



NEPTUNE DIGITAL ASSETS CORP.

**Condensed Consolidated Interim Financial Statements
For the Three and Nine Month Periods Ended May 31, 2021**

(Unaudited)
(Expressed in Canadian Dollars)

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

As at	May 31, 2021	August 31, 2020
ASSETS		
Current		
Cash	\$ 102,957	\$ 117,558
Amounts receivable and prepaid expenses	172,466	77,948
Digital currencies (Note 3)	-	121,752
Loan receivable (Note 3)	36,708,747	765,638
Short-term investments (Note 5)	1,828,095	392,088
	<u>38,812,265</u>	<u>1,474,984</u>
Equipment (Note 4)	1,213,537	-
Digital currencies (Note 3)	7,110,741	2,323,974
	<u>\$ 47,136,543</u>	<u>\$ 3,798,958</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Notes 6 and 7)	\$ 67,264	\$ 233,818
Loan payable (Notes 3, 6 and 7)	905,400	-
	<u>972,664</u>	<u>233,818</u>
Equity		
Share capital (Note 7)	56,762,630	25,171,684
Reserves (Note 7)	16,709,730	4,174,587
Accumulated other comprehensive income	2,403,008	494,304
Deficit	(29,711,489)	(26,275,435)
	<u>46,163,879</u>	<u>3,565,140</u>
Total Liabilities and Equity	<u>\$ 47,136,543</u>	<u>\$ 3,798,958</u>

Nature and continuance of operations (Note 1)
Subsequent event (Note 11)

On behalf of the Board on July 29, 2021:

“Cale Moodie” Director “Kalle Radage” Director

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

Neptune Digital Assets Corp.

Condensed Consolidated Interim Statement of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	For the three months ended		For the nine months ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Expenses				
Consulting fees (Note 6)	\$ 107,792	\$ 79,876	\$ 267,543	\$ 240,805
Depreciation (Note 4)	52,763	-	52,763	-
Directors' fees	21,000	13,500	48,000	28,500
Foreign exchange recovery	(39,550)	-	(39,550)	-
Marketing	31,444	-	64,124	331
Office and miscellaneous	17,967	7,643	35,047	19,679
Professional fees	42,074	6,507	96,775	65,362
Share-based compensation (recovery) (Note 7)	4,289,275	10,417	5,589,958	(82,856)
Transfer agent	14,873	6,317	20,418	9,852
Loss before other items	(4,537,638)	(124,260)	(6,135,078)	(281,673)
Other items				
Other income (Note 3)	633,740	35,797	773,893	112,670
Gain (loss) on settlement of accounts payable	-	(111,513)	13,740	(111,513)
Unrealized (loss) gain on investments	(547,324)	-	1,436,007	-
Unrealized loss on short term loan receivable (Note 3)	(3,006,730)	-	(243,235)	-
Realized gain on sale of digital currencies (Note 3)	56,388	-	275,102	-
Realized gain on settlement of loan receivable (Note 3)	962,423	-	962,423	-
Revaluation of digital currencies (Note 3)	(576,036)	(202,904)	(518,906)	99,966
Net loss	(7,015,177)	(402,880)	(3,436,054)	(180,550)
Other comprehensive income (loss)				
Revaluation of digital currencies (Note 3)	(827,929)	-	1,908,704	-
Comprehensive loss	\$(7,843,106)	\$ (402,880)	\$(1,527,350)	\$ (180,550)
Weighted Average Number of Common Shares Outstanding				
Basic and diluted	108,814,460	83,896,665	94,939,378	81,857,344
Loss per Common Share				
Basic and diluted	\$ 0.06	\$ 0.00	\$ 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			
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	-	(3,515)					(3,515)
Shares for debt	3,379,182	304,126					304,126
Share-based compensation	-	-	(82,856)	-	-	-	(82,856)
Restricted Share Units	530,001	165,600	(165,600)	-	-	-	-
Loss for the period	-	-	-	-	-	(180,550)	(180,550)
Balance, May 31, 2020	85,869,178	25,177,588	3,031,894	1,132,276	-	(26,618,930)	2,722,828
Share issuance costs	-	(5,904)	-	-	-	-	(5,904)
Share-based compensation recovery	-	-	10,417	-	-	-	10,417
Income for the period	-	-	-	-	-	343,495	343,495
Revaluation of digital currencies	-	-	-	-	494,304	-	494,304
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 period	-	-	-	-	-	(3,436,054)	(3,436,054)
Revaluation of digital currencies	-	-	-	-	1,908,704	-	1,908,704
Balance, May 31, 2021	124,909,811	\$ 56,762,630	\$ 8,382,749	\$ 8,326,981	\$ 2,403,008	\$ (29,711,489)	\$ 46,163,879

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 nine months ended	May 31, 2021	May 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (3,436,054)	\$ (180,550)
Items not affecting cash:		
Depreciation	52,763	-
Accrued interest on loans	(542,541)	-
Realized gain on sale of digital currencies	(275,102)	-
Realized gain on settlement of loan receivable	(962,423)	-
Revaluation of digital currencies	518,906	(99,966)
Revenue from digital currencies	(230,663)	(114,771)
Share-based compensation (recovery)	5,589,958	(82,856)
(Gain) loss on settlement of debt	(13,740)	111,513
Unrealized foreign exchange gain	(39,600)	-
Unrealized gain on short-term investments	(1,436,007)	-
Unrealized loss on loan receivable	243,235	-
Changes in non-cash working capital items:		
Amounts receivable and prepaid expenses	(31,203)	(16,951)
Accounts payable and accrued liabilities	(89,814)	116,732
	<u>(652,285)</u>	<u>(266,849)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of digital currencies	(38,303,578)	(47,843)
Disposal of digital currencies	405,131	-
	<u>(37,898,447)</u>	<u>(47,843)</u>
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)	(3,515)
	<u>38,536,131</u>	<u>96,485</u>
Net change in cash	(14,601)	(218,207)
Cash, beginning of period	117,558	509,996
Cash, end of period	\$ 102,957	\$ 291,789
Non-cash Financing Transactions:		
Fully vested restricted share units	\$ 224,840	\$ 165,600
Shares issued for debt	\$ -	\$ 304,126
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	\$ -
Fair value of USDT issued as loan receivable	\$ 34,418,783	\$ -
USDT issued to settle accounts payable	\$ 1,392,615	\$ -
Loan received in USDT	\$ 945,000	\$ -

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 nine month periods ended May 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

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 nine month periods ended May 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

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 nine month periods ended May 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

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

Significant accounting judgments and estimates (continued)

Significant judgments (continued)

- (v) Loans and notes receivable – Loans and notes receivable are carried at amortized cost with interest income recognized using the effective interest method. Loans are evaluated individually for impairment given the unique nature and size of each loan. A loan is considered impaired when, based upon current information and events, it is probable that the Company will be unable to collate all amounts due for both principal and interest according to the contractual terms of the loan agreement. For each collateralized loan, the Company reviews the value of collateralized property underlying the loan receivable. Impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. None of the Company's loans are impaired at this time.

Significant estimates

- (i) Digital currency valuation - Digital currencies consist of cryptocurrency denominated assets (Note 3) and are included in 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. 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.

Neptune Digital Assets Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended May 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

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 May 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, May 31, 2021	Fair Value, May 31, 2021	Holdings, August 31, 2020	Fair Value, August 31, 2020
ATOM	141,035	\$ 2,404,648	134,762	\$ 1,266,680
Fantom	1,439,481	553,193	-	-
Bitcoin*	27	1,194,492	5	76,584
Dash	2,060	481,632	9,090	1,057,945
Ethereum	273	875,501	67	37,935
Tether*	1,108,013	1,340,695	-	-
Litecoin	343	75,906	38	3,048
Bitcoin Cash	91	76,075	-	-
Polkadot	3,563	98,124	-	-
Stellar	12,784	6,195	12,784	1,622
NEO	44	2,907	44	1,164
Omisego	77	603	77	518
QTUM	52	770	52	230
Balance		\$ 7,110,741		\$ 2,445,726

*Does not include Bitcoin and stable coins loaned out or held as investment with third parties

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

	May 31, 2021	August 31, 2020
Balance, Opening	\$ 2,445,726	\$ 2,252,889
Digital currencies revenue	230,663	149,071
Purchase of digital currencies	38,589,852	47,843
Disposal of digital currencies	(634,632)	(302,827)
Digital currencies issued as loan receivable	(34,935,542)	(589,239)
Digital currencies received as interest	223,799	2,914
Digital currencies received for loan payable	945,000	-
Digital currencies issued to settle accounts payable	(1,392,615)	-
Revaluation of digital currencies	1,638,490	885,075
	7,110,741	2,445,726
Current digital currencies	-	(121,752)
Balance, non-current	\$ 7,110,741	\$ 2,323,974

The fair value of the digital currencies held as at May 31, 2021 is based on the quoted value of the digital currencies on May 31, 2021.

Neptune Digital Assets Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended May 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

3. DIGITAL CURRENCIES (continued)

Other income for the period ended May 31, 2021 is comprised of the following:

	May 31, 2021	May 31, 2020
Bitcoin mined	\$ 54,347	\$ -
DASH earned	29,382	74,057
ATOM earned	146,934	40,714
Interest earned	543,230	3,746
Other income	\$ 773,893	\$ 118,517

Bitcoin

As at May 31, 2021, the Company has 27 units of Bitcoin with a fair value of \$1,194,492. During the period ended May 31, 2021, the Company commenced Bitcoin mining operations. Included within other income is \$54,347 related to 1 bitcoin mined during the period. A continuity for Bitcoin as at May 31, 2021 is as follows:

	Number	Value
Balance, August 31, 2020	5	\$ 76,584
Bitcoin acquired	43	1,621,378
Interest received	3	104,435
Mining revenue	1	54,347
Bitcoin loans returned	20	318,686
Bitcoin loans made	(40)	(586,753)
Bitcoin disposals	(5)	(66,640)
Revaluation	-	(327,545)
Balance, May 31, 2021	27	\$ 1,194,492

Neptune Digital Assets Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended May 31, 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 May 31, 2021, the Company earned 9,602 (2020 – 5,955) ATOM valued at \$146,934 (2020 - \$31,064) 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.

As at May 31, 2021, the fair value of the 141,035 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	9,602	146,935
Disposal	(3,329)	(19,676)
Revaluation of digital currencies	-	1,010,709
Balance, May 31, 2021	141,035	\$ 2,404,648

BTC Loans

On July 10, 2020, the Company entered into a loan agreement whereby it loaned 50 BTC to a third party originally maturing October 13, 2020 and repaid subsequent to the period ended May 31, 2021. 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. During the period ended May 31, 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 and was returned during the same period and the Company recognized a gain on settlement of \$962,423. During the period ended May 31, 2021 the Company assumed \$750,000 USD (valued at \$905,400 at May 31, 2021) debt with a third party at zero percent interest rate secured against a 20 BTC loan with a fair value of \$1,281,109. The loan comes due on July 30, 2021 and was paid back on July 20, 2021.

Neptune Digital Assets Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended May 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

3. DIGITAL CURRENCIES (continued)***BTC Loans*** (continued)

The change in the BTC loan receivable for the period ended May 31, 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	40.00	1,767,505
BTC loan repaid	(20.00)	(318,686)
Interest accrued	2.55	99,790
Interest received	(2.69)	(96,735)
Revaluation of loan receivable	-	903,438
Balance, May 31, 2021	70.13	\$ 3,120,950

Tether and USD Coin loans

During the period ended May 31, 2021, the Company entered into a series of loans whereby it issued an aggregate of 27,500,000 Tether with the following interest rates and maturity:

- 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.

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. As at May 31, 2021, the Company has accrued interest on the loans in the amount of \$315,687.

The change in the Tether and USD Coin loans receivable for the period ended May 31, 2021, is as follows:

	USD Coin Quantity	Tether Quantity	Amount
Balance, August 31, 2020	-	-	\$ -
Tether loaned	-	27,500,000	34,418,783
Tether loan rolled into USD Coin	10,000,000	(10,000,000)	-
Tether interest accrued	-	225,360	275,205
USD Coin interest accrued	33,150	-	40,482
Revaluation of loan receivable	-	-	(1,146,673)
Balance, May 31, 2021	10,033,150	17,725,360	\$ 33,587,797

Including the \$33,587,797 in Tether and USD Coin loans receivable and \$3,120,950 in BTC loans receivable, the Company holds an aggregate of \$36,708,747 in loans receivable.

Neptune Digital Assets Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended May 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

4. EQUIPMENT

Equipment is comprised of Bitcoin miners acquired during the period ended May 31, 2021 and are depreciated on a declining balance basis at a rate of 50% per year.

	Equipment
Cost:	
Balance, August 31, 2020	\$ -
Additions	1,266,300
Balance, May 31, 2021	1,266,300
Accumulated depreciation:	
Balance, August 31, 2020	-
Depreciation	52,763
Balance, May 31, 2021	52,763
Net book value:	
August 31, 2020	\$ -
May 31, 2021	\$ 1,213,537

5. 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 May 31, 2021 is as follows:

	May 31, 2021	August 31, 2020
Balance, opening	\$ 392,088	\$ -
Additions	-	370,990
Interest income	-	1,547
Redemptions	-	(1,547)
Unrealized gain on short-term investments	1,436,007	-
Foreign exchange impact	-	21,098
Balance, closing	\$ 1,828,095	\$ 392,088

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.

During the period ended May 31, 2021, the Company incurred the following related party transactions:

	May 31, 2021	May 31, 2020
Consulting fees	\$ 241,668	\$ 213,753
Directors fees	48,000	28,500
Share-based compensation	5,331,549	88,181

Neptune Digital Assets Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended May 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

6. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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 May 31, 2021, there was \$63,299 (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.

During the period ended May 31, 2021, the Company settled an aggregate of \$63,000 in accounts payable 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 period ended May 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;
- 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;

Neptune Digital Assets Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended May 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

7. SHARE CAPITAL (continued)

Shares issued (continued)

- 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.

Neptune Digital Assets Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended May 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

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	<u>(4,039,360)</u>	<u>0.44</u>	<u>(1,750,000)</u>	<u>0.50</u>
Outstanding, August 31, 2020	1,250,000	\$ 0.13	-	\$ -
Exercised	(2,376,785)	0.14	(125,000)	0.20
Issued	<u>22,614,860</u>	<u>1.38</u>	<u>10,200,000</u>	<u>0.54</u>
Outstanding, May 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

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

	Number	Exercise price	Expiry date
Stock Options	5,875,000	\$ 0.20	January 21, 2031
	<u>4,200,000</u>	\$ 1.03	April 28, 2031
	10,075,000		

As at May 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
	<u>2,222,250</u>	\$ 1.6875	April 16, 2024
	21,488,075		

Neptune Digital Assets Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended May 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

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 period ended May 31, 2021 was \$0.54 (August 31, 2020 - \$nil). Total share-based compensation recognized in the statement of shareholders' equity for the period ended May 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:

	May 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 \$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 May 31, 2021, the Company recognized \$16,204 in share-based compensation related to the remaining RSU's. During the period ended May 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 (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 May 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 \$105,627 was recognized directly to share-based compensation.

Neptune Digital Assets Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended May 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

8. 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.

9. FINANCIAL INSTRUMENTS

Classification

The Company's financial instruments consist of cash, short-term investments and accounts payable. The Company classifies its cash and short-term investments as fair value through profit and loss, and accounts payable and loan payable at amortized cost. The carrying amount of cash, short-term investments, accounts payable and loan 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 May 31, 2021.

	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets			
Cash	102,957	-	-
Short-term investments	-	1,828,095	-
Total financial assets	102,957	1,828,095	-

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 May 31, 2021 relating to cash of \$102,957. All cash is held at Canadian chartered banks, which minimizes credit risk.

Neptune Digital Assets Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended May 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

9. 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.

10. 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.

11. SUBSEQUENT EVENT

Subsequent to the period ended May 31, 2021, the Company purchase a number of Bitcoin mining machines for USD \$1.55 million.

Subsequent to the period ended May 31, 2021, the Company paid back the \$750,000 USD loan to a third party and exercised a number of put options resulting in a gain of \$158,000 USD.