



## NEWS RELEASE

### TAAL ANNOUNCES 2019 FISCAL YEAR END FINANCIAL RESULTS

VANCOUVER, May 26, 2020 /CNW/ – TAAL Distributed Information Technologies Inc. (CSE:TAAL | FWB:9SQ) (“**TAAL**” or the “**Company**”) today announced its financial results for the fiscal year ended December 31, 2019.

“Our initial year of revenue-generating operations has been marked by impressive growth, accelerating TAAL’s mission to be a world class, vertically integrated, blockchain infrastructure and service provider,” said CEO of TAAL, Jerry Chan. “In 2020, the blockchain and digital assets industry will face some of its biggest development challenges, starting with the influential bitcoin halving event. We are positioning ourselves to face these changes as an industry leader and innovator in this sector, by taking a long-term view of the potential of blockchain technology, and investing in the future of Bitcoin SV.”

As highlighted below, 2019 was a year of transition and preparation for the future, which included a corporate name change, the suspension and/or disposal of non-core businesses and assets, and the making of arrangements for the Company’s transition to a transaction processing-based business model. The termination of a previously proposed transaction resulted in reimbursement of approximately \$22 million to the Company, providing a significant amount of working capital, of which approximately \$11 million is unallocated for use in 2020. We intend to utilize these funds judiciously in the execution of our strategic vision of providing transaction processing services to address the increased growth in high volume transactions emerging from business and enterprise investment in blockchain solutions (our “**Strategic Vision**”).

The Strategic Vision in the first half of 2020 is driven by the projects and initiatives envisaged by our newly appointed CEO, Jerry Chan. Jerry, along with our newly appointed CFO, Satoshi Kitahama, have nearly 50 years of finance and technology experience between them and, together with the existing management team, employees, and with the support and guidance of the board of directors, have equipped TAAL to meet the challenges that face the blockchain and digital assets industry. We believe TAAL is uniquely positioned to take advantage of business opportunities emerging from the new industry dynamics.

To further strengthen and accelerate the development and implementation of our Strategic Vision, we also announced a strategic partnership with nChain Holdings Group Ltd. (“nChain”), in which we obtained certain rights to develop advanced blockchain transactional systems on top of nChain’s existing, pending and future filed patent applications in the area of specialized blockchain transaction handling, processing, storage, retrieval and display.

We believe that the industry shift to a transaction processing model will require a blockchain technology that supports limitless scalability, unbounded transactional volume, and profits earned by those that process the most transactions, not operations with the highest hashrate. We believe that blockchain is the one supported by the Bitcoin SV network and TAAL will focus its attention and resources on this protocol.

We firmly believe that TAAL is best positioned to offer these innovative services and to develop ground-breaking technologies in line with our Strategic Vision, thereby distinguishing ourselves from the subsidized, commodity model of the so-called digital asset miners.

### **Notable Changes to Business and Financial Highlights in 2019**

2019 was a year of transition, during which we suspended operations that we believe do not contribute meaningfully to our core businesses, and acquired operations and intellectual property in order to introduce new revenue channels into the business, such as digital asset mining activities (“Digital Asset Mining”), blockchain computer fleet management services (“Fleet Management Services”) and software development and licensing (“Software Development and Licensing”). We also continued to build out our executive management team and Board of Directors with key personnel and leading industry experts who are focused on developing and implementing our Strategic Vision based broadly on a long-term view of the potential of blockchain technology, including a future of value-added services for enterprise users.

Financial highlights for the year ended December 31, 2019 include:

- Total revenue of \$17,145,804 compared to \$nil for the fourteen months ended December 31, 2018.
- Adjusted EBITDA for the year of \$1,288,262.<sup>1</sup>
- Working capital of \$22,048,009 as at December 31, 2019, of which \$11,024,009 is unallocated, providing liquidity for 2020.
- Total operating expenses of \$10,394,904, including a non-cash impairment charge against certain blockchain computing equipment, totalling \$5,840,057.
- Digital Asset Mining, which commenced operations on May 1, 2019, generated total revenue of \$15,489,528.
- Site operating costs totalled \$11,741,450, which resulted in Digital Asset Mining profit margin of 24%.
- Fleet Management Services generated total revenue of \$1,087,893 in fees from the management services agreement pursuant to which the Company maintains and manages third-party hashing equipment.
- Software Development and Licensing generated total revenue of \$568,383, all of which related to the licensing of the Company’s TAAL Orchestrator software.

1. Please refer to Non-IFRS Financial Measures and Use of Non-IFRS Financial Measures at the end of this news release.

Throughout the year we operated conservatively to ensure that we were prepared for the unpredictable effects the industry would experience after the Bitcoin halving event in May 2020 and to establish our new Strategic Vision with several initiatives focused on delivering enterprise level blockchain and infrastructure solutions.

SELECTED ANNUAL FINANCIAL INFORMATION

<u>(In dollars, except percentages and per share amounts)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenue	\$17,145,804	\$ -	\$ -
Adjusted EBITDA	\$ 1,288,262	\$(4,055,611)	\$(208,927)
Net loss	\$(12,392,318)	\$(9,779,750)	\$(218,899)
Diluted loss per share	\$ (0.98)	\$ (1.41)	\$ (0.09)
<b>Assets</b>			
Current Assets	44,188,111	19,540,770	543,209
Total Assets	46,776,428	21,975,539	621,862
<b>Liabilities</b>			
Current Liabilities	22,140,102	86,764	107,638
<b>Shareholder's Equity</b>			
Total Shareholder's Equity	24,636,326	21,888,775	514,224
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>46,776,428</b>	<b>21,975,539</b>	<b>621,862</b>

The Audit Committee has reviewed this news release and approved the financial disclosure.

**Other Updates**

TAAL will delay filing its interim financial statements and management discussion and analysis for the quarter ended March 31, 2020 (together, the "Interim Filings") until on or about July 8, 2020. The Interim Filings would normally be required on or before May 29, 2020 pursuant to Sections 4.4 and 5.1(2) of National Instrument 51-102 - *Continuous Disclosure Requirements* ("NI 51-102"). In postponing the filings, the Company is relying on the exemptions provided in BC Instrument 51-515 - *Temporary Exemption from Certain Corporate Finance Requirements* adopted by the British Columbia Securities Commission (and similar exemptions provided by other Canadian securities regulators) extending the deadline for certain filings due to the challenges posed by the COVID-19 pandemic. Until the Company has completed the Interim Filings, the Company's management and other insiders are subject to a trading black-out policy that reflects the principles in Section 9 of National Policy 11-207 - *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions*.

TAAL further intends to rely on the relief provided under BC Instrument 51-516 *Temporary Exemptions from Certain Requirements to File or Send Securityholder Materials* in respect of the requirement in subsection 9.3.1(2.2) of NI 51-102 which would normally require the Company to file certain executive compensation disclosure no later than 180 days its financial year end. In

reliance on the relief, the Company will include the requisite executive compensation disclosure requirement later this year in its information circular for the Company's 2020 Annual General Meeting.

### **About TAAL Distributed Information Technologies Inc.**

TAAL Distributed Information Technologies Inc. (CSE:TAAL) delivers value-added blockchain services, providing professional-grade, highly scalable blockchain infrastructure and transactional platforms to support businesses building solutions and applications upon the Bitcoin SV platform, and developing, operating, and managing distributed computing systems for enterprise users.

For a more complete business and financial profile of the Company, please view the Company's website at [www.taal.com](http://www.taal.com) and public documents posted under the Company's profile on [www.sedar.com](http://www.sedar.com).

The CSE accepts no responsibility for the adequacy or accuracy of this release.

### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

*Certain statements included in this news release constitute "forward-looking information" as defined under applicable Canadian securities legislation. The words "will", "intends", "expects" and similar expressions are intended to identify forward-looking information, although not all forward-looking information will contain these identifying words. Specific forward-looking information contained in this news release includes, but is not limited to statements regarding: the filing and timing of filing of the Interim Filings, development of advanced blockchain transactional systems and the Bitcoin SV platform, TAAL's expectations with respect to the future of transaction processing, TAAL's Strategic Vision and related objectives. These statements are based on factors assumptions related to historical trends, current conditions and expected future developments. Since forward-looking information relates to future events and conditions, by its very nature it requires making assumptions and involves inherent risks and uncertainties. TAAL cautions that although it is believed that the assumptions are reasonable in the circumstances, these risks and uncertainties give rise to the possibility that actual results may differ materially from expectations. Material risk factors include the future acceptance of Bitcoin SV and other digital assets and risks related to information processing using those platforms, the ability for TAAL to leverage intellectual property into viable income streams and other risks set out in Item 20 Risk Factors of TAAL's Form 2A – Listing Statement dated July 31, 2018 and elsewhere in TAAL's continuous disclosure filings available on SEDAR at [www.sedar.com](http://www.sedar.com). Given these risks, undue reliance should not be placed on the forward-looking information contain herein. Other than as required by law, TAAL undertakes no obligation to update any forward-looking information to reflect new information, subsequent or otherwise.*

## NON-IFRS FINANCIAL MEASURES

The terms “EBITDA” (earnings before interest, taxes, depreciation, and amortization) and “Adjusted EBITDA” (which is calculated by the Company by adjusting EBITDA to exclude share-based payments, fair value losses or gains on re-measurement of the value of digital assets, write-offs, and costs associated with one-time transactions) are not recognized measures under International Financial Reporting Standards (“IFRS”). There is no standardized measure of “Adjusted EBITDA” and consequently, TAAL's method of calculating this measure may differ from methods used by other companies and therefore may not be comparable to similar measures presented by other companies. A reconciliation of “Adjusted EBITDA” to Net Loss is set out below.

	<b>2019</b>
Net loss	\$ (12,392,318)
Interest income	(252,337)
Depreciation and amortization	7,156,429
<b>EBITDA</b>	<b>(5,488,226)</b>
Revaluation of digital assets	10,070
Gain on sale of digital assets	(1,293,017)
Share-based payments	438,755
Impairment of equipment	5,840,057
Share of loss on joint venture	127,253
Los on acquisition on joint venture	1,733,870
Gain on sale of marketable securities	(80,500)
<b>Adjusted EBITDA</b>	<b>\$ 1,288,262</b>

SOURCE Taal Distributed Information Technologies Inc.

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### RELATED LINKS

<https://www.taal.com>