



**Data Deposit Box Inc.**  
(formerly Coltrane Technologies Inc.)

**Unaudited Interim Consolidated Financial Statements**

**For the Three and Six Month Periods Ended June 30, 2017 and 2016**

**(expressed in Canadian Dollars)**

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying unaudited interim consolidated financial statements of Data Deposit Box Inc., (formerly Coltrane Technologies Inc.), (the "Company") are the responsibility of the management and Board of Directors of the Company.

The unaudited interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the end of the reporting period. In the opinion of management, the interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Tim Jewell  
Chief Executive Officer

Siva Cherla  
Chief Financial Officer

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### **NOTICE TO READER**

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim condensed consolidated statements for the three and six month periods ended June 30, 2017 and 2016 have not been reviewed by the Company's auditors.

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**Data Deposit Box Inc. (formerly Coltrane Technologies Inc.)**  
**Unaudited Interim Consolidated Statements of Financial Position**  
(Expressed in Canadian dollars)

<i>As at,</i>	<b>June 30, 2017</b>	December 31, 2016
	\$	\$
<b>ASSETS</b>		
Current		
Cash and cash equivalents (note 5)	<b>562,665</b>	1,265,769
Accounts receivable (note 6)	<b>166,698</b>	122,389
Taxes receivable (note 7)	<b>22,682</b>	88,629
Investment tax credits receivable (note 17)	-	38,226
Prepaid expenses	<b>97,736</b>	14,943
	<b>849,781</b>	1,529,956
Promissory note receivable (note 12)	<b>101,662</b>	-
Property and equipment (note 8)	<b>1,823,057</b>	2,036,929
Intangible assets (note 9)	<b>152,630</b>	191,809
	<b>2,927,130</b>	3,758,694
<b>LIABILITIES AND EQUITY</b>		
Current		
Trade and other payables (notes 10 and 11)	<b>484,497</b>	740,745
Unearned revenue	-	1,539
Current portion of finance lease obligations (note 18)	<b>75,794</b>	137,948
Demand loan (note 19)	<b>366,667</b>	566,667
	<b>926,958</b>	1,446,899
Finance lease obligations (note 18)	-	5,817
	<b>926,958</b>	1,452,716
<b>Equity</b>		
Share capital (note 13)	<b>8,686,375</b>	8,425,930
Reserve for share-based payments (note 15)	<b>1,910,525</b>	1,899,525
Reserve for warrants (note 16)	<b>2,484,845</b>	2,252,845
Deficit	<b>(11,081,573)</b>	(10,272,322)
	<b>2,000,172</b>	2,305,978
	<b>2,927,130</b>	3,758,694

**Nature of operations and going concern (note 1)**

On behalf of the Board of Directors on August 29, 2017:

("signed")

Tim Jewell

Director

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

**Data Deposit Box Inc. (formerly Coltrane Technologies Inc.)**  
**Unaudited Interim Consolidated Statements of Loss and Comprehensive Loss**  
(Expressed in Canadian dollars)

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
			\$	\$
<b>Revenue</b>	<b>656,152</b>	831,472	<b>1,373,299</b>	1,827,556
<b>Cost of sales</b>				
Data center	47,246	325,005	321,724	688,210
Amortization (note 9)	19,589	38,290	39,179	130,808
Wages and benefits	22,018	19,577	44,203	41,695
Commissions	61,465	64,490	182,200	145,690
Merchant fees	28,365	34,370	75,142	76,872
<b>Total cost of sales</b>	<b>178,683</b>	481,732	<b>662,448</b>	1,083,275
<b>Gross margin</b>	<b>477,469</b>	349,740	<b>710,851</b>	744,281
<b>Operating expenses</b>				
Wages and benefits (note 11)	319,263	329,443	720,938	736,535
Professional fees	70,923	134,881	134,823	228,439
General and administrative	174,288	92,079	256,125	206,910
Shareholder information	(5,762)	109,000	15,828	124,000
Sales and marketing	99,833	70,128	166,755	293,485
Depreciation (note 8)	106,936	136,561	213,872	272,793
Share-based payments (note 14 and 16)	5,000	218,000	11,000	257,000
<b>Total expenses</b>	<b>770,481</b>	1,090,092	<b>1,519,341</b>	2,119,162
<b>Loss before listing costs, interest expense, and gain</b>				
(loss) on foreign exchange	(293,012)	(740,352)	(808,490)	(1,374,881)
<b>Other income (expense)</b>				
Interest expense	(6,757)	(16,122)	(15,654)	(34,686)
Gain (loss) on foreign exchange	4,777	(3,373)	14,893	(35,821)
<b>Net loss and comprehensive loss</b>	<b>(294,992)</b>	(759,847)	<b>(809,251)</b>	(1,445,388)
<b>Loss per share - basic and diluted</b>	<b>(0.00)</b>	(0.02)	<b>(0.01)</b>	(0.04)
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>72,062,165</b>	33,130,591	<b>68,402,999</b>	32,267,679

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

**Data Deposit Box Inc. (formerly Coltrane Technologies Inc.)**  
**Unaudited Interim Consolidated Statements of Changes in Equity**  
(Expressed in Canadian dollars)

	Share Capital		Reserve for share-based payments	Reserve for warrants	Retained earnings (deficit)	Total
	Number of shares	Amount				
<b>Balance at December 31, 2015</b>	<b>30,786,306</b>	<b>\$ 6,879,207</b>	<b>\$ 1,686,525</b>	<b>\$ 1,324,845</b>	<b>\$ (7,896,678)</b>	<b>\$ 1,993,899</b>
Issuance of share capital, net of issue costs (Note 13)	4,439,999	811,540	-	-	-	811,540
Warrants issued on private placement (Note 15)	-	(322,000)	-	322,000	-	-
Broker warrants on private placement (Note 15)	-	(21,000)	-	21,000	-	-
Exercise of options	570,000	114,000	-	-	-	114,000
Reserve transferred on exercise of options	-	85,000	(85,000)	-	-	-
Share-based payments	-	-	257,000	-	-	257,000
Net loss and comprehensive loss for the period	-	-	-	-	(1,445,388)	(1,445,388)
<b>Balance at June 30, 2016</b>	<b>35,796,305</b>	<b>\$ 7,546,747</b>	<b>\$ 1,858,525</b>	<b>\$ 1,667,845</b>	<b>\$ (9,342,066)</b>	<b>\$ 1,731,051</b>
Issuance of share capital, net of issue costs (Note 13)	27,193,134	1,464,183	-	-	-	1,464,183
Warrants issued on private placement (Note 16)	-	(579,000)	-	579,000	-	-
Broker warrants on private placement (Note 16)	-	(6,000)	-	6,000	-	-
Share-based payments	-	-	41,000	-	-	41,000
Net loss and comprehensive loss for the period	-	-	-	-	(930,256)	(930,256)
<b>Balance at December 31, 2016</b>	<b>62,989,439</b>	<b>\$ 8,425,930</b>	<b>\$ 1,899,525</b>	<b>\$ 2,252,845</b>	<b>\$ (10,272,322)</b>	<b>\$ 2,305,978</b>
Issuance of share capital, net of issue costs (Note 13)	9,072,726	492,445	-	-	-	492,445
Warrants issued on private placement (Note 16)	-	(232,000)	-	232,000	-	-
Share-based payments	-	-	11,000	-	-	11,000
Net loss and comprehensive loss for the period	-	-	-	-	(809,251)	(809,251)
<b>Balance at June 30, 2017</b>	<b>72,062,165</b>	<b>\$ 8,686,375</b>	<b>\$ 1,910,525</b>	<b>\$ 2,484,845</b>	<b>\$ (11,081,573)</b>	<b>\$ 2,000,172</b>

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

**Data Deposit Box Inc. (formerly Coltrane Technologies Inc.)****Unaudited Interim Consolidated Statements of Cash Flows**

(Expressed in Canadian dollars)

	Six months ended June 30, 2017 \$	Six months ended June 30, 2016 \$
<b>Operating activities</b>		
Net loss for the period	(809,251)	(1,445,388)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of intangible assets	39,179	130,808
Depreciation of property and equipment	213,872	272,793
Share-based payments	11,000	257,000
Changes in non-cash working capital		
Accounts receivable	(44,309)	(33,564)
Prepaid expenses	(82,793)	16,494
Investment tax credits receivable	38,226	35,800
Taxes receivable	65,947	81,880
Unearned revenue	(1,539)	(127,866)
Trade and other payables	(257,910)	(464,089)
Cash used in operating activities	(827,578)	(1,276,132)
<b>Financing activities</b>		
Proceeds from private placement, net of issue costs	392,445	811,540
Proceeds from exercise of options	-	114,000
Repayment of demand loan	(200,000)	(200,000)
Repayment of finance lease obligations	(67,971)	(125,550)
Cash provided by (used in) financing activities	124,474	599,990
<b>Investing activities</b>		
Purchase of property, plant and equipment	-	-
Cash provided by investing activities	-	-
<b>Decrease in cash and cash equivalents</b>	<b>(703,104)</b>	<b>(676,142)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,265,769</b>	<b>1,150,068</b>
<b>Cash and cash equivalents, end of period</b>	<b>562,665</b>	<b>473,926</b>
<b>Supplementary Information</b>		
Interest paid	17,316	34,914
Income tax paid (recovered)	-	-

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

**Data Deposit Box Inc. (formerly Coltrane Technologies Inc.)**  
**Notes to the Unaudited Interim Consolidated Financial Statements for the Three**  
**and Six Month Periods Ended June 30, 2017 and 2016**  
(Expressed in Canadian dollars)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Data Deposit Box Inc. (“Data Deposit Box” or “the Company”), formerly Coltrane Technologies Inc., was incorporated in the province of British Columbia on September 16, 2014. The Company’s head office is located at 1 Eglinton Avenue East, Suite 703, Toronto, ON, M4P 3A1.

The Company is engaged in the development and operation of off-site computer data storage facilities and other business computer applications for commercial business customers.

These unaudited interim consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company has a net loss for the six month period ended June 30, 2017 of \$809,251 (2016 - \$1,445,388) and negative cash flows from operating activities of \$827,578 (2016 - \$1,276,132 negative cash flow). In addition, the Company has an accumulated deficit of \$11,081,573 (December 31, 2016 - \$10,272,322) and a working capital deficiency of \$77,177 (December 31, 2016 - \$83,057 working capital) and is currently in breach of its debt covenants (note 19). These conditions indicate the existence of material uncertainties which cast significant doubt about the Company’s ability to continue as a going concern.

The Company’s ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom, and to continue to obtain equity investment and borrowings sufficient to meet current and future obligations and/or restructure the existing debt and payables. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee (“IFRIC”).

**2.2 Basis of presentation**

These unaudited interim consolidated financial statements were authorized by the Board of Directors of the Company on August 29, 2017.

The notes herein include only significant transactions and events occurring since the Company’s last fiscal year end and are not fully inclusive of all matters required to be disclosed in the annual audited consolidated financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the Company’s most recent annual audited financial statements for the year ended December 31, 2016.

**Data Deposit Box Inc. (formerly Coltrane Technologies Inc.)**  
**Notes to the Unaudited Interim Consolidated Financial Statements for the Three**  
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**2. BASIS OF PREPARATION (continued)**

**2.3 Use of management estimates, judgments and measurement uncertainty**

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the consolidated financial statements. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates and judgments relate to the calculation of share-based payments, valuation of deferred income tax amounts, determination of functional currency, and the recoverability of taxes receivable including accrual of scientific research and experimental development (SR&ED) tax credits. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below:

***Calculation of share-based payments and warrants***

The Black-Scholes option pricing model is used to determine the fair value for the share-based payments and warrants and utilizes subjective assumptions such as expected price volatility and expected life of the option or warrant. Discrepancies in these input assumptions can significantly affect the fair value estimate.

***Functional currency***

The determination of the Company's functional currency requires analyzing facts that are considered primary factors, and if the result is not conclusive, the secondary factors. The analysis requires the Company to apply significant judgment since primary and secondary factors may be mixed. In determining its functional currency the Company analyzed both the primary and secondary factors, including the currency of the Company's operating costs in Canada and the United States, and sources of equity financing.

***Taxes receivable related to research and development***

Taxes receivable are related to research and development credits and are based on estimated expenditures spent on research and development before the detailed claim is calculated. Taxes receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.



**Data Deposit Box Inc. (formerly Coltrane Technologies Inc.)**  
**Notes to the Unaudited Interim Consolidated Financial Statements for the Three**  
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**2. BASIS OF PREPARATION (continued)**

**2.3 Use of management estimates, judgments and measurement uncertainty (continued)**

*Income taxes*

Tax interpretations, regulations, and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change and interpretation. As such, income taxes are subject to measurement uncertainty. The Company follows the asset and liability method for calculating deferred taxes. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets and liabilities recorded at the consolidated statement of financial position date could be impacted. Additionally, changes in tax laws could limit the ability of the Company to obtain tax deductions in the future.

**2.4 Adoption of new and revised standards and interpretations**

*New standards and interpretations to be adopted in future periods*

- IFRS 9 – *Financial Instruments* (“IFRS 9”) was issued by the IASB in July 2014 and will replace IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”). Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristic of their cash flows. In addition, under IFRS 9 for financial liabilities measured at fair value, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive income, with the remainder of the changes recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, the entire change in fair value will be recognized in profit or loss. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.
- IFRS 15 *Revenue from Contracts with Customers* - In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity’s first annual IFRS financial statements for periods beginning on or after January 1, 2018. Application of the standard is mandatory and early adoption is permitted. The Company intends to adopt the standard on its effective date and has not yet determined the impact on its consolidated financial statements.
- IFRS 16 - In 2016, the IASB issued IFRS 16, *Leases* (“IFRS 16”), replacing IAS 17, *Leases and related interpretations*. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”) has been adopted. The Company has not yet determined the impact of the amendments on the Company’s consolidated financial statements.

**Data Deposit Box Inc. (formerly Coltrane Technologies Inc.)**  
**Notes to the Unaudited Interim Consolidated Financial Statements for the Three**  
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**3. CAPITAL MANAGEMENT**

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and the industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, reserve accounts, and accumulated deficit which at June 30, 2017 totaled \$2,000,172 (December 31, 2016 - \$2,305,978).

Data Deposit Box manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating and capital expenditures, and other investing and financing activities. The forecast is updated based on activities related to its operations. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the six month period ended June 30, 2017.

The Company is subject to various covenants on its demand loan, including current ratio, fixed charge coverage ratio and debt ratios. See note 19 for details.

**Data Deposit Box Inc. (formerly Coltrane Technologies Inc.)**  
**Notes to the Unaudited Interim Consolidated Financial Statements for the Three**  
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**4. FAIR VALUE AND FINANCIAL RISK FACTORS**

**Fair value of financial instruments**

The Company has designated its cash and cash equivalents as FVTPL which are measured at fair value. Fair value of cash and cash equivalents is determined based on transaction value and is categorized as a Level one measurement in the following hierarchy:

- Level One includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level Two includes inputs that are observable other than quoted prices included in Level One.
- Level Three includes inputs that are not based on observable market data.

As at June 30, 2017, and December 31, 2016, the carrying and fair value amounts of the Company's receivables and trade and other payables are approximately equivalent. The fair value of the Company's promissory note approximates its carrying value as the interest rate of prime plus 2% is commensurate with estimated borrowing rates for loans with similar terms and conditions.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

**Credit risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, accounts receivable and promissory note receivable. Cash and cash equivalents consist of cash on hand deposited with reputable financial institutions which is closely monitored by management. Management believes credit risk with respect to financial instruments included in cash and cash equivalents, accounts receivable and promissory note receivable is minimal. The Company's maximum exposure to credit risk as at June 30, 2017 and December 31, 2016 is the carrying value of receivables and the promissory note receivables.

**Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2017, the Company had current assets of \$849,781 (December 31, 2016 - \$1,529,956) to settle current liabilities of \$926,958 (December 31, 2016 - \$1,446,899) resulting in a working capital deficiency of \$77,177 (December 31, 2016 - \$83,057 working capital). The Company manages liquidity risk through regular monitoring of forecasted and actual cash flows (see note 1).

**Data Deposit Box Inc. (formerly Coltrane Technologies Inc.)**  
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**4. FAIR VALUE AND FINANCIAL RISK FACTORS (continued)**

**Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and the prices of commodities and equities.

*Interest rate risk*

The Company has cash and cash equivalents balances and interest-bearing debt. The Company's current policy is to invest excess cash in short-term guaranteed investment certificates issued by banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its investments. As at June 30, 2017, the Company had cash and cash equivalents of \$562,665 (December 31, 2016 - \$1,265,769). Interest rate risk on the promissory notes is not considered significant as at June 30, 2017 and December 31, 2016.

*Foreign currency risk*

The Company's activities are conducted in Canada and the USA. Major purchases are transacted in Canadian and US dollars. Administrative expenditures and cash and cash equivalents balances are primarily transacted in Canadian dollars. The Company has exposure to foreign currency risk. The Company mitigates the risk of foreign currency fluctuations by converting Canadian currency to US dollars when required to fund expenditures.

**Sensitivity analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the next 12-month period:

- (i) Interest rate risk is limited to cash and cash equivalents balances, primarily held in Canadian and US dollars in Canada.
- (ii) The Company's holds financial assets and liabilities in US dollars that give rise to foreign exchange risk. If the US dollar rose or fell in relation to the Canadian dollar by 5% with all other variables held constant, net loss for the six month period ended June 30, 2017 would have been approximately \$34,000 higher/lower.

**5. CASH AND CASH EQUIVALENTS**

The balance at June 30, 2017 consists of cash on deposit with major Canadian and US banks in general interest bearing accounts totaling \$544,597 (December 31, 2016 - \$466,613) and cash held in trust with the Company's lawyer of \$18,068 (December 31, 2016 - \$799,156) for total cash and cash equivalents of \$562,665 (December 31, 2016 - \$1,265,769).

**Data Deposit Box Inc. (formerly Coltrane Technologies Inc.)**  
**Notes to the Unaudited Interim Consolidated Financial Statements for the Three**  
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**6. ACCOUNTS RECEIVABLE**

The Company's accounts receivable arise from amounts due from customers and are outstanding as follows:

	<b>As at,</b>	
	<b>June 30,</b>	December 31,
	<b>2017</b>	2016
	\$	\$
1 – 30 days	<b>17,427</b>	23,531
30 – 60 days	<b>105,684</b>	31,724
60 – 90 days	<b>11,765</b>	10,807
Over 90 days	<b>31,822</b>	56,327
<b>Total accounts receivable</b>	<b>166,698</b>	122,389

At June 30, 2017, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 4. The Company holds no collateral for any receivable amounts outstanding as at June 30, 2017 and December 31, 2016.

As at June 30, 2017 receivables past due but not impaired are \$43,587 (December 31, 2016 - \$67,134).

**7. TAXES RECEIVABLE**

The Company's taxes receivable comprises harmonized sales tax ("HST") due from the Canadian government.

At June 30, 2017, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 4. The Company holds no collateral for any receivable amounts outstanding as at June 30, 2017 and December 31, 2016.

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**8. PROPERTY AND EQUIPMENT**

	Computer Servers	Computer Hardware	Computer Leases	Office Furniture & Equipment	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
<b>As at December 31, 2015</b>	<b>561,297</b>	<b>789,114</b>	<b>5,588,969</b>	<b>36,481</b>	<b>6,975,861</b>
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
<b>As at December 31, 2016</b>	<b>561,297</b>	<b>789,114</b>	<b>5,588,969</b>	<b>36,481</b>	<b>6,975,861</b>
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
<b>As at June 30, 2017</b>	<b>561,297</b>	<b>789,114</b>	<b>5,588,969</b>	<b>36,481</b>	<b>6,975,861</b>
<b>Accumulated depreciation</b>					
<b>As at December 31, 2015</b>	<b>327,452</b>	<b>664,101</b>	<b>3,373,003</b>	<b>28,790</b>	<b>4,393,346</b>
Additions	58,045	29,203	456,496	1,842	545,586
Disposals	-	-	-	-	-
<b>As at December 31, 2016</b>	<b>385,497</b>	<b>693,304</b>	<b>3,829,499</b>	<b>30,632</b>	<b>4,938,932</b>
Additions	20,316	10,221	182,598	737	213,872
Disposals	-	-	-	-	-
<b>As at June 30, 2017</b>	<b>405,813</b>	<b>703,525</b>	<b>4,012,097</b>	<b>31,369</b>	<b>5,152,804</b>
<b>Net Book Value</b>					
As at December 31, 2015	233,845	125,013	2,215,966	7,691	2,582,515
<b>As at December 31, 2016</b>	<b>175,800</b>	<b>95,810</b>	<b>1,759,470</b>	<b>5,849</b>	<b>2,036,929</b>
<b>As at June 30, 2017</b>	<b>155,484</b>	<b>85,589</b>	<b>1,576,872</b>	<b>5,112</b>	<b>1,823,057</b>

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**9. INTANGIBLE ASSETS**

	Software \$	Trademarks & Patents \$	Acquired Software \$	Website \$	Total \$
<b>Cost</b>					
As at December 31, 2015	1,230,590	55,310	1,500,000	78,433	2,864,333
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
As at December 31, 2016	1,230,590	55,310	1,500,000	78,433	2,864,333
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
As at June 30, 2017	1,230,590	55,310	1,500,000	78,433	2,864,333
<b>Accumulated depreciation</b>					
As at December 31, 2015	961,196	48,713	1,410,444	73,175	2,493,528
Additions	81,266	6,597	89,556	1,577	178,996
Disposals	-	-	-	-	-
As at December 31, 2016	1,042,462	55,310	1,500,000	74,752	2,672,524
Additions	38,627	-	-	552	39,179
Disposals	-	-	-	-	-
As at June 30, 2017	1,081,089	55,310	1,500,000	75,304	2,711,703
<b>Net Book Value</b>					
As at December 31, 2015	269,394	6,597	59,556	5,258	370,805
As at December 31, 2016	188,128	-	-	3,681	191,809
As at June 30, 2017	149,501	-	-	3,129	152,630

**10. TRADE AND OTHER PAYABLES**

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to property and equipment and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is approximately 30 days.

The following is an aged analysis of the trade and other payables:

	As at,	
	June 30, 2017 \$	December 31, 2016 \$
Less than 1 month	399,139	367,405
1 - 3 months	37,052	32,198
Over 3 months	48,306	341,142
<b>Total trade and other payables</b>	<b>484,497</b>	<b>740,745</b>

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**11. RELATED PARTIES AND KEY MANAGEMENT**

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly. Compensation awarded to key management includes the following:

	<b>Six month ended June 30, 2017</b>	Six months ended June 30, 2016
<b>Balances:</b>		
Short-term employee benefits	\$ 237,000	\$ 408,000
Share-based payments - options	-	-
<b>Total compensation to key management</b>	<b>\$ 237,000</b>	<b>\$ 408,000</b>

At June 30, 2017, included in trade and other payables is \$19,000 (December 31, 2016 - \$19,000) due to key management personnel with no specific terms of repayment.

**12. PROMISSORY NOTES RECEIVABLE**

The promissory note receivable balance relates to loans given to shareholders of the Company.

	<b>As at,</b>	
	<b>June 30, 2017</b>	December 31, 2016
	\$	\$
Balance, beginning of period/year	-	-
Loans made	<b>100,000</b>	-
Interest accrued	<b>1,662</b>	-
<b>Balance, beginning of period/year</b>	<b>101,662</b>	-

On March 15, 2017, the Company made a loan of \$100,000 to an arm's-length shareholder of the Company in connection with the private placement as discussed in note 13. The term of the loan is two years, at an interest rate of prime plus 0.5 per cent payable annually, and the loan is secured against 1,818,181 common shares and 1,818,181 warrants held by such shareholder.

Interest income recognized in connection with the promissory note receivable for the six month period ended June 30, 2017 was \$1,662 (2016 - \$nil)



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**13. SHARE CAPITAL**

The following details the share capital of Data Deposit Box:

	<b>Number of Shares</b>	<b>Amount \$</b>
<b>Balance – January 1, 2016</b>	<b>30,786,306</b>	<b>6,879,207</b>
Issued pursuant to private placement of 31,633,133 units (i), (ii), (iii), (iv), (v)	31,633,133	2,383,622
Warrants issued (note 16)	-	(901,000)
Broker warrants issued (note 16)	-	(27,000)
Share issue costs (i), (ii), (iii), (iv), (v)	-	(107,899)
Exercise of options	570,000	114,000
Reserve transferred on exercise of options	-	85,000
<b>Balance – December 31, 2016</b>	<b>62,989,439</b>	<b>8,425,930</b>
Issued pursuant to private placement of 31,633,133 units (vi)	9,072,726	499,000
Warrants issued (note 16)	-	(232,000)
Share issue costs (vi)	-	(6,555)
<b>Balance – June 30, 2017</b>	<b>72,062,165</b>	<b>8,686,375</b>

- (i) On February 5, 2016, the Company completed the second and final tranche of the Offering raising additional gross proceeds of \$201,000 through the issuance of 1,005,000 units. Each unit consists of one common share in the capital of the Company and one common share purchase. Each Warrant entitles the holder thereof to purchase one common share at a price of \$0.30 per common share until February 6, 2018. Should the closing price at which the common shares trade on the Canadian Securities Exchange (or any such other stock exchange in Canada as the Common Shares may trade at the applicable time) exceed \$0.35 for 10 consecutive trading days at any time following the date that is four months and one day after the date of issuance, the Company may accelerate the Warrant Term (“Reduced Warrant Term”) such that the Warrants shall expire on the date which is 30 calendar days following the date a press release is issued by the Company announcing the Reduced Warrant Term.

In connection with the financing, the Company issued an aggregate of 40,000 broker warrants to finders, each broker warrant entitling the holder to acquire one common shares at a price of \$0.20 until February 6, 2017, subject to the Reduced Warrant Term.

- (ii) On May 20, 2016, the Company completed the first tranche of a non-brokered private placement financing by issuing 1,709,999 units at a price of \$0.20 per unit for gross proceeds of up to \$342,000. Each unit consists of one common share in the capital of the Company and one common share purchase warrant, entitling the holder thereof to purchase one common share at a price of \$0.25 per common share for a period of twelve months from the date of issuance.

Pursuant to the closing of the first tranche, certain eligible persons were paid a cash commission equal to 8% of the proceeds raised from subscribers introduced to the Company by such finder and also issued an aggregate of 116,799 warrants, entitling the holder to acquire one common share at a price of \$0.20 for a period of twelve months from the date of issuance.

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**13. SHARE CAPITAL (continued)**

- (iii) On June 22, 2016, the Company completed the second tranche of a non-brokered private placement financing by issuing 1,725,000 Units raising gross proceeds of \$345,000. Each Unit consists of one common share in the capital of the Company and one common share purchase warrant, entitling the holder thereof to purchase one common share at a price of \$0.25 per common share for a period of twelve months from the date of issuance.

Pursuant to the closing of the second tranche, certain eligible persons were paid a cash commission equal to 8% of the proceeds raised from subscribers introduced to the Company and also issued an aggregate of 90,000 warrants to finders, each finder warrant entitling the holder to acquire one common share at a price of \$0.20 for a period of twelve months from the date of issuance.

- (iv) On November 11, 2016, the Company completed the first tranche of a non-brokered private placement financing by issuing 12,723,636 Units raising gross proceeds of \$699,800 subscribed for entirely by two directors of the Company. Each Unit consists of one common share in the capital of the Company and one common share purchase warrant, entitling the holder thereof to purchase one common share at a price of \$0.07 per common share for a period of twelve months from the date of issuance provided, however, that should the closing price at which the common shares trade on the Canadian Securities Exchange (or any such other stock exchange in Canada as the common shares may trade at the applicable time) exceed 15 cents for 20 consecutive trading days at any time following the date that is four months and one day after the date of issuance, the company may accelerate the warrant term such that the warrants shall expire on the date which is 30 calendar days following the date a press release is issued by the company announcing the reduced warrant term.

- (v) On December 28, 2016, the Company completed the second tranche of a non-brokered private placement financing by issuing 14,469,498 Units raising gross proceeds of \$795,822. Each Unit consists of one common share in the capital of the Company and one common share purchase warrant, entitling the holder thereof to purchase one common share at a price of \$0.07 per common share for a period of twelve months from the date of issuance provided, however, that should the closing price at which the common shares trade on the Canadian Securities Exchange (or any such other stock exchange in Canada as the common shares may trade at the applicable time) exceed 15 cents for 20 consecutive trading days at any time following the date that is four months and one day after the date of issuance, the company may accelerate the warrant term such that the warrants shall expire on the date which is 30 calendar days following the date a press release is issued by the company announcing the reduced warrant term.

Pursuant to the closing of the second tranche, certain eligible persons were paid a cash commission equal to 6% of the proceeds raised from subscribers introduced to the Company and also issued an aggregate of 255,188 warrants to finders, each finder warrant entitling the holder to acquire one common share at a price of \$0.055 for a period of twenty four months from the date of issuance, subject to the reduced warrant term.

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**13. SHARE CAPITAL (continued)**

(vi) On March 15, 2017, the Company closed a non-brokered private placement financing of 9,072,726 units at a price of 5.5 cents per unit for gross proceeds of \$499,000. Each unit consists of one common share in the capital of the company and one common share purchase warrant, entitling the holder thereof to purchase one common share at a price of 7 cents per common share for a period of 24 months from the date of issuance, provided, however, that, should the closing price at which the common shares trade on the Canadian Securities Exchange (or any such other stock exchange in Canada as the common shares may trade at the applicable time) exceeds 15 cents for 20 consecutive trading days at any time following the date that is four months and one day after the date of issuance, the company may accelerate the warrant term such that the warrants shall expire on the date which is 30 calendar days following the date a press release is issued by the company announcing the reduced warrant term.

**14. STOCK OPTIONS**

The Company has a stock option plan (the “Plan”) under which the Company may grant options to directors, officers, employees and consultants. The maximum number of common shares reserved for issue under the Plan at any point in time may not exceed 20% of the number of shares issued and outstanding. The purpose of the Plan is to attract, retain and motivate directors, officers, employees, and certain third party service providers by providing them with the opportunity to acquire a proprietary interest in the Company and benefit from its growth. Options granted under the Plan are non-assignable and vest over various terms up to 3 years from the date of grant. As at June 30, 2017, the Company had 10,412,433 (December 31, 2016 – 7,947,887) options available for issuance under the Plan.

The continuity of outstanding stock options for the six month period ended June 30, 2017 and year ended December 31, 2016 is as follows:

	Number of stock options	Weighted average exercise price per share \$
<b>Balance – December 31, 2015</b>	<b>5,050,000</b>	<b>0.30</b>
Granted	1,300,000	0.20
Exercised	(570,000)	0.20
Expired/Cancelled	(1,130,000)	0.28
<b>Balance – December 31, 2016</b>	<b>4,650,000</b>	<b>0.29</b>
Expired/Cancelled	(650,000)	0.24
<b>Balance – June 30, 2017</b>	<b>4,000,000</b>	<b>0.30</b>

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**14. STOCK OPTIONS (continued)**

**Share-based payments:**

**Six month period ended June 30, 2017**

Share based payment expense of \$11,000 was recognized during the six month period ended June 30, 2017 in connection with vesting of options issued in prior periods.

**Year ended December 31, 2016**

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the share-based payments for the stock options issued during the year ended December 31, 2016:

Grant date	April 8, 2016	Vesting of prior year options	Total
No. of options	1,300,000		1,300,000
Exercise price	\$ 0.20		
Expected life in years	5		
Volatility	100%		
Risk-free interest rate	0.71%		
Dividend yield	-		
Vesting	immediately		
Fair value of options granted	\$ 193,000		\$ 193,000
Share-based payments recognized in profit or loss	\$ 193,000	\$ 105,000	\$ 298,000

Volatility was estimated based on comparable companies.

During the year ended December 31, 2016, the Company recognized \$193,000 of share-based payments expense related to stock options granted in 2016 and \$64,000 related to stock options granted in prior years.

The weighted average grant date fair value of options granted during the year ended December 31, 2016 was \$0.15 per option issued.

The following table provides additional information about outstanding stock options at June 30, 2017:

	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	No. of Options Currently Exercisable	Weighted Average Exercise Price – Exercisable Options
\$0.20	150,000	3.77	\$ 0.20	150,000	\$ 0.20
\$0.30	3,850,000	2.74	\$ 0.30	3,490,000	\$ 0.30
\$0.20 – 0.30	4,000,000	2.78	\$ 0.30	3,640,000	\$ 0.30

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**15. RESERVE FOR SHARE-BASED PAYMENTS**

A summary of the changes in the Company's reserve for share-based payments for the six month period ended June 30, 2017 and year ended December 31, 2016 is set out below:

	Amount \$
<b>Balance – December 31, 2015</b>	<b>1,686,525</b>
Share-based payments	298,000
Reserve transferred on exercise of options	(85,000)
<b>Balance – December 31, 2016</b>	<b>1,899,525</b>
Share-based payments	11,000
<b>Balance – June 30, 2017</b>	<b>1,910,525</b>

**16. RESERVE FOR WARRANTS**

The following table reflects the continuity of warrants for the six month period ended June 30, 2017 and year ended December 31, 2016:

	Number of Warrants	Amount \$
<b>Balance – December 31, 2015</b>	<b>14,402,676</b>	<b>1,324,845</b>
Share purchase warrants issued pursuant to private placements (i), (ii), (iii), (iv), (v)	31,633,133	901,000
Broker warrants issued pursuant to private placement (ii), (iv), (vi), (ix)	501,987	27,000
Expiry of warrants	(14,402,676)	-
<b>Balance – December 31, 2016</b>	<b>32,135,120</b>	<b>2,252,845</b>
Share purchase warrants issued pursuant to private placements (x)	9,072,726	232,000
Expiry of warrants	(3,681,798)	-
<b>Balance – June 30, 2017</b>	<b>37,526,048</b>	<b>2,484,845</b>

- (i) The share purchase warrants issued pursuant to the private placement on February 5, 2016 are described in Note 13(i) above and have a fair value of \$66,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	0.38%	Expected volatility	100%
Dividend yield	nil	Expected life-units	2 year

- (ii) The broker warrants issued pursuant to the private placement on February 5, 2016 are described in Note 13(i) above and have a fair value of \$2,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	0.38%	Expected volatility	100%
Dividend yield	nil	Expected life-units	1 year

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**16. RESERVE FOR WARRANTS (continued)**

- (iii) The share purchase warrants issued pursuant to the private placement on May 20, 2016 are described in Note 13(ii) above and have a fair value of \$119,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	0.62%	Expected volatility	100%
Dividend yield	nil	Expected life-units	1 year

- (iv) The broker warrants issued pursuant to the private placement on May 20, 2016 are described in Note 13(ii) above and have a fair value of \$10,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	0.62%	Expected volatility	100%
Dividend yield	nil	Expected life-units	1 year

- (v) The share purchase warrants issued pursuant to the private placement on June 22, 2016 are described in Note 13(iii) above and have a fair value of \$137,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	0.60%	Expected volatility	100%
Dividend yield	nil	Expected life-units	1 year

- (vi) The broker warrants issued pursuant to the private placement on June 22, 2016 are described in Note 13(iii) above and have a fair value of \$9,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	0.60%	Expected volatility	100%
Dividend yield	nil	Expected life-units	1 year

- (vii) The share purchase warrants issued pursuant to the private placement on November 11, 2016 are described in Note 13(iv) above and have a fair value of \$258,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	0.66%	Expected volatility	100%
Dividend yield	nil	Expected life-units	1 year

- (viii) The share purchase warrants issued pursuant to the private placement on December 28, 2016 are described in Note 13(v) above and have a fair value of \$321,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	0.78%	Expected volatility	100%
Dividend yield	nil	Expected life-units	2 years

- (ix) The broker warrants issued pursuant to the private placement on December 28, 2016 are described in Note 13(v) above and have a fair value of \$6,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	0.78%	Expected volatility	100%
Dividend yield	nil	Expected life-units	2 years

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**16. RESERVE FOR WARRANTS (continued)**

(x) The share purchase warrants issued pursuant to the private placement on March 15, 2017 are described in Note 13(vi) above and have a fair value of \$232,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	0.80%	Expected volatility	114%
Dividend yield	nil	Expected life-units	2 year

As at June 30, 2017, warrants to purchase common shares carry exercise prices and terms to maturity as follows:

	<b>Exercise price</b>	<b>Number of outstanding exercisable warrants</b>	<b>Expiry date</b>
	\$		
Warrants	0.07	9,072,726	March 15, 2019*
Warrants	0.07	14,469,498	December 28, 2018*
Broker Warrants	0.055	255,188	December 28, 2018*
Warrants	0.30	1,005,000	February 5, 2018
Warrants	0.07	12,723,636	November 11, 2017*
<b>Total</b>		<b>37,526,048</b>	

\* Subject to acceleration clause, see note 13(iv), 13(v) and 13(vi).

**17. PRODUCT DEVELOPMENT COSTS**

Costs associated with the development of new products and processes are expensed as incurred unless capitalization is required under IAS 38. The related investment tax credits reduce the costs to which they are associated, salaries and wages, in the years these credits are recorded in the consolidated statements of loss and comprehensive loss. The Company has \$170,000 (2016 - \$170,000) of unused investment tax credits available for use in future years; these investment tax credits have not been recognized on the consolidated statements of financial position as the Company utilizes the taxes payable method.

	<b>As at,</b>	
	<b>June 30, 2017</b>	December 31, 2016
	\$	\$
Investment tax credits receivable	-	38,226

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**18. FINANCE LEASE OBLIGATIONS**

The Company leases certain computer hardware under finance leases. The future minimum lease payments under finance leases as at June 30, 2017 and December 31, 2016 are as follows:

	<b>June 30,</b>	December 31,
	<b>2017</b>	2016
Total minimum lease payments	\$ 77,035	\$ 148,199
Less: amount representing interest	(1,241)	(4,434)
Finance lease obligation	75,794	143,765
Less: current portion	(75,794)	(137,948)
	<b>\$ -</b>	<b>\$ 5,817</b>

As at June 30, 2017, future minimum lease payments by year, and in the aggregate, are as follows:

2017	<b>71,164</b>
2018	<b>5,871</b>
Totals	<b>\$ 77,035</b>

The finance leases are for computer hardware and are issued at a rate of interest of 5.50% and mature between 2017 and 2018. During the six month period ended June 30, 2017, \$17,316 (2016 - \$34,914) of interest from finance leases was charged to operations.

**19. DEMAND LOAN**

The Bank of Montreal debt includes a demand loan for \$1.2 million to be amortized over 36 months with interest at prime + 3.0%. In addition, there is an operating demand loan which bears interest at prime + 2.5%, from which \$nil has been drawn down as at June 30, 2017 (December 31, 2016 - \$nil). Both of these loan facilities are 50% secured under the EDC Export Guarantee Program and also by a General Security Agreement. As at June 30, 2017, the outstanding balance on the demand loan amounts to \$366,667 (December 31, 2016 - \$566,667).

The demand loan is secured by a general security agreement, assigning security interest in all or any property of the Company owned or subsequently acquired.

Under the terms of the facility letter (the “facility letter”) governing the loans from the Lender:

- the Company’s EBITDA is required to be more than 2.50 times the senior funded debt or 3 times the total funded debt.
- the Company must maintain a *current ratio* (current assets (excluding future income tax, amounts due from shareholders / directors / officers / connected or related companies and intangibles, all as determined by the Lender) divided by current assets) of at least 1.25:1



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**19. DEMAND LOAN (continued)**

- the Company must maintain a *fixed charge coverage ratio* (“cash flow available for debt servicing” (as defined below) divided by the aggregate of fixed principal repayments and cash interest expenses payable in respect of the total funded debt) of:
  - at least 1.06:1 as at the interim financial periods ended June 30 and September 30, 2015; and
  - at least 1.25:1 as at the financial year ended December 31, 2015.“Cash flow available for debt financing” is defined in the facility letter as EBITDA less cash taxes paid or payable in that period, less unfunded capex, less unfunded share repurchase and less dividends paid less

The definition of EBITDA in facility letter carves out any extraordinary or unusual non-recurring items (to be agreed upon by the Lender for the applicable period).

As at June 30, 2017 and December 31, 2016, the Company was not in compliance with the ratios and is in discussions with the Lender on how the shortfalls will be rectified.