-
Proceeds from warrant exercises	81,250	-
	627,309	-
<b>Net change in cash</b>	12,383	(163,109)
<b>Cash, beginning of period</b>	117,558	509,996
<b>Cash, end of period</b>	\$ 129,941	\$ 346,887
<b>Non-cash Financing Transactions:</b>		
Fully vested restricted share units	\$ 224,840	\$ 125,000
Transfer of DASH to BTC	\$ -	\$ 128,127
Reclassification of digital currencies to non-current	\$ 121,752	\$ -
Fair value of BTC issued as loan receivable	\$ 486,396	\$ -
Revaluation of digital currencies through Other Comprehensive Income	\$ 2,736,633	\$ -

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

## **Neptune Digital Assets Corp.**

Notes to Condensed Consolidated Interim Financial Statements

For the three and six month periods ended February 28, 2021

(Expressed in Canadian Dollars)

(Unaudited)

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### **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 and records office of the Company is located in 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 stake various digital currencies and invest in blockchain technologies in order to maximize profitability.

On February 16, 2018 the Company incorporated a wholly owned subsidiary, Neptune Stake Technologies Corp. (“Neptune Stake”) which holds a portfolio of digital currencies.

These condensed consolidated interim financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company is subject to risks and uncertainties common to digital currency companies, including technological change, potential infringement on intellectual property of and by third parties, new product development, regulatory approval and market acceptance of its products, activities of competitors and its limited operating history. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

#### **Statement of compliance**

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

#### **Basis of presentation**

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

These condensed consolidated interim financial statements are prepared on historical costs, except for financial instruments classified as fair value through profit or loss. In addition, these condensed consolidated interim 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.

## Neptune Digital Assets Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the three and six month periods ended February 28, 2021

(Expressed in Canadian Dollars)

(Unaudited)

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

#### Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, Neptune Stake Technologies Corp. All inter-company balances and transactions are eliminated on consolidation.

#### Significant accounting judgments and estimates

The preparation of the condensed consolidated interim 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 and expenses. Actual results may differ from these estimates.

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 and in any future periods affected. Significant estimates include the valuation and impairment of Dash digital tokens and other digital currencies, and share-based payment calculations.

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 condensed consolidated interim financial statements include the evaluation of the Company's ability to continue as a going concern.

- (i) Going concern - The assessment of the Company's ability to execute its strategy by effectively operating the Company involves judgment. Management closely monitors the operations and cash flows in the Company. Further information regarding going concern is outlined in Note 1.
- (ii) Income taxes - Management exercises judgment to determine the extent to which deferred tax assets are recoverable and can therefore be recognized in the statements of financial position and comprehensive income or loss.
- (iii) 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.
- (iv) Digital currencies - 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 asset in accordance with IAS 38 "Intangible Assets".

## Neptune Digital Assets Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the three and six month periods ended February 28, 2021

(Expressed in Canadian Dollars)

(Unaudited)

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

#### Significant accounting judgments and estimates (continued)

##### Significant estimates

- (i) Digital currency valuation - Digital currencies consist of cryptocurrency denominated assets (Note 3) and are included in both current and long-term assets. Digital currencies are carried at their fair market value determined by the spot rate based on volume weighted average from [www.coinmarketcap.com](http://www.coinmarketcap.com). 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. Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. A decline in the market prices for coins could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its digital currencies.
- (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.

### 3. DIGITAL CURRENCIES

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 from digital currency exchanges. During the period ended February 28, 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, February 28, 2021	Fair Value, February 28, 2021	Holdings, August 31, 2020	Fair Value, August 31, 2020
ATOM	140,960	\$ 3,154,112	134,762	\$ 1,266,680
Fantom	1,439,481	771,295	-	-
Bitcoin*	7	409,566	5	76,584
Dash	2,027	399,834	9,090	1,057,945
Ethereum	197	354,275	67	37,935
Tether	237,853	302,645	-	-
Litecoin	223	46,671	38	3,048
Bitcoin Cash	65	37,907	-	-
Stellar	12,784	6,601	12,784	1,622
NEO	44	1,941	44	1,164
OmiseGO	77	418	77	518
QTUM	52	322	52	230
Balance		\$ 5,485,587		\$ 2,445,726

\*Does not include Bitcoin loaned out or held as investment with third parties



**Neptune Digital Assets Corp.**

Notes to Condensed Consolidated Interim Financial Statements

For the three and six month periods ended February 28, 2021

(Expressed in Canadian Dollars)

(Unaudited)

**3. DIGITAL CURRENCIES (continued)**

The following is a reconciliation of digital currencies as at February 28, 2021 and August 31, 2020:

	February 28, 2021	August 31, 2020
Balance, Opening	\$ 2,445,726	\$ 2,252,889
Digital currencies revenue	78,926	149,071
Purchase of digital currencies	862,028	47,843
Disposal of digital currencies	(473,196)	(302,827)
Digital currencies issued as loan receivable	(268,067)	(589,239)
Digital currencies received as interest	46,407	2,914
Revaluation of digital currencies	2,793,763	885,075
	5,485,587	2,445,726
Current digital currencies	-	(121,752)
Balance, non-current	\$ 5,485,587	\$ 2,323,974

The fair value of the digital currencies held as at February 28, 2021 is based on the quoted value of the digital currencies on February 28, 2021.

***Dash***

As at February 28, 2021, the Company has 2,021 units of Dash digital tokens with a fair value of \$398,400.

The Company has setup and operates two masternodes which require 1,000 Dash digital tokens each in order to operate on the Dash blockchain network. The remaining 21 Dash digital tokens will be used towards the construction of future Dash masternodes or investments within Neptune Stake. Both of the Company's Dash masternodes are operational and processing transactions on the Dash blockchain network. During the period ended February 28, 2021 the Company exchanged 3,119 Dash digital tokens with a cost of \$2,800,283 and a fair value of \$266,546 for 19.47 Bitcoin and 4,100 Dash digital tokens with a cost of \$3,653,072 for 361,040 Tether with a fair value of \$458,675. During the year ended August 31, 2020, the Company sold 3,054 Dash digital tokens with a cost of \$2,812,773 for \$302,827 and recognized a loss on the transaction of \$2,509,946. During the period ended February 28, 2021, the Company earned 156 (2020 – 483) Dash digital tokens with a fair value of \$18,474 (2020 – \$48,264). The amounts have been recorded within other income in the current period.

As at February 28, 2021, the fair value of the 2,021 Dash digital tokens is as follows:

	Number	Amount
Balance, August 31, 2019	16,382	\$ 1,741,120
Dash earned	910	92,789
Dash sold	(3,054)	(302,827)
Dash exchanged	(5,154)	(473,074)
Revaluation of Dash digital tokens	-	(714)
Balance, August 31, 2020	9,084	1,057,294
Dash earned	156	18,474
Dash exchanged	(7,219)	(725,221)
Revaluation of Dash digital tokens	-	47,853
Balance, February 28, 2021	2,021	\$ 398,400

**Neptune Digital Assets Corp.**

Notes to Condensed Consolidated Interim Financial Statements

For the three and six month periods ended February 28, 2021

(Expressed in Canadian Dollars)

(Unaudited)

**3. DIGITAL CURRENCIES (continued)*****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 period ended February 28, 2021 the Company earned 6,198 (2020 – 5,955) ATOM valued at \$60,452 (2020 - \$31,064) recorded within other income.

As at February 28, 2021, the fair value of the 140,960 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	6,198	60,452
Revaluation of digital currencies	-	1,826,980
Balance, February 28, 2021	140,960	\$ 3,154,112

***BTC Loan***

On July 10, 2020, the Company entered into a loan agreement whereby it loaned 50 BTC to a third party maturing on October 13, 2020. The loan bears interest at 6.5% per annum, payable monthly in BTC. The BTC had a cost base of \$589,239 and a fair value of \$629,005 on the date of issuance. On October 13, 2020, the maturity date was extended to April 30, 2021. During the period ended February 28, 2021, the Company entered into another loan agreement with the same party by issuing 20 BTC. The new loan bears interest at 4.0% per annum with no fixed maturity date. Subsequent to period end, on March 3, 2021, the loan was called and 20 BTC were returned to the Company.

The change in the loan receivable for the period ended February 28, 2021 is as follows:

	Number	Amount
Balance, August 31, 2019	-	\$ -
BTC loaned	50.00	629,005
Interest accrued	0.46	7,092
Interest received	(0.19)	(2,914)
Revaluation of digital currencies	-	132,455
Balance, August 31, 2020	50.27	\$ 765,638
BTC loaned	20.00	486,396
Interest accrued	1.87	58,025
Interest received	(1.83)	(43,894)
Revaluation of loan receivable	-	2,763,495
Balance, February 28, 2021	70.31	\$ 4,029,660

**Neptune Digital Assets Corp.**

Notes to Condensed Consolidated Interim Financial Statements

For the three and six month periods ended February 28, 2021

(Expressed in Canadian Dollars)

(Unaudited)

**4. SHORT-TERM INVESTMENTS**

The Company's short-term investments include two investments into private funds made during the year ended August 31, 2020. The fair values of the investments are remeasured based on monthly valuation reports provided to the Company by the funds.

The change in short-term investments for the period ended February 28, 2021 is as follows:

	February 28, 2021	August 31, 2020
Balance, opening	\$ 392,088	\$ -
Additions	-	370,990
Interest income	-	1,547
Redemptions	-	(1,547)
Unrealized gain on short-term investments	1,983,331	-
Foreign exchange impact	-	21,098
Balance, closing	\$ 2,375,419	\$ 392,088

**5. 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.

During the period ended February 28, 2021 the Company incurred the following related party transactions:

	February 28, 2021	February 29, 2020
Consulting fees	\$ 142,501	\$ 142,502
Directors fees	27,000	15,000
Share-based compensation	1,195,463	77,764

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.

As at February 28, 2021 there was \$275,425 (August 31, 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 is 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.

## **Neptune Digital Assets Corp.**

Notes to Condensed Consolidated Interim Financial Statements

For the three and six month periods ended February 28, 2021

(Expressed in Canadian Dollars)

(Unaudited)

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### **6. SHARE CAPITAL**

#### **Authorized Capital**

Unlimited common shares without par value

#### **Shares issued**

During the period ended February 28, 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 625,000 common shares on the exercise of warrants at \$0.13 for gross proceeds of \$81,250;
- 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; and
- 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.

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 5). 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.

**Neptune Digital Assets Corp.**

Notes to Condensed Consolidated Interim Financial Statements

For the three and six month periods ended February 28, 2021

(Expressed in Canadian Dollars)

(Unaudited)

**6. SHARE CAPITAL****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	(625,000)	0.13	-	-
Issued	4,803,571	0.18	6,000,000	0.20
Outstanding, February 28, 2021	5,428,571	\$ 0.18	6,000,000	\$ 0.20
Number currently exercisable	5,428,571	\$ 0.18	6,000,000	\$ 0.20

As at February 28, 2021, the following incentive stock options were outstanding:

	Number	Exercise price	Expiry date
<b>Stock Options</b>	6,000,000	\$ 0.20	January 21, 2031
	6,000,000		

As at February 28, 2021, the following common share purchase warrants were outstanding:

	Number	Exercise price	Expiry date
<b>Warrants</b>	625,000	\$ 0.130	May 22, 2023
	1,875,000	\$ 0.130	December 3, 2023
	1,428,571	\$ 0.175	December 3, 2023
	1,500,000	\$ 0.294	February 16, 2024
	5,428,571		

**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.

**Neptune Digital Assets Corp.**

Notes to Condensed Consolidated Interim Financial Statements

For the three and six month periods ended February 28, 2021

(Expressed in Canadian Dollars)

(Unaudited)

**6. SHARE CAPITAL****Share-based compensation (continued)**

The weighted average fair value of options granted during the period ended February 28, 2021 was \$0.20 (August 31, 2020 - \$nil). Total share-based compensation recognized in the statement of shareholders' equity for the period ended February 28, 2021 was \$1,184,639 (February 29, 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:

	<b>February 28, 2021</b>	<b>August 31, 2020</b>
Weighted average share price	\$0.20	N/A
Risk-free interest rate	0.87%	N/A
Expected life of option	10 years	N/A
Expected annualized volatility	156.45%	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 \$179,012. During the year ended August 31, 2020, the second tranche of RSU's vested and the Company issued 250,000 common shares. For the period ended February 28, 2021, the Company recognized \$16,204 in share-based compensation related to the remaining RSU's. During the period ended February 29, 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 (August 31, 2019 – expense of \$310,139) to share-based compensation on the consolidated statements of income (loss) and comprehensive income (loss) for the year ended August 31, 2020.

During the period ended February 28, 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 \$105,627 was recognized directly to share-based compensation.

## Neptune Digital Assets Corp.

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### 7. 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 crypto currencies 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.

### 8. FINANCIAL INSTRUMENTS

#### Classification

The Company's financial instruments consist of cash, accounts payable, and short-term investments. The Company classifies its cash and short-term investments as fair value through profit and loss, and accounts payable at amortized cost. The carrying amount of cash, short-term investments and accounts payable approximate their carrying values because of the short-term nature of these instruments.

#### Fair values

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 financial assets measured at fair value by level within the fair value hierarchy as at February 28, 2021.

	Level 1	Level 2	Level 3
	\$	\$	\$
<b>Financial assets</b>			
Cash	129,941	-	-
Short-term investments	-	2,375,419	-
<b>Total financial assets</b>	<b>129,941</b>	<b>2,375,419</b>	<b>-</b>

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 cash and digital currencies.

The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure at February 28, 2021 relating to cash of 129,941 and loan receivable of \$4,029,660. All cash is held at Canadian chartered banks, which minimizes credit risk.

## **Neptune Digital Assets Corp.**

Notes to Condensed Consolidated Interim Financial Statements

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### **8. FINANCIAL INSTRUMENTS (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 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.

#### *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. 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.

### **9. 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.

### **10. SUBSEQUENT EVENTS**

Subsequent to the period ended February 28, 2021, the Company closed 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 consisted 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 from closing.

Subsequent to the end of the period the Company assumed \$750,000 USD debt with Galaxy DBL LLC at zero percent interest rate secured against 20 BTC. The loan comes due on July 30, 2021.