HYDRO66 HOLDINGS CORP.

CSE FORM 2A
LISTING STATEMENT

June 8, 2018

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Forward-Looking Statements

Unless otherwise indicated, use of the term "**Caza**" or the "**Company**" refers to Caza Gold Corp. prior to the Transaction (as defined below). Unless otherwise indicated, use of the term "**Issuer**" refers to Caza following the Transaction, together with Arctic Blockchain Ltd. ("**Arctic**"), its wholly-owned operating subsidiary. The information provided in this listing statement (the "**Listing Statement**"), including information incorporated by reference, may contain "forward-looking statements" about Caza, Arctic and the Issuer. In addition, the Issuer may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Issuer that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Issuer that address activities, events or developments that the Issuer expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the Issuer and/or Arctic and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and
- other risks described in this Listing Statement and described from time to time in documents filed by the Issuer with Canadian securities regulatory authorities.

Consequently, all forward-looking statements made in this Listing Statement and other documents of the Issuer are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Issuer and/or Arctic. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Issuer and/or persons acting on its behalf may issue. The Issuer and/or Arctic undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation (see *Section 17 – Risk Factors*).

Market and Industry Data

This Listing Statement includes market and industry data that has been obtained from third party sources, including industry publications. The Issuer believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, neither Caza nor Arctic have independently verified any of the data from third party sources referred to in this Listing Statement or ascertained the underlying economic assumptions relied upon by such sources.

2. CORPORATE STRUCTURE

2.1(a) – Corporate Name and Head and Registered Office – Caza

Caza was incorporated on November 15, 2007 under the laws of British Columbia, Canada. The address of the Company's registered office is 736 Granville Street, Suite 1100, Vancouver, British Columbia, V6Z 1G3.

2.1(b) – Corporate Name and Head and Registered Office – Arctic

Arctic was incorporated under the *Business Corporations Act* (British Columbia) ("**BCBCA**") on December 4, 2017. Arctic's head office and registered office is located at Suite 1305, 1090 W. Georgia Street, Vancouver, BC V6E 3V7, Canada.

2.2(a) – Jurisdiction of Incorporation – Caza

Caza was incorporated under the BCBCA.

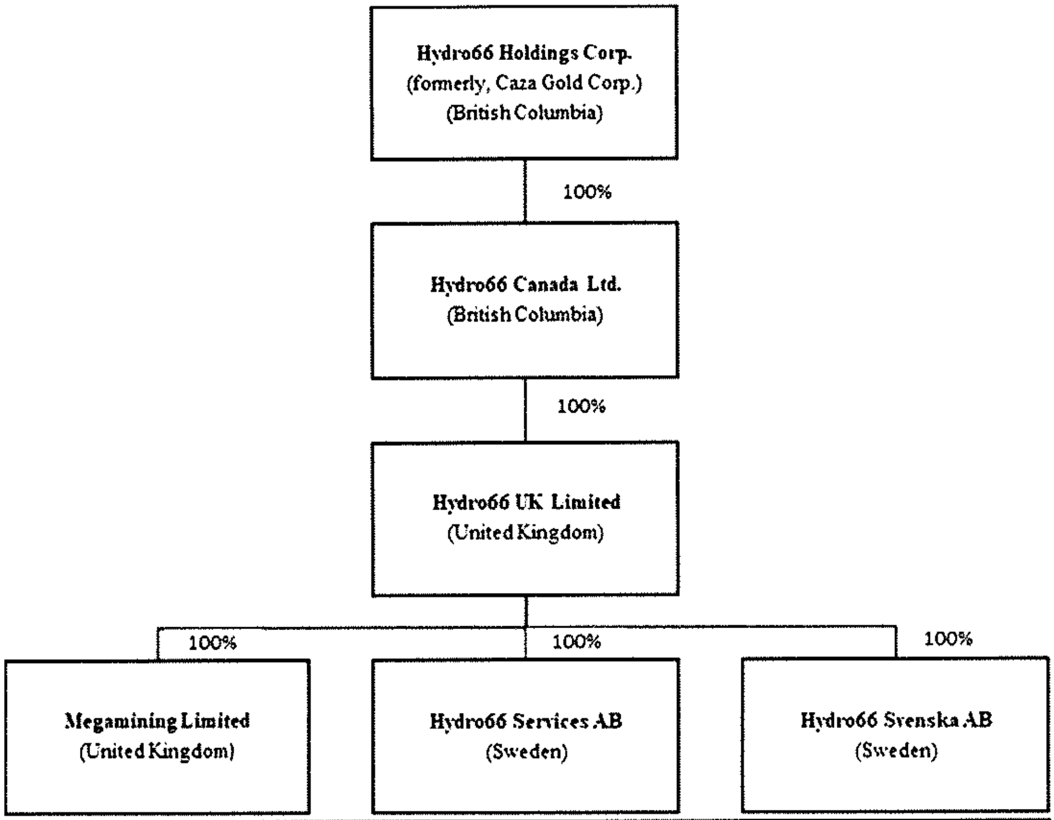
2.2(b) – Jurisdiction of Incorporation – Arctic

Arctic was incorporated under the BCBCA.

2.3 – Inter-corporate Relationships

Prior to completion of the Transaction, Caza had one wholly owned subsidiary, 1166031 B.C. Ltd. ("**Subco**"), which was incorporated in British Columbia on May 29, 2018, solely for the purpose of completing the Amalgamation (as defined below) with Arctic. Arctic has one wholly-owned subsidiary, Hydro66 UK Limited ("**Hydro**"), a corporation incorporated pursuant to the laws of the United Kingdom. Hydro has three wholly owned subsidiaries, Megamining Limited, a corporation incorporated pursuant to the laws of the United Kingdom, Hydro66 Svenska AB, a corporation incorporated pursuant to the laws of Sweden and Hydro66 Services AB, a corporation incorporated pursuant to the laws of Sweden.

On completion of the Transaction described below in *Section 3 – General Development of the Business*, Arctic will become a wholly-owned subsidiary of Caza, and the corporate structure of the Issuer will be as follows:



2.4 – Fundamental Change

Caza is not re-qualifying following a fundamental change and is not proposing an acquisition, amalgamation, merger, reorganization or arrangement.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1(a) – General Development of Caza's Business

Caza was incorporated on November 15, 2007 under the laws of British Columbia, Canada. The address of the Company's registered office is 736 Granville Street, Suite 1100, Vancouver, British Columbia, V6Z 1G3.

Caza's last operation was that of a mineral exploration company. The business ventures were discontinued in the year ended December 31, 2017 through the sale of its mineral assets and subsidiaries holding such assets. Caza was considered a shell and was looking for a transaction since year ended 2017.

On March 12, 2018, Arctic and Caza entered into a letter of intent (the "**LOI**") providing for the amalgamation of Caza and Arctic to form the Issuer. On June 6, 2018, Caza, Arctic and Subco entered into a business combination agreement (the "**Business Combination Agreement**") whereby Arctic and Subco would complete an amalgamation pursuant to an amalgamation agreement (the "**Amalgamation Agreement**") under the provisions of the BCBCA (the

"**Amalgamation**") and upon the completion of the Amalgamation, Arctic would become a reporting issuer listed on the CSE (the "**Transaction**").

3.1(b) – General Development of Arctic and Hydro's Business

Arctic Blockchain Ltd.

On December 4th, 2017, Arctic was incorporated under the provisions of the BCBCA.

On February 15, 2018, Arctic entered into a share purchase agreement with Hydro whereby Arctic agreed to acquire Hydro in exchange for 100,000,000 common shares at a deemed price per share of $0.50 and 25,000,000 common share purchase warrants exercisable at a price of $0.75 per common share for a period of two years from the completion of a liquidity event.

On March 12, 2018, Arctic and Caza entered into a letter of intent (the "**LOI**") providing for the amalgamation of Caza and Arctic to form the Issuer. On June 6, 2018, Caza, Arctic and Subco entered into the Business Combination Agreement whereby Arctic and Subco would complete an amalgamation pursuant to the Amalgamation Agreement under the provisions of the BCBCA (the "**Amalgamation**") and upon the completion of the Amalgamation, Arctic would become a reporting issuer listed on the CSE (the "**Transaction**"). The Amalgamation was completed on June 8, 2018.

Hydro66 UK Ltd.

Hydro66 UK Ltd, with the registered number 09027295, was incorporated on 7 May 2014 under the jurisdiction of England and Wales. The address of the Company's registered office is 15 Percy Street, London, W1T 1DS, England.

Hydro66 UK Ltd has three fully-owned subsidiaries. Megamining Ltd, Hydro66 Svenska AB, and Hydro66 Services AB.

Megamining Ltd, with the registered number 08849351, was incorporated on 17 January 2014 under the jurisdiction of England and Wales. The address of the Company's registered office is 15 Percy Street, London, W1T 1DS, England.

Hydro66 Svenska AB, with the registered number 556967-6686, was incorporated on 25 April 2014 under the jurisdiction of Sweden. The address of the Company's registered office is Hydrogränd 2, 961 43, Boden, Sweden.

Hydro66 Services AB, with the registered number 559012-7030, was incorporated on 4 May 2015 under the jurisdiction of Sweden. The address of the Company's registered office is Hydrogränd 2, 961 43, Boden, Sweden.

The principal activities of the Hydro66 UK Ltd group ("**Hydro66**") during 2016 and 2017 were, and will continue to be, the provision of colocation services.

Hydro66 delivers low-cost, environmentally-friendly colocation services, a key element in the blockchain infrastructure. Using locally generated clean green hydropower, Hydro66's first data centre is located in the leading cloud and data centre cluster in the Nordics, in Northern Sweden. This gives customers the ability to reduce their carbon footprint while providing cost savings against the traditional colocation model.

Hydro66 also contributes a small amount of computing power to digital currency pools and provides transaction verification services. For its contribution to the pools Hydro66 receives income in the form of digital currencies and records them at their fair value on the date received.

Hydro66 is an ultra-efficient green data centre using amongst Europe's lowest cost 100% hydroelectric energy and free air cooling on the edge of the Arctic Circle in Sweden's Node Pole development area. Located just 30km from Facebook's European data centre, Hydro66 is the only large-scale purpose-built colocation provider in the region.

Hydro66 initially visited Northern Sweden in April 2014 with a view to establishing the viability of a colocation data centre in the region. Working with our in-house team of data centre design, build and operate experts we concluded that the availability of large amounts of green energy, relatively low cost of land, availability of skilled IT and construction staff and cool climate made the region a desirable place to build a colocation data centre. In the summer of 2014, land purchase agreements were entered into with Boden Kommun for a parcel of land of 23,000 square meters and the option to purchase an adjacent piece of land of 18,000 square metres. By October 2014 groundbreaking and concrete works were in progress. During 2015 two data halls of 500 sqm and a total of 3.6 MW (400 rack spaces) were built. In October 2015 the data centre was formally opened by the Finance Minister for Sweden and throughout 2016 and early 2017 we attracted a steady stream of local, regional, national and international clients.

Hydro66 won DCS Data Centre of the Year award in 2016 and in 2017 won a Data Centre Eco-sustainability award at the Datacentre Dynamics Global award ceremony.

Over the summer of 2017 Hydro66 cleared more ground and laid the foundations for the build of a further 15.6 MW of capacity. 4 MW went live on April 6, 2018, 3.6 MW went live on May 14, 2018 and a further 8 MW is coming online in H2 of 2018.

3.1(c) – Proposed General Development of Issuer's Business

Following the Amalgamation, the Issuer will change its business to the business of Arctic as noted above and below and will continue to develop Arctic's business plans and technology. The combined funds of Caza and Arctic will be utilized for additional advancement of Arctic's business plan, further acquisitions and for general working capital purposes.

3.2 – Significant Acquisitions and Dispositions

The Transaction with Caza

Caza, Arctic and Subco entered into the Business Combination Agreement, pursuant to which the parties agreed to complete a business combination by way of a three-cornered amalgamation (the "**Transaction**") under the provisions of the BCBCA. On June 8, 2018, Caza, Arctic and

Subco completed the Transaction and Caza filed notice of articles to change its name to "Hydro66 Holdings Corp." (the "**Issuer**").

Pursuant to the Business Combination Agreement, and as a condition of completion of the Transaction, the following transactions occurred concurrent with or before the completion of the Transaction:

(a) Consolidation and Name Change

Prior to the Amalgamation, the Common Shares of Caza were consolidated on a 76.3945 to 1 basis (the "**Consolidation**"), following which there were 2,000,000 Common Shares issued and outstanding immediately prior to the Amalgamation. Concurrent with the Amalgamation Caza changed its name to "Hydro66 Holdings Corp.".

(b) Amalgamation

Pursuant to the provisions of the BCBCA, Subco and Arctic amalgamated to form Hydro66 Canada Ltd., effective on June 8, 2018.

(c) Share Issuances upon Completion of the Amalgamation and Listing

Pursuant to the terms of the Amalgamation Agreement, each former shareholder of Arctic received one (1) post-Consolidation Common Share of Caza (each, an "**Issuer Share**") for every one (1) Arctic common share (the "**Arctic Shares**") held by such shareholder. Arctic had 105,000,000 Arctic Shares outstanding prior to the completion of the Amalgamation. The Issuer will issue immediately prior to listing on the CSE an additional 20,000,000 Issuer Shares and 20,000,000 common share purchase warrants exercisable at $0.75 for a period of two years from June 8, 2018 in connection with the automatic conversion of the convertible debentures in the principal amount of $10,000,000 held by Arctic securityholders.

The Transaction was completed by way of exempt distribution in connection with a business combination pursuant to applicable securities laws.

Conditions to Closing the Transaction and Required Approvals

The Transaction was subject to a number of approvals, which were obtained, and conditions, which were met, prior to its implementation, including, but not limited to the following:

(a) completion of the Consolidation;

(b) the approval of the Transaction by the shareholders of Arctic;

(c) the election and appointment of certain directors and officers of the Issuer;

(d) all conditions precedent set forth in the Amalgamation Agreement, having to be satisfied or waived by the appropriate party; and

(e) the receipt of all necessary corporate, regulatory and third party approvals and compliance with all applicable regulatory requirements and conditions in connection with the Transaction.

Upon the completion of the Amalgamation and after the issuance of the Issuer Shares to the former Arctic shareholders and former Arctic convertible debenture holders, the Issuer will have 127,000,000 Issuer Shares issued and outstanding, with former Arctic shareholders and former Arctic convertible debenture holders holding 125,000,000 Issuer Shares or approximately 98.4% of the outstanding Issuer Shares.

Certain of the Issuer Shares held by the new directors and officers of the Issuer will be subject to escrow (the "**Escrow**") that prohibits transfer for up to a three year period following the listing of the Issuer on the CSE (the "**Listing**") pursuant to the policies of the CSE and Form 46-201 Escrow Agreement. Notwithstanding the Escrow the shareholders holding these Issuer Shares will otherwise have all of the normal rights associated with Issuer Shares, such as entitlement to dividends, voting powers and participation in assets upon dissolution or winding up, until they are released from escrow (see *Section 11 – Escrowed Securities*).

The board of directors (the "**Board**") of the Issuer was reconstituted in conjunction with the completion of the Transaction such that it now consists of five directors: David Rowe, Anne Graf, Richard Croft, Richard Patricio and Michael Hudson. The Amalgamation Agreement also requires that following the closing of the Transaction the constitution of the Issuer's senior management would include David Rowe as Chairman, Anne Graf as Chief Executive Officer, and Juliet Pedrazas as Chief Financial Officer.

The Transaction between Arctic and Hydro

On February 15, 2018 Arctic and Hydro entered into a share purchase agreement (the "**Share Purchase Agreement**"), pursuant to which Arctic agreed to purchase and the Hydro shareholders agreed to sell all of the issued and outstanding shares in Hydro, such that Hydro would become a wholly-owned subsidiary of Arctic (the "**Hydro Purchase**"). On February 28, 2018, Arctic and Hydro completed the Hydro Purchase and Hydro became a wholly owned subsidiary of Arctic.

Pursuant to the Share Purchase Agreement, and as a condition of completion of the Hydro Purchase, the following transactions occurred concurrent with or before the completion of the Transaction:

(d) Financing

Arctic completed a convertible debenture (the "**Convertible Debentures**") financing for gross proceeds of C$10,000,000 (the "**Financing**"). Each Convertible Debenture is convertible at the option of the holder into units of Arctic at an exercise price of $0.50 per unit. Each unit consists of one common share and one common share purchase warrant, where each warrant is exercisable into a common share of Arctic at a price of $0.75 for a period that expires two (2) years from the completion of a liquidity event. Further, each Convertible Debenture will be automatically converted upon the completion of a liquidity event. The Financing was completed on February 27, 2018.

(e) Consideration to Hydro shareholders

Pursuant to the terms of the Share Purchase Agreement, the consideration to be paid to the Hydro shareholders consisted of the following:

(i) the issuance of 100,000,000 Arctic common shares to the former shareholders of Hydro; and

(ii) the issuance of 25,000,000 common share purchase warrants of Arctic to the former shareholders of Hydro. Each warrant entitling the holder thereof to acquire, for a period of two years from a liquidity event, a common share in the capital of Arctic at a price of C$0.75.

(f) Condition to Completion and Closing

As a final condition to completion of the Hydro Purchase, Arctic advanced C$9,000,000 to Hydro from the gross proceeds of the Financing immediately prior to closing. The Hydro Purchase was completed on February 28, 2018. Following completion of the Hydro Purchase, Hydro became a wholly owned subsidiary of Arctic and the former Hydro shareholders became shareholders of Arctic.

3.3 – Trends, Commitments, Events or Uncertainties

There are no trends, commitments, events or uncertainties known to management which could reasonably be expected to have a material effect on the Issuer's business, financial condition or results of operations. However, there are significant risks associated with the business of the Issuer (see *Section 17 – Risk Factors*).

4. NARRATIVE DESCRIPTION OF THE BUSINESS

4.1(a) – Narrative Description of the Issuer's Business

The business of Arctic became the business of the Issuer following the Closing of the Transaction (see *Section 4.1(b) – Narrative Description of Arctic's Business*).

4.1(b) – Narrative Description of Hydro's Business

Hydro66 owns and operates a data center in the north of Sweden. Hydro66 has two reportable operating segments:

1. The provision of colocation services to third party customers; and

2. The provision of transaction verification services to digital currency pools.

The primary operating segment of Hydro66 is the provision of colocation services, however, Hydro66 currently has some revenue from cryptocurrency mining. Below is a brief description of cryptocurrency mining and the blackchain industry in general:

Blockchain Technology

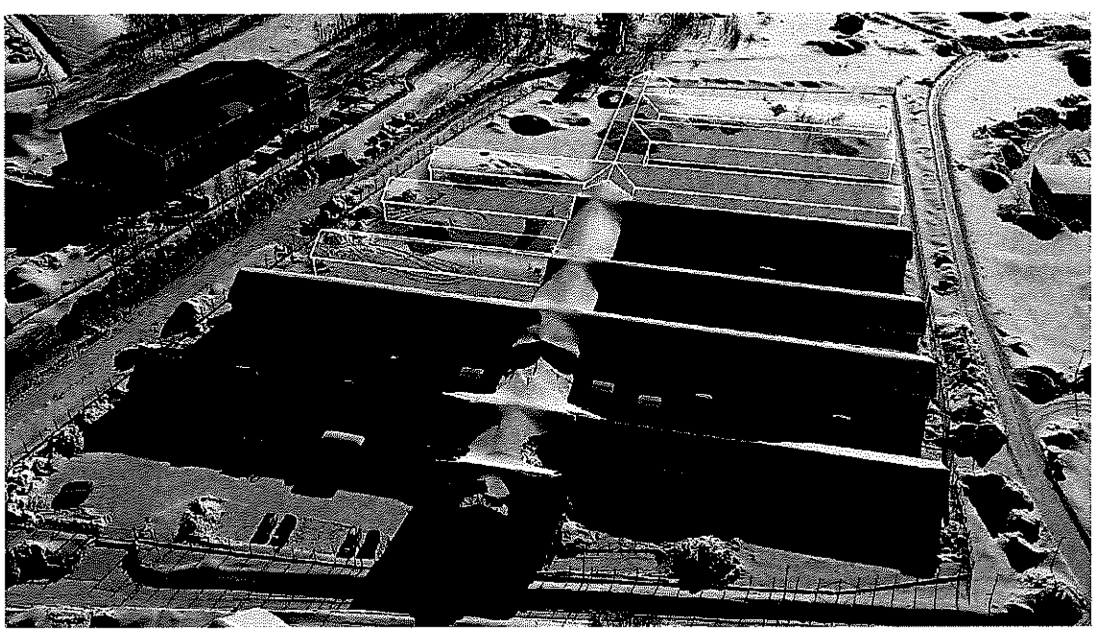
The blockchain is a decentralized distributed digital ledger. It is a database that exists in multiple copies across multiple computers with no single, centralized database or server. Transactions on the blockchain are signed digitally, using asymmetric cryptography using a public and private key that are related mathematically but due to the complexity of the mathematics these are computationally infeasible to guess. Computers participating in a blockchain use an automated process to validate the format of the transaction record to be included in the next block. Once this "consensus" is reached, the information is recorded in a block.

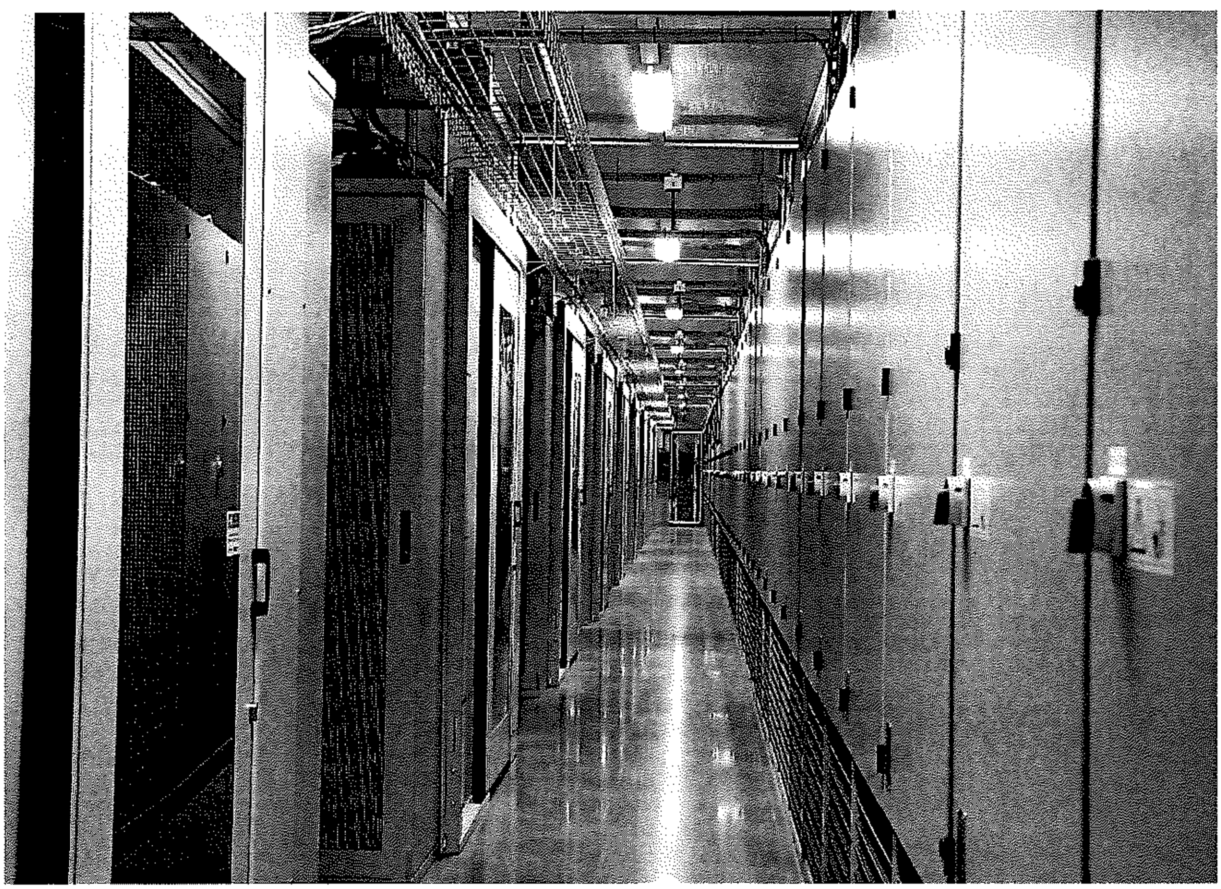
New blocks are created by the process of "mining", which validates new transactions and adds them to the blockchain. To mine new blocks the miners applies computing power to solve for a unique hash based on encryption, by solving the hash for the block, the miner competes for the cryptocurrency reward. The successful rewarding is also known as "proof of work" and verifies the data within the block and is therefore appended to the chain. The difficulty of the mathematics has increased exponentially, as has the computational power needed to solve it, hence the proof of work concept. Most mining operations are comprised of vast farms of pooled computing resources.

Cryptocurrency Mining

Cryptocurrencies rely on blockchain technology. Cryptocurrency miners can range from individual enthusiasts to professional mining operations with dedicated datacenters. The vast majority of mining is now undertaken by mining pools. A mining pool is created when cryptocurrency miners pool their processing power over a network and mine transactions together. Rewards are then distributed proportionately to each miner based on the work / hash power contributed. Mining pools allow miners to pool their resources, so they can generate blocks quickly and receive rewards on a consistent basis instead of mining alone where rewards may not be received for long periods.

Below are recent photographs of the inside and outside of the Issuer's data center located in Sweden.





Business objectives and Milestones

The business objectives for the forthcoming 12-month period and the respective milestones to achieve these objectives are outlined below:

- Bring 7.6 MW live during Q2 2018, fully filled and revenue generating by the end of Q2 2018. - For this to be achieved, the power has to be connected, and the build and the fit out need to be completed in line with the business's project plan. The space and power also has to be sold in line with the plan. As at the date of this Listing Statement all of the 7.6 MW being brought live in Q2 has already been sold. The power has been secured and the operational project plan is on time. The approximate cost to achieve this objective is USD$3.8 million.

- Complete build of a further 8 MW during H2 of 2018, fully filled and revenue generating in Q4 - For this to be achieved the power has to be connected and the build and fit out needs to be completed in line with the business project plan. Space and power also need to be sold in line with the plan. Contracts for the power are already in place and the shells to house the 8 MW have already been built. The approximate cost to achieve this objective is USD$4 million.

- Lay the foundations to support further flexible expansion - The decision has been made to lay the foundations (dig the ground and pour the concrete slabs) and the order is currently being prepared. The order needs to be placed by the end of May 2018 so that this can be achieved before the ground freezes in Q4 2018. The approximate cost to achieve this objective is USD$1.2 million.

- Continuous review of digital currency markets to optimize self-mining - The management team in place is experienced in running kit (both for itself and for customers) and has the network to ensure that the digital currency markets are closely reviewed, along with opportunities to optimise self-mining of both existing and new coins/tokens. The Issuer will be cash flow positive by the end of H1 2018 and will direct funds to self-mining operations as is required.

By the end of 2018, Hydro66 will expand its existing site, which has a maximum capability of 44 MW, to 18.9 MW and lay the foundations to enable full site roll-out up to 44 MW in 2019. Hydro66 plans to sell 17.9 MW of the capacity to third party customers and plans to use up to 1 MW for self-mining.

As at May 1, 2018 the Issuer had USD$7,700,000 available to use to achieve the above stated objectives. No further funds are required to achieve the business objectives and milestones set out above.

In summary:

Description of Use	**Cost (USD$)**
Total as at May 1, 2018	$7,700,000
Bringing 7.6MW live during Q2	($2,000,000)[1]
Build for 8MW	($4,000,000)[2]
Lay foundations for expansion	($1,200,000)
Working capital remaining	**$500,000**[3]

Notes:

(1) The extra capacity is expected to generate USD$600,000 of revenue per month from June 2018 depending on the power spot price.
(2) Expected to generate revenue of USD$730,000 per month from November 2018 depending on the power spot price.
(3) Not taking into consideration the extra revenue generated by the increased capacity.

7.3 MW is already operational, 3.6 MW came online on May 14, 2018 and a further 8 MW will come online during H2 of 2018.

Operating costs for the year are expected to be USD$3 million. For Hydro to achieve these objectives the new data halls must go live in line with the roll-out plan and sales must be achieved so that each data hall is full within two months of opening.

Existing funds cover the planned expansion to 18.9 MW. The business is expected to be cash flow positive by the end of H1 2018.

Principal products and services

Hydro66 has a flexible, opportunistic business model, with two reportable operating segments, colocation and transactional verification to digital currency pools (self-mining).

Colocation

Hydro66 sells colocation services to third party customers. Hydro66 colocation services can be sub-divided into colocation for wholesale crypto currency miners and colocation for enterprise customers.

Colocation for wholesale crypto currency miners

Hydro66 customers supply and install their own mining equipment and Hydro66 charges a flat fee (per kWm) which includes space, power and heat removal. There is currently an upward pricing dynamic due to insufficient capacity relative to demand. Typical contract term is for one year.

Colocation for enterprise customers

Hydro66's strategy is to offer a high-quality hosting environment featuring a flexible build model for large clients, power density for HPC, scale, low cost and environmental credentials.

Transaction verification to digital currency pools (self-mining)

Hydro is currently providing 0.35 MW of transaction verification services and plans to increase this to up to 1 MW in H2 2018.

Initial choice of hardware GPU for Ethereum mining

GPUs are flexible across multiple algorithms and variety of alt coins, GPU asset life and reliability exceeds that of ASICs and Ethereum boasts more attractive returns than Bitcoin.

Procurement Strategy

Hydro66 procurement strategy is to procure a mix of video cards and deploy them across rigs at full rack density to achieve the best hash rate per $. Hydro66 has a direct manufacturer relationship with multiple board partners and current order to delivery is approximately 8-10 weeks.

Hydro66 does not have any sales or transfers to joint ventures, controlling shareholders or investees.

The table below shows the split of revenues for each of the reportable segments:

	2017	2017	2016	2016
	£	% of total	£	% of total
Colocation	809,123	60%	282,024	66%
Digital currency verification services	538,929	40%	142,928	34%
Total	**1,348,052**		**424,952**	

The products and services that are sold by the Issuer are fully developed, but may continue to evolve if and as the industry and market in which the Issuer operates in evolves.

Hydro66 does not have any research and development programs in place as such programs are not necessary for its business and operations.

Hydro66 currently sells the services that it is planning to offer in the future as the site expands.

Hydro66 was awarded a grant from the county council of Norrbotten at the end of 2014. Funds totalling SEK3,681,270 were received in 2016. There is an obligation to repay the grant if Hydro66 leaves the region or if there is a change of control within 5 years of receiving the funds. Hydro66 does not expect to leave the region. The repayment is on a sliding scale as follows:

Date	Amount (SEK)	%	Amount remaining (SEK)
15/4/17	1,104,381	30%	2,576,889
15/4/18	920,317	25%	1,656,572
15/4/19	736,254	20%	920,318
15/4/20	552,190	15%	368,120
15/4/21	368,128	10%	nil
Total	**3,681,270**		

The Hydro66 award winning data center is designed to answer the industry challenges of the next 20 years. It's built with the environment and the client in mind, it's scalable, efficient and at a favourable price point. The specialized skills and knowledge to scale the business are already employed within Hydro66.

Local companies and materials are used where possible.

Hydro66 has become a well-respected company both within the region and across Europe. The brand has become synonymous with quality and reliability. The business is not considered to be cyclical and as at May 2018, the business had 12 employees.

The business of Hydro66 is not considered to be cyclical or seasonal.

To the knowledge of Hydro66 management, there is no aspect of Hydro66's business that may be materially affected in the next twelve months following the date of this Listing Statement or current financial year by renegotiation or termination of contracts or sub-contracts.

To the knowledge of Hydro66 management, there is no financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of Hydro66 in the current and future financial years.

As at May 2018, the Hydro66 group had 12 employees.

The Hydro66 data center is located in Sweden. The colocation business is dependent upon customers locating their equipment in the data center in Sweden.

Hydro66 has a mix of customers and is not dependent on any individual customer or contract.

Competitive conditions

The Hydro66 data centre is located in the north of Sweden where there is abundant availability of low cost green power. The ultra-modern purpose-built data center reduces time to market with built-in expansion potential. There is a local management team in place with construction and data center/cryptocurrency mining operating experience.

Of around 4300 colocation centres worldwide, there are roughly 52 colocation data centers in Sweden, and around 130 in the Nordics at present (260 across "cold climate" territories including the Baltics and Iceland).

The bulk of these are based around major cities (Stockholm, Oslo, Helsinki), but cities like Boden are becoming increasingly popular thanks to low mean temperatures (natural cooling), power and space availability and electrical power price incentives. Currently, Hydro66 is a frontrunner in the region, having both the space, the infrastructure and the power already in place. The availability of land and the incentives to build also mean that "hyperscalers", larger enterprises and more established European colocation and networking businesses may start to take more of a foothold in the region.

Local competition for colocation is Fortlax, a small data center operator who have BMW as a lighthouse enterprise client and from in-house / owned premises. Traditional competition will come from established colocation providers in major European cities such asTeleCity, InterXion, Equinix, and Digiplex to name a few. These are established European brand names with colocation services in most major cities. They cover a large share of the target market, particularly in the UK and mainland Europe, and have partnerships with major telecoms providers. They offer a wide choice of network services providers, internet exchange points, content delivery networks and cloud service providers, as well as providing highly resilient, low latency infrastructure and services, and claim to have highly "green credentials" – although the bulk of their data centers sit in "dirty power" regions.

Hydro66 currently differentiates itself from its competitors through the following strengths:

- Low cost – no power cost multiplier (low PUE)
- Designed to client requirements – flexibility of design and configuration
- Scalability – easy for clients to expand operations. Racks up to 20 kW power density which is higher than most (and suitable for HPC or cryptocurrency mining)
- Very green – very low WUE – a water usage metric (30 times less than typical German data centers), sustainable energy from all-natural sources. No dirty diesel. No energy loss through transmission (located next to multiple hydropower generation sources).

Hydro66 believes that there exists an opportunity to shift towards greener energy consumption and greater regulatory scrutiny on high-power usage business activities, has increased interest in Nordics / Scandinavia as a source of clean, cheap, reliable energy.

Potential weaknesses include:

- Some threats that relate to Hydro66's business are regulatory crackdown on cryptocurrency mining, or sudden devaluation of currency(ies) leading to declining interest from miners and therefore constrained capital,
- Build of competing centres in similar locations, of expansion of hyperscale centres to provide colocation facilities to third parties, and
- Tightening of security and resilience standards for data hosting.

Lending operations

Hydro66 does not have any lending operations.

To the knowledge of Hydro66 management, there are no results of any bankruptcy, or any receivership or similar proceedings against Hydro66 or any of its subsidiaries or any voluntary bankruptcy, receivership or similar proceedings by Hydro66 or any of its subsidiaries, within the three most recently completed financial years or the current financial year.

Other than: (i) the Hydro Purchase; and (ii) the Transaction and Listing, all as detailed in Section 3.2 above, the Issuer has not entered into any material restructuring transactions within the three most recently completed financial years or for the current financial year.

Hydro66 does not have any social or environmental policies that are fundamental to Hydro66's business or operations.

4.1(c) – Use of Proceeds

As of the date of this Listing Statement, the Issuer had working capital of approximately CAD$8,700,000. These funds will be used for the following purposes:

Item	Budgeted Expenditures
Estimated Costs to Complete the Amalgamation	($300,000)
Salaries	($2,295,000)
Business Operational Expenses	--
- Accounting	($23,000)
- Legal	($129,000)
- Investor Relations	($100,000)
- Office Rent	($135,000)
- Insurance	($30,000)
General & Administrative Expenses	($450,000)
Facility build and fit out costs	($3,900,000)
Unallocated funds	($1,338,000)
Total	**$8,700,000**

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.1 – Annual Information – Issuer

The following table provides a brief summary of Hydro's financial operations for the years ended December 31, 2017 and 2016. Refer to Schedule "D" for the complete set of the Issuer's pro forma financial statements for the year ended December 31, 2017.

Selected Information

Description	December 31, 2017 (audited)	December 31, 2016 (audited)
Revenue	£1,348,052	£424,952
Net income (loss)	(£307,768)	(£801,839)
Net loss per share (basic and diluted)	(£0.28)	(£0.87)
Total Assets	£6,752,821	£4,813,647
Total liabilities	£1,238,907	£608,353
Cash dividends per share	nil	nil

The Issuer has not paid dividends on its shares nor does it intend to do so in the foreseeable future. The future payment of dividends will be dependent upon the financial requirements of the Issuer to fund future growth, the financial condition of the Issuer and other factors that the board of directors of the Issuer may consider appropriate in the circumstances.

5.2 – Quarterly Information – Hydro

Quarter	12/31/17	9/30/17	6/30/17	3/31/17	12/31/16	9/30/16	6/30/16	3/31/16
Revenue - GBP	458,914	427,643	354,463	107,031	172,624	74,192	128,175	49,961
Net income from continuing operations - GBP	401,276	(229,073)	(119,623)	(360,812)	(227,717)	(338,612)	(85,048)	(150,462)
Net income/loss in total and on per share basis - GBP	0.37	(0.21)	(0.13)	(0.39)	(0.25)	(0.37)	(0.16)	(0.29)

5.3 – Dividends

The Issuer has not paid dividends in the past and it has no present intention of paying dividends. Future dividends, if any, will be determined by the board on the basis of earnings, financial requirements and other conditions existing at the time.

5.4 – Foreign GAAP

This section is not applicable to the Issuer.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

6.1 – Management's Discussion and Analysis – Hydro

Please refer to Schedule "A" for Hydro's Management's Discussion and Analysis for the years ended December 31, 2017. The date of the MD&A is December 31, 2017.

7. MARKET FOR SECURITIES

7.1 – Listings

The securities of the Issuer are not currently listed on an exchange or quotation and trade reporting system. Prior to the Amalgamation, the Caza Shares were listed and traded on the TSXV under the symbol "CZY".

8. CONSOLIDATED CAPITALIZATION

8.1(a) – Consolidated Capitalization – Issuer

The following table sets forth the pro forma share and loan capital of the Issuer, on a consolidated basis, after giving effect to the Amalgamation and listing on the CSE:

Designation of Security	Amount Authorized or to be Authorized	Amount Outstanding as of the date of Listing
Common Shares	Unlimited	127,000,000
Options	10% of issued and outstanding shares	8,050,000(1)
Warrants	N/A	50,096,000(2)(3)

Notes:

(1) *Options will have an exercise price of $0.50 for a term of 3 years and vesting 33% on the grant date, 33% on the first anniversary from the grant date and 33% on the second anniversary from the grant date.*

(2) *Includes 5,000,000 warrants having an exercise price of $0.50 for a period of one year from the listing on the CSE, 25,000,000 warrants having an exercise price of $0.75 for a period of two years from the listing on the CSE and 96,000 broker warrants exercisable into units of the Issuer having as exercise price of $0.50 for a period of two years from the listing on the CSE. Each unit being comprised of one common share of the Issuer and one common share purchase warrant exercisable into one common share at a price of $0.75 for a period of two years from the listing on the CSE.*

(3) *Includes 20,000,000 warrants issuable in respect of the automatic conversion of the Convertible Debentures upon listing on the CSE.*

Fully Diluted Share Capital

The following table states the number and percentage of securities of the Issuer outstanding on a fully diluted basis after giving effect to the Amalgamation, assuming the exercise or conversion of all options and convertible securities into common shares of the Issuer.

Securities	Number	Approximate % - Fully Diluted
Common Shares issued to former shareholders of Caza	2,000,000	1.09%
Common Shares issued to former securityholders of Arctic	125,000,000	67.48%
Total Common Shares	**127,000,000**	**68.56%**
Warrants	30,000,000	16.20%
Common Shares issuable pursuant to warrants issued in connection with the automatic conversion of the Convertible Debentures	20,000,000	10.80%
Common Shares issuable pursuant to the broker warrants	192,000	0.10%
Common Shares issuable pursuant to stock options	8,050,000	4.35%
Total	**185,242,000**	**100%**

9. OPTIONS TO PURCHASE SECURITIES

9.1 – Stock Option Plan – Issuer

The Issuer currently has an incentive stock option plan (the "**Plan**"). The Plan is the Issuer's only equity compensation plan. As of the date of this Listing Statement, the Issuer has granted an aggregate amount of 8,050,000 stock options to its directors, officers, employees and consultants for services provided or to be provided, directly or indirectly, to the Issuer.

The Plan is a rolling stock option plan, under which 10% of the outstanding common shares at any given time are available for issuance thereunder. The exercise price of each option may not be less than the market price of the common shares as calculated on the date of grant less an applicable discount. The options can be granted for a maximum term of five (5) years and vesting periods are determined by the Board. The purpose of the Plan is to advance the interests of the Issuer by (i) providing certain employees, officers, directors or consultants of the Issuer (collectively, the "**Optionees**") with additional performance incentives; (ii) encouraging common share ownership by the Optionees; (iii) increasing the proprietary interest of the Optionees in the success of the Issuer; (iv) encouraging the Optionees to remain with the Issuer; and (v) attracting new employees, officers, directors and consultants to the Issuer.

10. DESCRIPTION OF THE SECURITIES

10.1 – Description of the Issuer's Securities

The Issuer is authorized to issue unlimited common shares without par value. All of the common shares of the Issuer are of the same class and, once issued, rank equally as to entitlement to dividends, voting powers (one vote per share) and participation in assets upon dissolution or winding up. No common shares of the Issuer have been issued subject to call or assessment.

There are no pre-emptive rights, no conversion or exchange rights, no redemption, retraction, purchase for cancellation or surrender provisions. There are no sinking or purchase fund provisions, no provisions permitting or restricting the issuance of additional securities or any other material restrictions, and there are no provisions which are capable of requiring a securityholder to contribute additional capital.

Other than the pre-emptive right granted to Khan Resources Inc. for Khan to maintain their 3.9% pro rata interest pursuant to an agreement entered into on February 27, 2018, there are no other pre-emptive rights attached to the Issuer's securities.

Following listing on the CSE, there will be a total of 127,000,000 Issuer Shares, 50,096,000 Issuer common share purchase warrants and 8,050,000 Issuer options outstanding.

10.2 – 10.6 – Miscellaneous Securities Provisions

None of the matters set out in sections 10.2 to 10.6 of CSE - Form 2A are applicable to the Issuer Shares.

10.7 – Prior Sales of Arctic Shares

As at the date of this Listing Statement, there are 127,000,000 Issuer Shares issued and outstanding. Other than described below, there were no Common Shares or securities of Arctic or Hydro issued within 12 months of the date of this Listing Statement:

Date of Issuance	Type of Security Issued	Number of Arctic Securities Issued	Price Per Security	Value Received	Type of Transaction
April 30, 2018	Options	8,050,000	$0.50 (exercise price)	N/A	Option issuance
February 28, 2018	Common Shares	100,000,000	$0.50	$50,000,000	Purchase of Hydro shares pursuant to Hydro acquisition
February 28, 2018	Warrants	25,000,000	$0.75 (exercise price)	N/A	Purchase of Hydro shares pursuant to Hydro acquisition
February 27, 2018	Convertible Debentures	Up to 20,000,000 common shares and 20,000,000 warrants on conversion	$0.50 (conversion price)	N/A	Private Placement
February 27, 2018	Broker Warrants	96,000 exercisable into units	$0.50 (exercise price)	N/A	Private Placement
February 23, 2018	Common Shares	5,000,000	$0.01	$50,000	Private Placement
February 23, 2018	Warrants	5,000,000	$0.50 (exercise price)	$50,000	Private Placement
	TOTAL:	**125,000,000 Arctic Shares 50,096 ,000 Arctic Warrants 8,050,000 Arctic Options**			

All of the Arctic Shares were exchanged for Issuer Shares on a 1-for-1 basis upon completion of the Transaction on June 8, 2018.

10.8 – Stock Exchange Price

The Common Shares of the Issuer were not listed and posted for trading on a Canadian stock Exchange.

11. ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESALE RESTRICTIONS

11.1 – Escrowed Securities

In accordance with NP 46-201, all common shares of an "emerging issuer" (as such term is defined in NP 46-201) which are owned or controlled by its Principal (as such term is defined below) will be escrowed at the time of the issuer's initial public offering, unless the shares held by the Principal or issuable to the Principal upon conversion of convertible securities held by the Principal, represent less than 1% of the total issued and outstanding shares of the issuer after giving effect to the initial public offering. Upon completion of the Transaction, the Issuer will be classified as an emerging issuer.

Pursuant to an agreement to be dated on or before the date of listing (the "**Escrow Agreement**"), the following Escrowed Shares are held in escrow:

Designation of class held in escrow	Number and Type of Securities	Percentage of Class(1)
Common Shares	94,228,862	74.19%
Warrants	25,838,166	50.58%

Notes:

(1) Based on 127,000,000 common shares and 50,096,000 warrants outstanding.

The Shares subject to the Escrow Agreement will be released according to the following schedule:

On the Listing Date	$^1/_{10}$ of the escrow securities
6 months after the Listing Date	$^1/_6$ of the remaining escrow securities
12 months after the Listing Date	$^1/_5$ of the remaining escrow securities
18 months after the Listing Date	$^1/_4$ of the remaining escrow securities
24 months after the Listing Date	$^1/_3$ of the remaining escrow securities
30 months after the Listing Date	$^1/_2$ of the remaining escrow securities
36 months after the Listing Date	The remaining escrow securities

Assuming there are no changes to the escrow securities initially deposited and no additional escrow securities are deposited, this will result in a 10% release on the Listing Date, with the remaining escrow securities being released in 15% tranches every six months thereafter.

Pursuant to the terms of the Escrow Agreement, the securities of the Issuer held in escrow may be transferred within escrow to an individual who is a director or senior officer of the Issuer or of material operating subsidiary of the Issuer, subject to the approval of the Issuer's board of directors, or to a person or company that before the proposed transfer holds more than 20% of the voting rights attached to the Issuer's outstanding securities, or to a person or company that after the proposed transfer will hold more than 10% of the voting rights attached to the Issuer's outstanding securities and that has the right to elect or appoint one or more directors or senior officers of the Issuer or any of its material operating subsidiaries. Pursuant to the terms of the Escrow Agreement, upon the bankruptcy of a holder of escrowed securities, the securities held in escrow may be transferred within escrow to the trustee in bankruptcy or other person legally entitled to such securities. Upon the death of a holder of escrowed securities, all securities of the deceased holder will be released from escrow to the deceased holder's legal representative.

For the purposes of NP 46-201 "Principals" include all persons or companies that, on the completion of the initial public offering, fall into one of the following categories:

(a) directors and senior officers of the Issuer or a material operating subsidiary of the Issuer, at the time of the initial public offering;

(b) promoters of the Issuer during the two years preceding the initial public offering;

(c) those who own and/or control, directly or indirectly, more than 10% of the Issuer's voting securities (on a fully diluted basis) immediately before and immediately after completion of the initial public offering and if they also have elected or appointed or have the right to elect or appoint a director or senior officer of the Issuer or of a material operating subsidiary of the Issuer;

(d) those who own and/or control more than 20% of the Issuer's voting securities (on a fully diluted basis) immediately before and immediately after completion of the initial public offering; and

(e) the spouse(s) and relative(s) that live at the same address as any of the above.

12. PRINCIPAL SHAREHOLDERS

12.1 and 12.2 – Principal Shareholders

As at the date of this Listing Statement, to the knowledge of the directors and officers of the Issuer, no person or corporation beneficially owns, directly or indirectly, or exercises control or direction over, voting securities of the Issuer carrying more than 10% of the voting rights attached to the Issuer Shares other than as follows:

Name	Type of Ownership	Number and Percentage of Common Shares
David Rowe	Of record and beneficial	49,915,450 (39.30%)
Robert Keith	Of record and beneficial	36,934,254 (29.08%)

Note:

(1) Based on 127,000,000 common shares outstanding.

12.3 – Voting Trusts

To the knowledge of the Issuer, no voting trust exists such that more than 10% of any class of voting securities of the Issuer are held, or are to be held, subject to any voting trust or other similar agreement.

13. DIRECTORS AND OFFICERS

13.1 – 13.3, 13.5, 13.11 – Directors and Officers

The following table sets forth the name of all current directors and officers of the Issuer, their municipalities of residence, their current positions with the Issuer, their principal occupations during the past five years and the number and percentage of Issuer Shares beneficially owned, directly or indirectly, or over which control or direction is exercised as at the date of this Listing Statement:

Name, Address, Occupation and Security Holdings

Name, Municipality of Residence[1], Position(s) with Issuer	Principal Occupation or Employment During the Past Five Years	Period served in position with Issuer and expiry of term	Number[2] and Percentage of Shares of the Issuer Held as at the date of the Listing Statement [3]
David Rowe[4][5] London, United Kingdom Chairman and Director	Chairman of Black Green Capital Limited	Director of Hydro since May 7, 2014 Until next annual meeting of shareholders	49,915,450 (39.3%)
Anne Graf, Lulea, Sweden Chief Executive Officer and Director	CEO of Hydro and prior to that chief commercial officer at Node Pole, Sweden	CEO of Hydro since October 1, 2016 Until next annual meeting of shareholders	676,309 (0.53%)
Richard Patricio[4], Mississauga, Ontario Director	President and CEO of Mega Uranium Ltd. (March 2015 to present) and Executive Vice President (2005 to 2015); CEO of Pinetree Capital Ltd. (February 2015 to April 2016); Vice-President, Legal and Corporate Affairs, Pinetree Capital Ltd. (2005 to February 2015	CEO and Director of Arctic since December 4, 2017 Until next annual meeting of shareholders	950,000 (0.75%)[5]
Richard Croft[5] London, United Kingdom Director	Solicitor and Hydro director	Director of Hydro since May 7, 2014 Until next annual meeting of shareholders	2,287,871 (1.8%)

Name, Municipality of Residence(1), Position(s) with Issuer	Principal Occupation or Employment During the Past Five Years	Period served in position with Issuer and expiry of term	Number(2) and Percentage of Shares of the Issuer Held as at the date of the Listing Statement (3)
Michael Hudson(4)(5) Toronto, Ontario, Canada Director	Professional Geologist. Chairman and CEO of Hannan Metals Ltd. and Mawson Resources Ltd. Mr. Hudson has over 25 years of experience in mineral exploration in Australia, Asia, South America and Europe. He has developed junior exploration companies over the past 16 years in the Canadian markets. Mr. Hudson graduated from the University of Melbourne in 1991 with a B.Sc. (Hons) in Geology and holds a Graduate Diploma of Applied Finance and Investment through the Financial Services Institute of Australia (FINSIA) obtained in 2005. He is a Fellow of the Australasian Institute of Mining and Metallurgy and a member of both the Society for Economic Geologists and Australian Institute of Geoscientists.	Director of Arctic since December 4, 2017 Until next annual meeting of shareholders	1,741,667 (1.37%)
Juliet Pedrazas, London, United Kingdom Chief Financial Officer	Accountant	CFO of Hydro since May 7, 2014 Until next annual meeting of shareholders	1,373,711 (1.08%)
Nick DeMare Vancouver, British Columbia Corporate Secretary	Chartered Professional Accountant	Corporate Secretary of Arctic since December 4, 2017	349,600 (0.27%)

Notes:

(1) *The information as to municipality of residence and principal occupation, not being within the knowledge of the Issuer, has been furnished by the respective directors and officers individually.*

(2) *The information as to shares beneficially owned or over which a director or officer exercises control or direction, not being within the knowledge of the Issuer, has been furnished by the respective directors and officers individually.*

(3) *On an issued and undiluted basis.*

(4) *Members of the Audit Committee. Michael Hudson is the Chair of the Audit Committee. Each member is financially literate as is defined under National Instrument 52-110 - Audit Committees.*

(5) *Members of the Compensation and Nominating Committee. David Rowe is the Chair of the Compensation and Nominating Committee.*

As at the date of this Listing Statement, the directors and officers of the Issuer as a group beneficially own, directly or indirectly, an aggregate of 57,294,608 Issuer Shares, representing 45.11% of the issued and outstanding Issuer Shares on a non-diluted basis.

Management and Directors

The following are brief biographical descriptions of the management and directors of the Issuer.

David Rowe (Age 59): – Director and Chairman

David Rowe is the CEO of Black Green Capital, a Venture Capital investment company based in London specialising in disruptive digital transformation. Companies in the portfolio include:

Verasity.io, hydro66.com, sendwyre.com, and message.io. David was CEO and founder of Easynet Group, a UK listed global Enterprise Cloud services business sold to BSkyB in 2006. David subsequently headed up B2B at BSkyB.

Anne Graf (Age: 36) – Chief Executive Officer and Director

Anne Graf is the CEO of Hydro66 and has significant regional expertise in electricity supply markets and data center planning regulations. She has lived and worked in the UK, Belgium and Germany. Anne is also chair of Meramedia, a Swedish communications agency.

Richard Patricio (Age: 44) –Director

In March 2015, Mr. Patricio was appointed Chief Executive Officer and President of Mega Uranium Ltd., having been its Executive Vice-President since 2005. From February 2015 to April 2016, Mr. Patricio was the Chief Executive Officer of Pinetree Capital Ltd., having been its Vice-President, Corporate and Legal Affairs since 2005. Previously, Mr. Patricio worked as in-house General Counsel for a senior TSX-listed manufacturing company. Prior to that, Mr. Patricio practiced law at Osler LLP in Toronto where he focused on mergers and acquisitions, securities law and general corporate matters. Mr. Patricio has built a number of companies, primarily in the mining and investment sectors, with global operations and holds and has held senior officer and director positions in several companies listed on stock exchanges in Toronto, Australia, London and New York. Mr. Patricio received his law degree from Osgoode Hall and was called to the Ontario bar in 2000.

Richard Croft (Age: 54) –Director

Richard Croft is a solicitor with more than 20 years' experience of corporate and commercial law. Richard's current directorships include Maistro Plc, Croft Legal Services Limited, Black Green Capital Limited and Hydro66 UK Limited. His initial career was at GEC and as general counsel for Easynet Group. Richard specialises in TMT and new media commercial law.

Michael Hudson (Age: 49) – Director

Mr. Michael Hudson, B.Sc. (Hons 1st) is an explorationist and entrepreneur. During the last 25 years he has developed and financed mineral exploration properties and since 2004 has headed Mawson Resources Ltd (TSX: MAW) as Chairman, CEO and Director. He graduated from the University of Melbourne in 1990 with a B.Sc. (Hons 1st) in Geology and more recently received the Tolhurst Noall Prize for "Mining Investment Analysis" in Victoria, Australia for the FINSIA Graduate Diploma. Starting his career underground for 3 years in Broken Hill in 1990 with Pasminco Ltd., he has managed and developed exploration to pre-feasibility projects in Pakistan, Australia, Peru, Argentina, Mexico, Finland, Spain, Portugal and Sweden for major and junior mining companies. He was an integral team member for the discovery of the Portia gold deposit in the Olary district of South Australia, the Duddar Pb-Zn mine in Pakistan, the Norra Karr REE deposit in Sweden and the Rompas-Rajapalot gold property in Finland. Mr. Hudson is a founder and Chairman of Leading Edge Materials (TSXV:LEM) a critical metals company in Sweden which owns a globally significant heavy rare earth element project, and a graphite mine targeting the high purity graphite battery electrical storage industry, and a founder of Darwin Resources

Ltd (now Tinka Resources Ltd TSXV:TK), a zinc explorer and developer in Peru. He is also a founder and director of Hannan Metals Ltd, a private company with base metal interests in Europe. He is a Fellow of the Australasian Institute of Mining and Metallurgy and Member of both the Society for Economic Geologists and Australian Institute of Geoscientists.

Juliet Pedrazas (Age: 43) – Chief Financial Officer

Juliet Pedrazas is a chartered accountant with 18 years' experience. Juliet trained as an auditor with PwC. Prior to Hydro66, Juliet was Head of Finance for Easynet Group.

Nick DeMare (Age: 63) – Corporate Secretary

Mr. DeMare, a chartered professional accountant, has been President of Chase Management Inc. since 1991, providing accounting, management, securities regulatory compliance and corporate secretarial services to private and public-listed companies. Mr. DeMare also serves as an officer and/or director of a number of public-listed companies. Mr. DeMare holds a Bachelor of Commerce degree from the University of British Columbia and is a member in good standing of the Institute of Chartered Professional Accountants of British Columbia.

13.4 – Board Committees of the Issuer

It is anticipated that the Issuer will institute an audit committee of its board of directors. Other committees of the board of directors may be instituted as the Issuer deems necessary or advisable.

It is anticipated that Richard Patricio, Michael Hudson (Chair) and David Rowe will comprise the members of the audit committee.

13.5 – Other Reporting Issuers

The following table sets out the directors and officers of the Issuer that are, or have been directors or officers of other issuers that are or were reporting issuers within the last 5 years:

Name	Name of Reporting Issuer	Name of Trading Market	Position	From	To
Richard Patricio	Plateau Energy Metals Inc.	TSXV	Director	April 7, 2014	March 10, 2016
	U308 Corp.	TSX	Director	February 16, 2010	July 29, 2015
	Toro Energy Limited	TSXV	Director	November 19, 2013	Present
	Terreno Resources Corp.	TSXV	Director	August 20, 2010	July 1, 2017
	Kerr Mines Inc.	TSX	Director	December 20, 2016	March 29, 2017
	Energy Fuels Inc.	TSX, NYSE	Director	February 29, 2012	June 6, 2015
	Caledonia Mining Corporation	TSX, NYSE	Director	May 15, 2012	August 10, 2015
	Macarthur Minerals Limited	TSXV	Director	September 18, 2012	April 27, 2015
	Latin American Minerals Inc.	TSXV	Director	July 13, 2016	Present

Name	Name of Reporting Issuer	Name of Trading Market	Position	From	To
	NexGen Energy Ltd. (previously Clermont Capital)	TSX, NYSE	Director	December 12, 2012	Present
	ISOEnergy Inc.	TSXV	Director	October 13, 2016	Present
	NxGold Ltd.	TSXV	Director	February 2, 2017	Present
David Rowe	Maistro Plc	LSE	Director and Chairman	July 10, 2017	Present
Richard Croft	Maistro Plc	LSE	Director	July 10, 2017	Present
Michael Hudson	Hannan Metals Ltd.	TSXV	Director, Chairman and CEO	October 2016	Present
	Mawson Resources Limited	TSX	Director, Chairman and CEO	November 2016	Present
	Leading Edge Materials Ltd.	TSXV	Director	September 2016	Present
Nick De Mare	Advantage Lithium Corp. (*formerly North South Petroleum Corp., formerly Valor Resources Ltd.*)	TSXV	CFO Secretary CFO Director	03/07 05/15 08/16 03/17	01/10 Present Present Present
	Aguila American Resources Ltd.	TSXV	Director CFO & Secretary Interim CEO	01/03 10/04 02/17	Present Present Present
	Altair Resources Inc.	TSXV	Secretary Interim CFO	05/16 06/17	Present Present
	Argentina Lithium & Energy Corp.	TSXV	Director	11/16	Present
	Astur Gold Corp.	TSXV	CFO	04/10	08/16
	Ava Resources Corp.	TSXV	Director Director CFO	06/13 11/09 08/10	03/14 06/12 03/12
	Canex Energy Corp.	TSXV	CFO Director	01/17 07/16	05/2017 05/2017
	Caymus Resources Inc.	TSXV	Director CFO & Secretary	08/13 09/13	03/14 01/14
	Darwin Resources Corp.	TSXV	Director & CFO	08/11	07/14
	East West Petroleum Corp.	TSXV	Director & CFO	12/09	Present
	GGL Diamond Corp.	TSXV	Director CFO (to Oct 31, 2017)	05/89 05/04	Present 10/17
	Global Daily Fantasy Sports Inc. (*formerly Lariat Resources Ltd.*)	TSXV	Director	04/03	Present
	Hannan Resources Ltd. (*formerly Mitchell Resources Corp. formerly Kola Mining Corp.*)	TSXV	President & CEO Director Secretary CFO	07/13 10/02 01/09 09/05	Present Present 12/11 03/10
	Hansa Resources Limited	TSXV	Director CFO & Secretary	08/08 03/09	Present Present

Name	Name of Reporting Issuer	Name of Trading Market	Position	From	To
	Kingsmen Resources Limited (*formerly Tumi Resources Limited*)	TSXV	Director CFO	01/01 06/11	Present Present
	Leading Edge Materials Corp. (*formerly Flinders Resources Limited*)	TSXV	Director CFO	10/10 02/12	12/17 Present
	Mawson Resources Corp.	TSX	Director CFO	03/04 12/07	Present Present
	Meridius Resources Limited	TSXV	Director & CFO	08/17	Present
	Mirasol Resources Ltd.	TSXV	Director	02/05	Present
	Rochester Resources Ltd.	TSXV	Director CEO Chairman	06/07 03/18 06/07	Present Present 03/18
	Rockshield Capital Corp. (*formerly CuOro Resources Corp.*)	TSXV	Director & CFO	06/10	Present
	Salazar Resources Limited	TSXV	Director Secretary	06/88 03/07	Present Present
	Seaway Energy Services Inc.	TSXV	Director & CFO	10/16	Present
	Tasman Metals Ltd.	TSXV & NYSE-MKT	Director CFO	10/09 10/09	08/16 08/16
	Tinka Resources Limited	TSXV	Director CFO	10/02 03/11	Present Present

13.6 – Corporate Cease Trade Orders or Bankruptcies

Other than as set out below, no director, officer or promoter of the Issuer has, within the last ten years, been a director, officer or promoter of any reporting issuer that, while such person was acting in that capacity, or within a period of one year thereafter, was the subject of a cease trade or similar order or an order that denied the company access to any statutory exemption for a period of more than 30 consecutive days or was declared a bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that person.

13.7, 13.8 – Penalties or Sanctions

No director, officer, or promoter of the Issuer, or any shareholder anticipated to hold a sufficient amount of securities of the Issuer to materially affect control of the Issuer, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would be likely to be considered important to a reasonable investor making an investment decision.

13.9 – Personal Bankruptcies

No director, officer or promoter of the Issuer, or a shareholder anticipated to hold a sufficient amount of securities of the Issuer to affect materially the control of the Issuer, or a personal holding company of any such persons, has, within the 10 years preceding the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

13.10 – Conflicts of Interest

To the best knowledge of the Issuer, and other than as disclosed herein, there are no known existing or potential material conflicts of interest between the Issuer or a subsidiary of the Issuer and a director, officer or promoter of the Issuer except that certain of the directors, officers and promoters of the Issuer serve as directors, officers and promoters of other companies and therefore it is possible that a conflict may arise between their duties as a director, officer or promoter of the Issuer and their duties as a director, officer and promoter of such other companies. See *Section 17 – Risk Factors*.

The directors, officers and promoters of the Issuer are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors of conflicts of interest and the Issuer will rely upon such laws in respect of any directors' and officers' conflict of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the BCBCA, and they will govern themselves in respect thereof to the best of their ability in accordance with the obligation imposed upon them by law.

13.11 – Management Contracts

Other than the contracts entered into with certain officers of Hydro as described under Section 15.1(B) below there are no other management contracts of the Issuer as at the date of this Listing Statement.

14. CAPITALIZATION

14.1 – Issued Capital (Post-Transaction)

As at the date of this Listing Statement, the Issuer has the following issued and outstanding securities according to the below table:

	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% of Issued (non-diluted)	% of Issued (fully diluted)
Public Float				
Total outstanding (A)	127,000,000	185,242,000	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	94,228,862	123,067,828	74.19%	66.44%
Total Public Float (A-B)	32,771,138	62,174,172	26%	33.56%
Freely-Tradable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	86,849,704	109,162,130	68.4%	58.93%
Total Tradable Float (A-C)	40,150,296	74,629,870	31.6%	40.29%

Public Securityholders (Registered)

Class of Security – Common Shares

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	125	62,500
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	102	32,708,638
Total	227	32,771,138

Public Securityholders (Beneficial)

Class of Security – Common Shares

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	125	62,500
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	103	32,708,638
Total	228	32,771,138

Non-Public Securityholders (Registered)

Class of Security

Size of Holding (Post-Transaction)	Number of holders	Total number of securities
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	9	94,228,862
Total	9	94,228,862

14.2 – Convertible Securities

Description of Security	Exercise Price	Number of convertible/ exchangeable securities outstanding	Number of listed securities issuable upon conversion/ exercise
Stock options granted to executive officers and directors of the Issuer	$0.50	8,050,000	8,050,000

Description of Security	Exercise Price	Number of convertible/ exchangeable securities outstanding	Number of listed securities issuable upon conversion/ exercise
Common shares issuable on the exercise of Issuer Warrants	$0.50 to $0.75	50,000,000	50,000,000
Common shares issuable on the exercise of broker warrants	$0.50 to $0.75	192,000	192,000
Total		**58,242,000**	**58,242,000**

14.3 – Other Securities reserved for Issuance

There are no other securities of the Issuer reserved for issuance.

15. EXECUTIVE COMPENSATION

Under applicable securities legislation, the Issuer is required to disclose certain financial and other information relating to the compensation of the Chief Executive Officer, the Chief Financial Officer and the most highly compensated executive officer of the Issuer as at December 31, 2017 whose total compensation was more than $150,000 for the financial year of the Issuer ended December 31, 2017 (collectively the "**Named Executive Officers**") and for the directors of the Issuer.

15.1 Compensation of Executive Officers

A. Named Executive Officers

The Issuer currently has the following two Named Executive Officers ("**NEO**"): Anne Graf, CEO and Juliet Pedrazas, CFO.

Summary Compensation Table

The following table provides a summary of compensation paid, directly or indirectly, for each of the two most recently completed financial years, and the proposed compensation for the 2018 fiscal year, to the Named Executive Officers and the directors of the Issuer:

TABLE OF COMPENSATION EXCLUDING COMPENSATION SECURITIES							
Name and position	**Year**	**Salary, consulting fee, retainer or commission ($)**	**Bonus ($)**	**Committee or meeting fees[2] ($)**	**Value of perquisites ($)**	**Value of all other compensation ($)**	**Total compensation ($)**
David Rowe Chairman and Director	2018 2017 2016	96,000 42,000 104,000	64,000 Nil Nil	10,300 Nil Nil	Nil Nil Nil	Nil Nil Nil	170,300 42,000 104,000

Anne Graf[1] CEO and Director	2018 2017 2016	259,000 252,000 58,000	64,000 Nil Nil	Nil Nil Nil	Nil Nil Nil	4,000 Nil Nil	327,000 252,000 58,000
Juliet Pedrazas CFO	2018 2017 2016	140,000 122,000 88,000	64,000 Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	204,000 122,000 88,000
Richard Patricio Director	2018 2017	21,000 Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	21,000 Nil
Michael Hudson Director	2018 2017	21,000 Nil	Nil Nil	10,300 Nil	Nil Nil	Nil Nil	31,300 Nil
Richard Croft Director	2018 2017 2016	208,000 109,000 101,000	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	208,000 109,000 101,000

Notes:

(1) *Anne Graf is paid in Swedish Krona. The above chart uses a SEK to CAD exchange rate of 0.1547 for 2018, 0.1520 for 2017 and 0.1550 for 2016. The other amounts in the chart for the remaining officers and directors are paid in Great British Pound using a GBP to CAD of 1.7638 for 2018, 1.6714 for 2017 and 1.7971 for 2016.*

(2) *Based on the assumption that committee and meeting fees will begin on June 1, 2018.*

Stock Options and Other Compensation Securities

No compensation securities were granted or issued to each Named Executive Officer or to each director of the Issuer during the most recently completed financial year of the Issuer for services provided or to be provided, directly or indirectly, to the Issuer or any of its subsidiaries. No compensation securities were exercised by any Named Executive Officer or any director of the Issuer during the most recently completed financial year of the Issuer.

The Issuer has no equity compensation plans other than the Stock Option Plan.

B. Employment, Consulting and Management Agreements

Other than as set forth below, the Issuer does not have any agreement or arrangement under which compensation was provided during the most recently completed financial year or is payable in respect of services provided to the Issuer that were: (a) performed by a NEO or director of the Issuer; or (b) performed by any other party which provided services that are typically provided by a NEO or a director of the Issuer.

Juliet Pedrazas has entered into a service agreement with Megamining Limited (a wholly owned subsidiary of Hydro) dated September 2, 2014 whereby Ms. Pedrazas has agreed to act as the CFO of Megamining Limited for an annual base salary of £79,000. Pursuant to the terms of this agreement Ms. Pedrazas is entitled to three months' notice on termination without cause.

Anne Graf, via her service company Moiety AB, entered into a consultancy agreement with Hydro66 Services AB (a wholly owned subsidiary of Hydro) effective October 1, 2016 whereby Ms. Graf has agreed to act as the CEO of Hydro for a monthly fee of SEK125,000. Effective

January 1, 2018 Ms Graf has entered into a service agreement with Hydro66 Svenska AB (a wholly owned subsidiary of Hydro) whereby Ms. Graf has agreed to continue to act as the CEO of Hydro for an annual base salary of SEK1,671,300.

Richard Croft, via his legal practice, Croft Legal Services Limited, entered into a secondment agreement with Megamining Limited (a wholly owned subsidiary of Hydro) effective September 15, 2014 whereby Mr Croft provides legal services to Megamining Limited for a monthly fee of £5,000.

David Rowe entered into a letter of appointment with Megamining Limited (a wholly owned subsidiary of Hydro) effective 17 January, 2014 whereby Mr Rowe has agreed to act as chairman of Megamining Limited for a monthly fee of £2,083.

Oversight and Description of Director and Named Executive Officer Compensation

Compensation of Directors

Compensation to be paid to the officers and directors of the Issuer will be determined by the board of directors of the Issuer once its operations have been established following completion of the Transaction. It is expected that compensation that will be paid by the Issuer to the Executive Officers in the twelve months period after the date of this Listing Statement will be based on, and consistent with, recommendations of the Board. In addition, the Board will recommend the compensation, if any, to be paid to directors for services rendered in that capacity. Directors will be entitled to participate in the stock option plan of the Issuer.

Compensation of Named Executive Officers

The board of directors of the Issuer will be responsible for reviewing compensation paid to the NEOs of the Issuer in determining compensation for the Issuer's executive officers relative to the performance of the Issuer in executing on its objectives once its operations have been established following completion of the Transaction.

It is expected that compensation that will be paid by the Issuer to the executive officers in the twelve months period after the date of this Listing Statement will be based on, and consistent with, recommendations of the Compensation and Nominating Committee. In addition, the Compensation and Nominating Committee may recommend the compensation, if any, to be paid to directors for services rendered in that capacity. Directors will be entitled to participate in the stock option plan of the Issuer. As of the date of this Listing Statement the Issuer has granted an aggregate amount of 3,700,000 stock options to its directors and officers for services provided or to be provided, directly or indirectly, to the Issuer.

Pension and Retirement Plans

Hydro operates a pension contribution scheme. For employees based in the UK the pension scheme was required by law beginning August 1, 2017. From August 1, 2017 to April 5, 2018 the scheme requires 2% of gross salary to be contributed of which 1% to be paid by the employer and 1% to be paid by the employee. From April 6, 2018 (the start of the new tax year in the

UK), the contributions required by law have increased to 5% of gross salary of which 3% will be paid by the employer and 2% will be paid by the employee.

Termination and Change of Control Benefits

The Issuer has not provided any compensation to any person who now acts or has previously acted as a Named Executive Officer or director of the Issuer as a result of a change of control of the Issuer, its subsidiaries or affiliates. The Issuer is not party to any compensation plan or arrangement with Named Executive Officers or directors of the Issuer resulting from the resignation or the termination of employment of such person.

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or officer of the Issuer or person who acted in such capacity in the last financial year of the Issuer, or any other individual who at any time during the most recently completed financial year of the Issuer was a director of the Issuer or any associate of the Issuer, is indebted to the Issuer, nor is any indebtedness of any such person to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer.

17. RISK FACTORS

17.1 – Description of Risk Factors

The following are certain risk factors relating to the business carried on by the Issuer which prospective investors should carefully consider before deciding whether to purchase Issuer Shares. The Issuer will face a number of challenges in the development of its technology and in building its business. Due to the nature of the Issuer and/or the Issuer's business and present stage of the business, the Issuer may be subject to significant risks. Readers should carefully consider all such risks, including those set out in the discussion below. The following is a description of the principal risk factors affecting Hydro that will, in turn, affect the Issuer.

General Business Risks

Operational Risks

The Issuer will be affected by a number of operational risks and the Issuer may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Issuer's technologies, personal injury or death, environmental damage, adverse impacts on the Issuer's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Issuer's future cash flows, earnings and financial condition. Also, the Issuer may be subject to or affected by liability or sustain loss for certain risks and hazards against which the Issuer cannot insure or which the Issuer may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Issuer's future cash flows, earnings, results of operations and financial condition.

Resale of Shares

There can be no assurance that the publicly-traded market price of the Issuer Shares will be high enough to create a positive return for the existing investors. Further, there can be no assurance that the Issuer Shares will be sufficiently liquid so as to permit investors to sell their position in the Issuer without adversely affecting the stock price. In such event, the probability of resale of the Issuer Shares would be diminished.

As well, the continued operation of the Issuer may be dependent upon its ability to procure additional financing in the short term and to generate operating revenues in the longer term. There can be no assurance that any such financing can be obtained or that revenues can be generated. If the Issuer is unable to obtain such additional financing or generate such revenues, investors may be unable to sell their Issuer Shares and any investment in the Issuer may be lost.

Market for Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the Issuer Shares will be subject to market trends generally, notwithstanding any potential success of the Issuer in creating revenues, cash flows or earnings. The value of the Issuer Shares will be affected by such volatility. An active public market for the Issuer Shares might not develop or be sustained after the completion of the Listing. If an active public market for the Issuer Shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline.

Global Financial Conditions

Current global financial conditions have been subject to increased volatility and access to financial markets has been severely restricted. These factors may impact the ability of the Issuer to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Issuer. If these increased levels of volatility and market turmoil continue, the Issuer's operations could be adversely impacted and the value and the price of the Issuer Shares could continue to be adversely affected.

Limited operating history

The Issuer has a limited operating history on which to base an evaluation of its respective business, financial performance and prospects. As such, the Issuer's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development. As the Issuer is in an early stage, its revenues may be materially affected by the decisions, including timing decisions, of a relatively consolidated customer base. In addition, it is also difficult to evaluate the viability of the Issuer's technology because the Issuer has had limited experience to address the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving markets. There can be no assurance that the Issuer will be successful in addressing these risks, and the failure to do so in any one area could have a material adverse effect on the Issuer's business, prospects, financial condition and results of operations.

The Issuer operates in new and evolving markets, which makes it difficult to evaluate the Issuer's business and future prospects.

The Issuer's services are sold in new and rapidly evolving markets. The cryptocurrency market is in early stages of customer adoption. Accordingly, the Issuer's business and future prospects may be difficult to evaluate. The Issuer cannot accurately predict the extent to which demand for its services or products or the usage of cryptocurrencies will increase, or if at all. The challenges, risks and uncertainties frequently encountered by companies in rapidly evolving markets could impact the Issuer's ability to do the following:

- generate sufficient revenue to maintain profitability;
- acquire and maintain market share;
- achieve or manage growth in operations;
- develop and renew contracts;
- attract and retain highly-qualified personnel;
- adapt to new or changing policies and spending priorities of governments and government agencies; and
- access additional capital when required and on reasonable terms.

If the Issuer fails to address these and other challenges, risks and uncertainties successfully, its business, results of operations and financial condition would be materially harmed.

If the Issuer fails to address these and other challenges, risks and uncertainties successfully, its business, results of operations and financial condition would be materially harmed

Substantial Capital Requirements

Management of the Issuer anticipates that they may make substantial capital expenditures for the acquisition, exploration, development and production of its technology in the future. They may have limited ability to raise the capital necessary to undertake or complete future development work. There can be no assurance that debt or equity financing will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Issuer. Moreover, future activities may require the Issuer to alter its capitalization significantly. The inability of the Issuer to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects. In particular, failure to obtain such financing on a timely basis could cause the Issuer to forfeit its interest in certain business opportunities, miss certain acquisition opportunities and reduce or terminate operations.

Dividends

To date, the Issuer has not paid any dividends on its outstanding shares. Any decision to pay dividends on the shares of the Issuer will be made by its board of directors on the basis of its earnings, financial requirements and other conditions.

Reliance on Management and Key Employees

The Issuer's future success depends substantially on the continued services of its executive officers and its key development personnel. If one or more of its executive officers or key development personnel were unable or unwilling to continue in their present positions, the Issuer might not be able to replace them easily or at all. In addition, if any of its executive officers or key employees joins a competitor or forms a competing company, the Issuer may lose know-how, key professionals and staff members as well as partners. These executive officers and key employees could develop the Issuer's technology that could compete with and take customers and market share away from the Issuer.

Management of Growth

The Issuer may experience a period of significant growth in the number of personnel that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. The Issuer's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

Risk Associated with Foreign Operations in Other Countries

The Issuer's primary revenues are expected to be achieved initially in Sweden. However, the Issuer may expand to markets outside of Sweden and become subject to risks normally associated with conducting business in other countries. The Issuer cannot predict government positions on such things as cryptocurrencies, foreign investment, intellectual property rights or taxation. A change in government positions on these issues could adversely affect the Issuer's business. Further, there is a risk of the Issuer being unable to attract corporate customers that are not in close proximity from the Issuer's operations.

Risks Associated with Acquisitions

As part of the Issuer's overall business strategy, after the completion of the Transaction, the Issuer may pursue select strategic acquisitions that would provide additional product or service offerings, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose it to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Issuer's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

Electronic Communication Security Risks

A significant potential vulnerability of electronic communications is the security of transmission of confidential information over public networks. Anyone who is able to circumvent the Issuer's security measures could misappropriate proprietary information or cause interruptions in its operations. The Issuer may be required to expend capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

Tax Risk

The Issuer will be considered to have been carrying on business in Canada for purposes of the *Income Tax Act* (the "**Tax Act**"). However the Issuer will be operating in a new and developing industry that has had historically low regulations and tax compliance. There is risk that foreign governments may look to increase their tax revenues or levy additional taxes. While the Issuer does not foresee any adverse tax affects, there is no guarantee that governments will not impose such additional adverse taxes in the future.

Currency Fluctuations

Due to the Issuer's present operations, and after completion of the Transaction, the Issuer's intention is to have future operations in jurisdictions outside Sweden, the Issuer is expected to be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the US dollar and other currencies, such as the British pound, may have a material adverse effect on the Issuer's business, financial condition and operating results. The Issuer may, after completion of the Transaction, expand operations globally so it may be subject to additional gains and losses against additional currencies. The Issuer does not currently have a foreign exchange hedging program in place. However, in the future, it may establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Issuer develops a hedging program, it may not hedge its entire exposure to any one foreign currency and it may not hedge its exposure at all with respect to certain foreign currencies.

Conflicts of Interest

Because directors and officers of the Issuer and/or Arctic are or may become directors or officers of other reporting companies or have significant shareholdings in other technology companies, the directors and officers of the Issuer may have a conflict of interest in conducting their duties. The Issuer and its directors and officers will attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Issuer, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases the Issuer will establish a special committee of independent directors to review a matter in which several directors, or officers, may have a conflict. In determining whether or not the Issuer will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Issuer, the degree of risk to which the Issuer may be exposed and its financial position at that time. Other than as indicated, the Issuer has no other procedures or mechanisms to deal with conflicts of interest.

Executive officers and directors may have rights to indemnification including directors' and officers' liability insurance that will survive consummation of their agreements.

Competitive Markets

The Issuer faces competition and new competitors will continue to emerge throughout the world. Services offered by the Issuer's competitors may take a larger market share than anticipated, which could cause revenue generated from the Issuer's products and services to fall below expectations. It is expected that competition in these markets will intensify.

If competitors of the Issuer develop and market more successful products or services, offer competitive products or services at lower price points, or if the Issuer does not produce consistently high-quality and well-received products and services, revenues, margins, and profitability of the Issuer will decline.

The Issuer's ability to compete effectively will depend on, among other things, the Issuer's pricing of services and equipment, quality of customer service, development of new and enhanced products and services in response to customer demands and changing technology, reach and quality of sales and distribution channels and capital resources. Competition could lead to a reduction in the rate at which the Issuer adds new customers, a decrease in the size of the Issuer's market share and a decline in its customers. Examples include but are not limited to competition from other companies in the same industry as the Issuer.

Uncertainty and adverse changes in the economy

Adverse changes in the economy could negatively impact the Issuer's business. Future economic distress may result in a decrease in demand for the Issuer's products, which could have a material adverse impact on the Issuer's operating results and financial condition. Uncertainty and adverse changes in the economy could also increase costs associated with developing and publishing products, increase the cost and decrease the availability of sources of financing, and increase the Issuer's exposure to material losses from bad debts, any of which could have a material adverse impact on the financial condition and operating results of the Issuer.

Risks Related to Cryptocurrency

The Issuer's cryptocurrency inventory may be exposed to cybersecurity threats and hacks.

As with any other computer code, flaws in the cryptocurrency codes have been exposed by certain malicious actors. Several errors and defects have been found and corrected, including those that disabled some functionality for users and exposed users' information. Discovery of flaws in or exploitations of the source code that allow malicious actors to take or create money have been relatively rare. A recent Ether hacking example occurred in late July of 2017. An unknown hacker exploited a critical flaw in the parity multi-signature wallet on the Ether network and drained three large wallets that had a combined total of over $31 million worth of Ether. If left undetected, the hacker could have been able to steal an additional $150 million of Ether. Fortunately, the loss was limited to the $31 million of Ether as white-hat hackers acted swiftly to protect the remaining accounts at risk.

Regulatory changes or actions may alter the nature of an investment in the Issuer or restrict the use of cryptocurrencies in a manner that adversely affects the Issuer's operations.

As cryptocurrencies have grown in both popularity and market size, governments around the world have reacted differently to cryptocurrencies with certain governments deeming them illegal while others have allowed their use and trade. On-going and future regulatory actions may alter, perhaps to a materially adverse extent, the ability of the Issuer to continue to operate.

The effect of any future regulatory change on the Issuer or any cryptocurrency that the Issuer may mine is impossible to predict, but such change could be substantial and adverse to the Issuer. Governments may in the future curtail or outlaw, the acquisition, use or redemption of cryptocurrencies. Ownership of, holding or trading in cryptocurrencies may then be considered illegal and subject to sanction. Governments may also take regulatory action that may increase the cost and/or subject cryptocurrency companies to additional regulation. For example, on July 25, 2017 the United States Securities and Exchange Commission released an investigative report which indicates that the United States Securities and Exchange Commission would, in some circumstances, consider the offer and sale of blockchain tokens pursuant to an initial coin offering subject to U.S. securities laws. Governments may in the future take regulatory actions that prohibit or severely restrict the right to acquire, own, hold, sell, use or trade cryptocurrencies or to exchange cryptocurrencies for fiat currency.

By extension, similar actions by other governments, may result in the restriction of the acquisition, ownership, holding, selling, use or trading in the Issuer Shares. Such a restriction could result in the Issuer liquidating its cryptocurrency inventory and mining equipment at unfavorable prices and may adversely affect the Company's shareholders.

The value of cryptocurrencies may be subject to momentum pricing risk.

Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. Cryptocurrency market prices are determined primarily using data from various exchanges, over-the-counter markets, and derivative platforms. Momentum pricing may have resulted, and may continue to result, in speculation regarding future appreciation in the value of cryptocurrencies, inflating and making their market prices more volatile. As a result, they may be more likely to fluctuate in value due to changing investor confidence in future appreciation (or depreciation) in their market prices, which could adversely affect the value of the Issuer's cryptocurrency inventory and mining equipment and thereby affect the Issuer's shareholders.

Cryptocurrency exchanges and other trading venues are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure.

To the extent that cryptocurrency exchanges or other trading venues are involved in fraud or experience security failures or other operational issues, this could result in a reduction in cryptocurrency prices. Cryptocurrency market prices depend, directly or indirectly, on the prices set on exchanges and other trading venues, which are new and, in most cases, largely unregulated as compared to established, regulated exchanges for securities, derivatives and other currencies. For example, during the past three years, a number of Bitcoin exchanges have been closed due to fraud, business failure or security breaches. In many of these instances, the customers of the closed Bitcoin exchanges were not compensated or made whole for the partial or complete losses of their account balances in such Bitcoin exchanges. While smaller exchanges are less likely to have the infrastructure and capitalization that provide larger exchanges with additional stability, larger exchanges may be more likely to be appealing targets for hackers and "malware" (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems) and may be more likely to be targets of regulatory enforcement action.

Banks may not provide banking services, or may cut off banking services, to businesses that provide cryptocurrency-related services or that accept cryptocurrencies as payment.

A number of companies that provide Bitcoin and/or other cryptocurrency-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to Bitcoin and/or other cryptocurrency-related companies or companies that accept cryptocurrencies for a number of reasons, such as perceived compliance risks or costs. The difficulty that many businesses that provide Bitcoin and/or other cryptocurrency-related services have and may continue to have in finding banks willing to provide them with bank accounts and other banking services may be currently decreasing the usefulness of cryptocurrencies as a payment system and harming public perception of cryptocurrencies or could decrease its usefulness and harm its public perception in the future. Similarly, the usefulness of cryptocurrencies as a payment system and the public perception of cryptocurrencies could be damaged if banks were to close the accounts of many or of a few key businesses providing Bitcoin and/or other cryptocurrency-related services. This could decrease the market prices of cryptocurrencies and adversely affect the value of the Issuer's cryptocurrency inventory and mining equipment inventory.

The impact of geopolitical events on the supply and demand for cryptocurrencies is uncertain.

Crises may motivate large-scale purchases of cryptocurrencies which could increase the price of cryptocurrencies rapidly. This may increase the likelihood of a subsequent price decrease as crisis-driven purchasing behavior wanes, adversely affecting the value of the Issuer's cryptocurrency inventory and mining equipment.

The possibility of large-scale purchases of cryptocurrencies in times of crisis may have a short-term positive impact on the prices of cryptocurrencies. For example, in March 2013, a report of uncertainty in the economy of the Republic of Cyprus and the imposition of capital controls by Cypriot banks motivated individuals in Cyprus and other countries with similar economic situations to purchase Bitcoins. This resulted in a significant short-term positive impact on the price of Bitcoin. However, as the purchasing activity of individuals in this situation waned, speculative investors engaged in significant sales of Bitcoin, which significantly decreased the price of Bitcoin. Crises of this nature in the future may erode investors' confidence in the stability of cryptocurrencies and may impair their price performance which would, in turn, adversely affect the value of the Issuer's cryptocurrency inventory and mining equipment.

As an alternative to fiat currencies that are backed by central governments, cryptocurrencies such as Ether, which are relatively new, are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of cryptocurrencies either globally or locally. Large-scale sales of cryptocurrencies would result in a reduction in their market prices and adversely affect the Issuer's operations and profitability.

The further development and acceptance of the cryptographic and algorithmic protocols governing the issuance of and transactions in cryptocurrencies is subject to a variety of factors that are difficult to evaluate.

The use of cryptocurrencies to, among other things, buy and sell goods and services and complete other transactions, is part of a new and rapidly evolving industry that employs digital assets based upon a computer-generated mathematical and/or cryptographic protocol. The growth of this industry in general, and the use of cryptocurrencies in particular, is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may adversely affect the Issuer's operations. The factors affecting the further development of the industry, include, but are not limited to:

- Continued worldwide growth in the adoption and use of cryptocurrencies;
- Governmental and quasi-governmental regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of the network or similar cryptocurrency systems;
- Changes in consumer demographics and public tastes and preferences;
- The maintenance and development of the open-source software protocol of the network;
- The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- General economic conditions and the regulatory environment relating to digital assets; and
- Negative consumer sentiment and perception of Bitcoins specifically and cryptocurrencies generally.

Acceptance and/or widespread use of cryptocurrency is uncertain

Currently, there is relatively small use of Bitcoins and/or other cryptocurrencies in the retail and commercial marketplace in comparison to relatively large use by speculators, thus contributing to price volatility that could adversely affect the Issuer's operations, investment strategies, and profitability.

As relatively new products and technologies, Bitcoins, the Bitcoin Network, and its other cryptocurrency counterparts have not been widely adopted as a means of payment for goods and services by major retail and commercial outlets. Conversely, a significant portion of cryptocurrency demand is generated by speculators and investors seeking to profit from the short-term or long-term holding of cryptocurrencies.

The relative lack of acceptance of cryptocurrencies in the retail and commercial marketplace limits the ability of end-users to use them to pay for goods and services. A lack of expansion by cryptocurrencies into retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in their market prices, either of which could adversely impact the Issuer's operations, investment strategies, and profitability.

Possibility of the Ether algorithm transitioning to proof of stake validation

Proof of stake is an alternative method in validating cryptocurrency transactions. Should the Ether algorithm shift from a proof of work validation method to a proof of stake method, mining Ether would require less energy and may render the Issuer less competitive as other miners are able to mine Ether with lower energy requirements. The Issuer's facility, which is located in a cool climate and low energy cost environment, may see its advantages decrease.

Issuer Cryptocurrency Risks

The Company's operations, investment strategies, and profitability may be adversely affected by competition from other methods of investing in cryptocurrencies.

The Issuer competes with other users and/or companies that are mining cryptocurrencies and other potential financial vehicles, possibly including securities backed by or linked to cryptocurrencies through entities similar to the Issuer. Market and financial conditions, and other conditions beyond the Issuer's control, may make it more attractive to invest in other financial vehicles, or to invest in cryptocurrencies directly which could limit the market for the Issuer's shares and reduce their liquidity.

The Issuer's coins may be subject to loss, theft or restriction on access.

There is a risk that some or all of the Issuer's coins could be lost or stolen. Access to the Issuer's coins could also be restricted by cybercrime (such as a denial of service ("**DDoS**") attack) against a service at which the Issuer maintains a hosted online wallet. Any of these events may adversely affect the operations of the Issuer and, consequently, its investments and profitability.

The loss or destruction of a private key required to access the Issuer's digital wallets may be irreversible. The Issuer's loss of access to its private keys or its experience of a data loss relating to the Issuer's digital wallets could adversely affect its investments.

Cryptocurrencies are controllable only by the possessor of both the unique public and private keys relating to the local or online digital wallet in which they are held, which wallet's public key or address is reflected in the network's public Blockchain. The Issuer will publish the public key relating to digital wallets in use when it verifies the receipt of Ether transfers and disseminates such information into the network, but it will need to safeguard the private keys relating to such digital wallets. To the extent such private keys are lost, destroyed or otherwise compromised, the Issuer's will be unable to access its coins and such private keys will not be capable of being restored. Any loss of private keys relating to digital wallets used to store the Issuer's Ether could adversely affect its investments and profitability.

Incorrect or fraudulent coin transactions may be irreversible

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred coins may be irretrievable. As a result, any incorrectly executed or fraudulent coin transactions could adversely affect the Issuer's investments.

Coin transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction. In theory, cryptocurrency transactions may be reversible with the control or consent of a majority of processing power on the network. Once a transaction has been verified and recorded in a block that is added to the Blockchain, an incorrect transfer of a coin or a theft of coin generally will not be reversible and the Issuer may not be capable of seeking compensation for any such transfer or theft. Although the Issuer's transfers of coins will regularly be made by experienced members of the management team, it is possible that, through computer or human error, or through theft or criminal action, the Issuer's coins could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts.

If the award of coins for solving blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations.

As the number of coins awarded for solving a block in the Blockchain decreases, the incentive for miners to continue to contribute processing power to the network will transition from a set reward to transaction fees. Either the requirement from miners of higher transaction fees in exchange for recording transactions in the Blockchain or a software upgrade that automatically charges fees for all transactions may decrease demand for the relevant coins and prevent the expansion of the network to retail merchants and commercial businesses, resulting in a reduction in the price of the relevant cryptocurrency that could adversely impact the Company's cryptocurrencies inventory and investments.

In order to incentivize miners to continue to contribute processing power to the network, the network may either formally or informally transition from a set reward to transaction fees earned upon solving for a block. This transition could be accomplished either by miners independently electing to record on the blocks they solve only those transactions that include payment of a transaction fee or by the network adopting software upgrades that require the payment of a minimum transaction fee for all transactions. If transaction fees paid for the recording of transactions in the Blockchain become too high, the marketplace may be reluctant to accept network as a means of payment and existing users may be motivated to switch between cryptocurrencies or back to fiat currency. Decreased use and demand for coins may adversely affect their value and result in a reduction in the market price of coins.

If the award of coins for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending processing power to solve blocks and confirmations of transactions on the Blockchain could be slowed temporarily. A reduction in the processing power expended by miners could increase the likelihood of a malicious actor or botnet obtaining control in excess of 50 percent of the processing power active on the Blockchain, potentially permitting such actor or botnet to manipulate the Blockchain in a manner that adversely affects the Issuer's mining activities.

If the award of coins for solving blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations. Miners ceasing operations would reduce collective processing power, which would adversely affect the confirmation process for transactions (i.e., decreasing the speed at which blocks are added to the Blockchain until the next scheduled adjustment in difficulty for block solutions) and make the network more vulnerable to a malicious actor or botnet obtaining control in excess of 50 percent of the processing power. Any reduction in confidence in the confirmation process or processing power of the network may adversely impact the Issuer's customers, its mining activities, inventory of coins, and future investment strategies.

The price of coins may be affected by the sale of coins by other vehicles investing in coins or tracking cryptocurrency markets.

To the extent that other vehicles investing in coins or tracking cryptocurrency markets form and come to represent a significant proportion of the demand for coins, large redemptions of the securities of those vehicles and the subsequent sale of coins by such vehicles could negatively affect cryptocurrency prices and therefore affect the value of the inventory held by the Issuer.

Risk related to technological obsolescence and difficulty in obtaining hardware

To remain competitive, the Issuer will continue to invest in hardware and equipment at the Issuer's facility required for maintaining the Issuer's mining activities. Should competitors introduce new services/software embodying new technologies, the Issuer recognizes its hardware and equipment and its underlying technology may become obsolete and require substantial capital to replace such equipment. The increase in interest and demand for cryptocurrencies has led to a shortage of mining hardware as cryptocurrency mining businesses purchase equipment in volume and individuals purchase equipment for mining at home. According to PC Gamer, AMD's Radeon RX 580 and Radeon RX 570 have been out of stock for months. The shortage has led to chip producers Nvidia and AMD to consider producing graphic cards specifically designed for mining cryptocurrencies, but it is not certain when these cards will be available for sale. Equipment at the Issuer's facility will require replacement from time to time. Shortages of graphics processing units may lead to unnecessary downtime as the Issuer searches for replacement equipment to ensure the facility is running smoothly.

Risks related to insurance

The Issuer intends to insure its operations in accordance with technology industry practice. However, given the novelty of cryptocurrency mining and associated businesses, such insurance may not be available, uneconomical for the Issuer, or the nature or level may be insufficient to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the Issuer.

The markets in which the Issuer competes are characterized by rapid technological change, which requires the Issuer to develop new products and product enhancements, and could render the Issuer's existing products obsolete.

Continuing technological changes in the market for the Issuer's products could make its products less competitive or obsolete, either generally or for particular applications. The Issuer's future success will depend upon its ability to develop and introduce a variety of new capabilities and enhancements to its existing product offerings, as well as introduce a variety of new product offerings, to address the changing needs of the markets in which it offers products. Delays in introducing new products and enhancements, the failure to choose correctly among technical alternatives or the failure to offer innovative products or enhancements at competitive prices may cause existing and potential customers to purchase the Issuer's competitors' products.

If the Issuer is unable to devote adequate resources to develop new products or cannot otherwise successfully develop new products or enhancements that meet customer requirements on a timely basis, its products could lose market share, its revenue and profits could decline, and the Issuer could experience operating losses.

The Issuer may experience outages and disruptions of its services if it fails to maintain adequate operational services, security and supporting infrastructure.

As the Issuer increases its products and services, it expects to continue to invest in technology services, hardware and software including data centers, network services, storage and database technologies to support existing services and to introduce new products and services. Creating the appropriate support for online business initiatives is expensive and complex, and the Issuer's execution could result in inefficiencies or operational failures, and increased vulnerability to cyber-attacks, which, in turn, could diminish the quality of its products, services, and user experience. Cyber-attacks could include denial-of-service attacks impacting service availability and reliability; the exploitation of software vulnerabilities in Internet facing applications; social engineering of system administrators (tricking company employees into releasing control of their systems to a hacker); the introduction of malware into the Issuer's systems with a view to steal confidential or proprietary data; or attempts to hijack consumer account information. Cyber-attacks of increasing sophistication may be difficult to detect and could result in the theft of the Issuer's intellectual property and consumer data, including personally identifiable information. Operational failures or successful cyber-attacks could result in damage to the Issuer's reputation and loss of current and potential users, subscribers, advertisers, and other business partners which could harm its business.

The Issuer's business could be adversely affected if its data privacy practices are not seen as adequate or there are breaches of its security measures or unintended disclosures of its customer data.

There are several inherent risks to engaging in business online and directly with the end customers of the Issuer's products and services. As the Issuer conducts more transactions online directly with customers, it may be the victim of fraudulent transactions, including credit card fraud, which presents a risk to its revenues and potentially disrupts service to its customers. In addition, the Issuer will collect and store customer information, including personal information and credit card information. While the Issuer takes measures to protect its customers data from unauthorized access or disclosure, it is possible that its security controls over customer data may not prevent the improper access or disclosure of personally identifiable information. A security breach that leads to disclosure of customer account information (including personally identifiable information) could harm the Issuer's reputation, compel it to comply with disparate breach notification laws in various jurisdictions and otherwise subject the Issuer to liability under laws that protect personal data, resulting in increased costs or loss of revenue. A resulting perception that the Issuer's products or services do not adequately protect the privacy of personal information could result in a loss of current or potential customers and business partners for its online offerings that require the collection of customer data.

In addition, the rate of privacy law-making is accelerating globally and interpretation and application of data privacy laws in Canada, the United States, Europe and elsewhere are often uncertain, contradictory and in flux. As business practices are being challenged by regulators, private litigants, and consumer protection agencies around the world, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with the Issuer's data practices. If so, this could result in increased litigation government or court imposed fines, judgments or orders requiring that the Issuer change its practices, which could have an adverse effect on its business and reputation. Complying with these various laws could cause the Issuer to incur substantial costs or require it to change its business practices in a manner adverse to its business.

From time to time the Issuer may become involved in legal proceedings, which could adversely affect the Issuer.

The Issuer may, from time to time in the future, become subject to legal proceedings, claims, litigation and government investigations or inquiries, which could be expensive, lengthy, and disruptive to normal business operations. In addition, the outcome of any legal proceedings, claims, litigation, investigations or inquiries may be difficult to predict and could have a material adverse effect on the Issuer's business, operating results, or financial condition.

Reliance on business partners

The Issuer relies on various business partners, including third-party service providers, vendors, licensing partners, development partners, and licensees, among others, in many areas of the Issuer's business. In many cases, these third parties are given access to sensitive and proprietary information in order to provide services and support to the Issuer's teams. These third parties may misappropriate the Issuer's information and engage in unauthorized use of it. The failure of these third parties to provide adequate services and technologies, or the failure of the third parties to adequately maintain or update their services and technologies, could result in a disruption to the Issuer's business operations. Further, disruptions in the financial markets and economic downturns may adversely affect the Issuer's business partners and they may not be able to continue honoring their obligations to the Issuer. Alternative arrangements and services may not be available to the Issuer on commercially reasonable terms or the Issuer may experience business interruptions upon a transition to an alternative partner or vendor. If the Issuer loses one or more significant business partners, the Issuer's business could be harmed.

Profitability of Mining

The profitability of the Issuer's mining operations is determined by the volume of coins mined and the relative market price of the coins. Further, the volume of coins mined is determined by the efficiency of the equipment and mining hardware that is owned by the Issuer and that may be available to the Issuer. Any reduction in the volume of the coins mined or the value of the coins mined will lead to reduced profitability for the Issuer and its customers.

Risks Related to Intellectual Property

If the Issuer fails to protect, or incur significant costs in defending, its intellectual property and other proprietary rights, the Issuer's business, financial condition, and results of operations could be materially harmed.

The Issuer relies primarily on trademarks, copyrights and trade secrets, as well as license agreements and other contractual provisions, to protect the Issuer's intellectual property and other proprietary rights. None of the Issuer's technology is patented, and the Issuer may be unable or may not seek to obtain patent protection for this technology. Moreover, existing legal standards relating to the validity, enforceability and scope of protection of intellectual property rights offer only limited protection, may not provide the Issuer with any competitive advantages, and may be challenged by third parties. Accordingly, despite its efforts, the Issuer may be unable to prevent third parties from infringing upon or misappropriating its intellectual property or otherwise gaining access to the Issuer's technology. Unauthorized third parties may try to copy or reverse engineer the Issuer's products or portions of its products or otherwise obtain and use the Issuer's intellectual property. Moreover, many of the Issuer's employees have access to the Issuer's trade secrets and other intellectual property. If one or more of these employees leave to work for one of the Issuer's competitors, then they may disseminate this proprietary information, which may as a result damage the Issuer's competitive position. If the Issuer fails to protect its intellectual property and other proprietary rights, then the Issuer's business, results of operations or financial condition could be materially harmed. From time to time, the Issuer may have to initiate lawsuits to protect its intellectual property and other proprietary rights. Pursuing these claims is time consuming and expensive and could adversely impact the Issuer's results of operations.

In addition, affirmatively defending the Issuer's intellectual property rights and investigating whether the Issuer is pursuing a product or service development that may violate the rights of others may entail significant expense. Any of the Issuer's intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. If the Issuer resorts to legal proceedings to enforce its intellectual property rights or to determine the validity and scope of the intellectual property or other proprietary rights of others, then the proceedings could result in significant expense to the Issuer and divert the attention and efforts of the Issuer's management and technical employees, even if the Issuer prevails.

The Issuer may be sued by third parties for alleged infringement of their proprietary rights, which could be costly, time-consuming and limit the Issuer's ability to use certain technologies in the future.

The Issuer may become subject to claims that its technologies infringe upon the intellectual property or other proprietary rights of third parties. Any claims, with or without merit, could be time-consuming and expensive, and could divert the Issuer's management's attention away from the execution of its business plan. Moreover, any settlement or adverse judgment resulting from these claims could require the Issuer to pay substantial amounts or obtain a license to continue to use the disputed technology, or otherwise restrict or prohibit the Issuer's use of the technology. The Issuer cannot assure that it would be able to obtain a license from the third party asserting the claim on commercially reasonable terms, if at all, that the Issuer would be able to develop alternative technology on a timely basis, if at all, or that the Issuer would be able to obtain a license to use a suitable alternative technology to permit the Issuer to continue offering, and the Issuer's customers to continue using, the Issuer's affected product. An adverse determination also could prevent the Issuer from offering its products to others. Infringement claims asserted against the Issuer may have a material adverse effect on its business, results of operations or financial condition.

17.2 – Additional Securityholder Risk

There is no risk that securityholders of the Issuer may become liable to make an additional contribution beyond the price of the security.

17.3 – Other Risks

Subject to the risk factors set out under Section 17.1 above, there are no other material risk factors that a reasonable investor would consider relevant to an investment in the Issuer Shares.

18. PROMOTERS

18.1 – 18.2 – Promoter Consideration

There has been no person or company that may be considered a promoter of the Issuer within two years immediately preceding this Listing Statement.

19. LEGAL PROCEEDINGS

19.1 – Legal Proceedings

As of the date of this Listing Statement, there are no legal proceedings material to the Issuer to which the Issuer is a party or of which any of their respective property is the subject matter, and there are no such proceedings known to the Issuer to be contemplated.

19.2 – Regulatory Actions

As of the date of this Listing Statement, the Issuer has not been subject to any penalties or sanctions imposed by any court or regulatory authority relating to securities legislation or by a securities regulatory authority, nor has the Issuer entered into a settlement agreement with a securities regulatory authority, nor has the Issuer been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that are necessary to provide full, true and plain disclosure of all material facts relating to the Issuer's securities or would be likely to be considered important to a reasonable investor making an investment decision.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No material conflict of interest, either direct or indirect, is currently known to exist with respect to any proposed transaction, or any transaction consummated over the three years before the date of this Listing Statement, that has affected or will materially affect the Issuer.

Conflicts of interest may arise as a result of the directors and officers of the Issuer also holding positions as directors or officers of other companies. Some of those individuals have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Issuer will be in direct competition with the Issuer.

The directors and officers of the Issuer are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors of conflicts of interest and the Issuer will rely upon such laws in respect of any directors' and officers' conflict of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the BCBCA and the OBCA, as applicable, and they will govern themselves in respect thereof to the best of their ability in accordance with the obligation imposed upon them by law.

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

21.1 – Auditors

The auditors of the Caza are Smythe Ratcliffe LLP, Chartered Professional Accountants.

After completion of the Transaction the auditor of the Issuer will be Grant Thornton Canada.

21.2 – Transfer Agent and Registrar

The registrar and transfer agent of the Issuer is Capital Transfer Agency Inc.

22. MATERIAL CONTRACTS

22.1 – Material Contracts of the Issuer

The Issuer has not entered into any material contracts within the two years before the date of this Listing Statement, other than contracts entered into in the ordinary course of business and documents entered into in connection with the Transaction (described in Section 3.1 above).

Arctic has not entered into any material contracts within the two years before the date of this Listing Statement, other than contracts entered into in the ordinary course of business and documents entered into in connection with the Transaction (described in Section 3.1 above).

The material contracts described above may be inspected without further charge at the offices of Irwin Lowy LLP, solicitors of the Issuer, located at Suite 400, 365 Bay Street, Toronto, Ontario during ordinary business hours until the date of the completion of the Listing and for a period of 30 days thereafter.

22.2 – Special Agreements

The Issuer is not a party to any co-tenancy, unitholders' or limited partnership agreement.

23. INTEREST OF EXPERTS

23.1 – Interest of Experts – Issuer and Arctic

The auditors of Caza, Smythe Ratcliffe LLP, Chartered Professional Accountants, audited the financial statements of Caza for the years ended December 31, 2016 and 2015 and is independent within the meaning of the Canadian Institute of Chartered Accountants Handbook. As of the date of this Listing Statement, Smythe Ratcliffe LLP, Chartered Professional Accountants did not own or have any registered or beneficial interests, direct or indirect, in any securities or the property of the Issuer.

The auditors of Hydro, Grant Thornton UK LLP, audited the financial statements of Hydro for the years ended December 31, 2017 and its comparatives, and is independent within the meaning of the Canadian Institute of Chartered Accountants Handbook. As of the date of this Listing Statement, Grant Thornton UK LLP, Chartered Professional Accountants did not own or have any registered or beneficial interests, direct or indirect, in any securities or the property of Arctic.

24. OTHER MATERIAL FACTS

Other than as set out elsewhere in this Listing Statement, there are no other material facts about the Issuer and its securities which are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Issuer and its securities.

25. FINANCIAL STATEMENTS

Financial Statements – Caza

Schedule "A" contains the audited financial statements for Caza for the years ended December 31, 2017, 2016 and 2015, and related MD&As.

Financial Statements – Arctic

Schedule "B" contains the audited financial statements for Arctic for the period from incorporation (December 4, 2017) to the year ended December 31, 2017.

Financial Statements – Hydro

Schedule "C" contains the audited financial statements for Hydro for the years ended December 31, 2017 and related MD&A.

Pro Forma Consolidated Financial Statements

Schedule "D" contains the unaudited pro forma consolidated statement of financial position of the Issuer as at December 31, 2017.

SCHEDULE "A"
FINANCIAL STATEMENTS OF CAZA

CAZA GOLD CORP.

Consolidated Financial Statements

(stated in Canadian dollars)

Years ended December 31, 2017 and 2016

Smythe
CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CAZA GOLD CORP.

We have audited the accompanying consolidated financial statements of Caza Gold Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Caza Gold Corp. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 24, 2018

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CAZA GOLD CORP.

(An Exploration Stage Company)
Consolidated Statements of Financial Position
(Stated in Canadian dollars)

	Notes	December 31, 2017	December 31, 2016
ASSETS			
Current Assets			
Cash		$ -	$ 39,896
Receivables and prepaids		3,699	17,274
Total Current Assets		3,699	57,170
Non-Current Assets			
Mineral property interests	6	-	3,214,601
Equipment	7	-	21,827
Total Non-Current Assets		-	3,236,428
Total Assets		$ 3,699	$ 3,293,598
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current Liabilities			
Accounts payable and accrued liabilities		$ 20,000	$ 721,265
Due to a shareholder	8	10,895	-
Non-Current Liabilities			
Promissory note payable	9	-	715,219
Total Liabilities		30,895	1,436,484
Shareholders' Equity (Deficiency)			
Share capital	10(b)	22,226,890	21,851,150
Reserve for share-based payments	10(c)	-	1,263,565
Deficit		(22,254,086)	(21,257,601)
Total Shareholders' Equity (Deficiency)		(27,196)	1,857,114
Total Liabilities and Shareholders' Equity (Deficiency)		$ 3,699	$ 3,293,598

Refer to the accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

/s/ *Riccardo Forno* — Director

/s/ *Lisa McCormack* — Director

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Comprehensive Loss

(Stated in Canadian dollars)

	Notes	Years ended December 31, 2017	2016
Expenses:			
Accounting and audit		$ **40,273**	$ 27,965
Amortization	7	**-**	400
Employee and director remuneration	11	**92,257**	181,894
Legal	11	**11,433**	42,398
Office and sundry	11 and 12	**27,914**	71,660
Shareholder relations		**13,114**	40,488
Share-based payments (recovery)	10(c) and 11	**(19,080)**	61,452
Loss before the undernoted		**(165,911)**	(426,256)
Foreign exchange gain (loss)		**29,932**	(23,903)
Interest income		**-**	232
Interest and finance charges	9	**(36,932)**	(50,350)
Gain on debt settlement	9 and 10(b)	**956,980**	68,196
Net income (loss) from continuing operations		$ **784,069**	$ (432,081)
Discontinued operations			
Loss from discontinued operations	13	**(2,988,539)**	(7,301,979)
Net loss and comprehensive loss for the year		$ **(2,204,470)**	$ (7,734,060)
Basic and diluted income per share from continuing operations		$ **0.01**	$ (0.05)
Basic and diluted loss per share from discontinued operations		$ **(0.02)**	$ (0.05)
Weighted average number of common shares outstanding		**151,798,764**	141,302,005

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Stated in Canadian dollars)

		Share Capital		Reserve for Number of Share-Based		
	Notes	Shares Total	Amount	Payments	Deficit	
Balance, December 31, 2015		141,302,005	$ 21,851,953	$ 1,407,299	$ (13,728,727)	$ 9,530,525
Share issue expenses		-	(803)	-	-	(803)
Share-based payments	10(c)	-	-	61,452	-	61,452
Expiry of stock options	10(c)	-	-	(164,737)	164,737	-
Expiry of warrants	10(d)	-	-	(40,449)	40,449	-
Net loss for the year		-	-	-	(7,734,060)	(7,734,060)
Balance, December 31, 2016		141,302,005	$ 21,851,150	$ 1,263,565	$ (21,257,601)	$ 1,857,114
Shares for debt settlements	10(b)	5,337,000	106,740	-	-	106,740
Shares issued for services	10(b)	2,500,000	50,000	-	-	50,000
Share-based recovery	10(c)	-	-	(19,080)	-	(19,080)
Expiry and cancellation of stock options	10(c)	-	-	(362,885)	362,885	-
Exercise of warrants	10(d)	3,650,000	219,000	(36,500)		182,500
Cancellation of warrants	10(d)	-	-	(845,100)	845,100	-
Net loss for the year		-	-	-	(2,204,470)	(2,204,470)
Balance, December 31, 2017		152,789,005	$ 22,226,890	$ -	$ (22,254,086)	$ (27,196)

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Stated in Canadian dollars)

	Years ended December 31, 2017	2016
Cash provided by (used in):		
Operations:		
Net income (loss) for the year from continuing operations	$ 784,069	$ (432,081)
Items not involving cash:		
Amortization	-	400
Accrued interest	36,932	43,133
Unrealized foreign exchange loss (gain)	(29,932)	4,866
Share-based payments (recovery)	(19,080)	61,452
Gain on debt settlement	(956,980)	(68,196)
	(184,991)	(390,426)
Changes in non-cash working capital items:		
Receivables and prepaids	9,227	24,141
Accounts payable and accrued liabilities	(51,543)	257,053
Cash used in operating activities from continuing operations	(227,307)	(109,232)
Cash used in operating activities from discontinued operations (note 13)	(259,961)	(293,203)
Cash used in operating activities	(487,268)	(402,436)
Financing:		
Proceeds from promissory note payable	-	671,350
Proceeds from exercise of warrants	182,500	-
Due to shareholder	10,895	-
Share issuance expenses	-	(803)
Cash provided by financing activities from continuing operations	193,395	670,547
Cash provided by financing activities from discontinued operations (note 13)	253,977	-
Cash provided by financing activities	447,372	670,547
Investing:		
Cash used in investing activities from discontinued operations (note 13)	-	(588,841)
Unrealized foreign exchange gain on cash held in foreign currency	-	(4,130)
Decrease in cash	(39,896)	(324,860)
Cash, beginning of year	39,896	364,756
Cash, end of year	$ -	$ 39,896

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)
Consolidated Statements of Cash Flows (Continued)
(Stated in Canadian dollars)

		Years ended December 31,	
	Notes	**2017**	2016
Non-cash financing and investing activities:			
Issuance of common shares for:			
Services provided	10(b) and 11	**$ 50,000**	$ -
Accounts payable settled with shares	10(b) and 11	**$ 341,850**	$ -
Fair values from the expiration of:			
Stock options		**$ 362,885**	$ 164,737
Warrants		**$ 845,100**	$ 40,449

Refer to the accompanying notes to the consolidated financial statements.

1. Nature of Operations and Going Concern

Caza Gold Corp. (the "Company") was incorporated on November 15, 2007 under the laws of British Columbia, Canada. The address of the Company's registered office is #400 – 365 Bay Street, Toronto, ON M5H 2V1.

The Company was previously in the mineral exploration business. The recoverability of amounts capitalized for mineral property interests is dependent upon the ability of the Company to arrange appropriate financing as needed, the discovery of reserves, the development of its properties, confirmation and maintenance of the Company's interest in the underlying properties, the receipt of necessary permitting and upon future profitable production or proceeds from the disposition thereof.

The Company and Royal Road Minerals Limited ("Royal Road") entered into a support agreement on December 5, 2016, as amended on January 6, 2017 (the "Support Agreement"), pursuant to which Royal Road made an offer to acquire all of the issued and outstanding shares of the Company on the basis of 0.16 of a common share of Royal Road for each common share of the Company. On February 28, 2017, a total of 134,886,372 shares of the Company, representing approximately 90% of the Company were deposited under the offer. Royal Road extended its offer until March 13, 2017, and an additional 2,936,177 shares were deposited for a total of 137,822,549 shares of the Company acquired by Royal Road on March 15, 2017.

On May 19, 2017, Royal Road and Generic Capital Corporation ("Generic") entered into a Share Purchase Agreement, whereby, Generic agreed to purchase 100% of the shares of the Company owned by Royal Road for total consideration of $80,000. Prior to the completion of the Share Purchase Agreement, the Company transferred its ownership of its wholly owned subsidiary, Nicaza S.A., to Royal Road. The Company did not receive any consideration in the transfer of Nicaza S.A. to Royal Road. On May 31, 2017, the 134,886,372 common shares of the Company owned by Royal Road were purchased by Generic. Generic has the right to purchase the additional 2,936,177 common shares of the Company held by Royal Road. Due to sale of the shares of the Company to Generic, the compulsory acquisition of the balance of the shares of the Company has not yet occurred.

On December 1, 2017, the Company entered into an agreement with Griftco Corporation, whereby the Company agreed to sell its wholly owned subsidiaries Minera Caza S.A. de C.V. and Minera Canarc de Mexico S.A. de C.V. for consideration of $100.

The disposition of the Company's subsidiaries has been presented as discontinued operations in these consolidated financial statements.

The Company has no operating revenues, has incurred significant net losses of approximately $2.2 million for the year ended December 31, 2017 (2016 – $7.7 million), and has a deficit of approximately $22.3 million as at December 31, 2017 (2016 - $21.3 million). Furthermore, the Company has a working capital deficiency of approximately $27,200 (2016 – $1,379,300). These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on the ability of the Company to develop a revised business strategy, to raise debt or equity financings, and the attainment of profitable operations. Management would need additional capital to meet its planned business objectives. There can be no assurance that management's plans will be successful. These matters indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of Presentation

(a) Statement of compliance:

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

(b) Approval of consolidated financial statements:

These consolidated financial statements were approved by the Company's Board of Directors on April 24, 2018.

(c) Basis of presentation:

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as disclosed in Note 5. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(d) Functional currency and presentation currency:

The functional and presentation currency of the Company is the Canadian dollar. Amounts recorded in a foreign currency are translated into Canadian dollars as follows:

- monetary assets and liabilities at the exchange rate at the consolidated statement of financial position date;
- non-monetary assets and liabilities at the historical exchange rates, unless such items are carried at fair value, in which case they are translated at the date when the fair value was determined;
- shareholders' equity items at historical exchange rates; and
- revenue and expense items at the rate of exchange in effect on the transaction date.

Exchange gains and losses are recorded in profit or loss in the year in which they occur.

(e) Critical accounting estimates and judgements:

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements along with the reported amounts of revenues, if any, and expenses during the year. Actual results may differ from these estimates and, as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the year in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests; the determination of accrued liabilities; accrued site remediation; the variables used in the determination of the fair values of stock options granted and promissory note payable; and the recoverability of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future financial performance and cash flows.

2. **Basis of Presentation** (continued)

(e) Critical accounting estimates and judgements: (continued)

The Company applies judgment in assessing whether material uncertainties exist that would cast significant doubt as to whether the Company could continue as a going concern.

The Company applies judgment in assessing the functional currency of each entity consolidated in these consolidated financial statements. The functional currency of the Company and its subsidiaries is determined using the currency of the primary economic environment in which that entity operates.

At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore; expected renewals of exploration rights; whether substantive expenditures on further exploration and evaluation of resource properties are budgeted or planned; and results of exploration and evaluation activities on the exploration and evaluation assets. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the year.

Judgement is applied in determining whether disposal groups represent a component of the entity, the results of which should be recorded as discontinued operations in the consolidated financial statements.

(f) Standards issued but not yet effective:

The standards listed below include only those which the Company reasonably expects may be applicable to the Company in the current period and at a future date. The Company is currently assessing the impact of these future standards on the consolidated financial statements.

2. **Basis of Presentation** (continued)

(f) New accounting standards and recent pronouncements: (continued)

IFRS 9 *Financial Instruments*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*
  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- *Classification and measurement of financial liabilities:*
  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- *Impairment of financial assets:*
  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- *Hedge accounting:*
  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

Applicable to the Company's annual period beginning January 1, 2018.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

(a) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Minera Caza S.A. de C.V., Minera Canarc de Mexico S.A. de C.V. and Nicaza S.A. During fiscal 2017, the subsidiaries of the Company were disposed and as a result, the subsidiaries have been consolidated up to the date of disposition (Note 1). The results of operations of the disposed subsidiaries are presented as discontinued operations in these consolidated financial statements.

All significant intercompany transactions and balances have been eliminated.

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or had rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(b) Financial instruments:

(i) Financial assets:

The Company classifies its financial assets in the following categories: fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity ("HTM") and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Financial assets at FVTPL

Financial assets at FVTPL include derivative financial assets, and are initially recognized at fair value with changes in fair value recorded through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity dates. Loans and receivables are carried at amortized cost less any impairment.

Held to maturity

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. HTM investments are initially recognized on their trade-date at fair value, and subsequently measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

3. **Significant Accounting Policies** (continued)

(b) Financial instruments: (continued)

(i) Financial assets: (continued)

Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income (loss) and classified as a component of equity. AFS financial assets include investments in equities of other entities.

Management assesses the carrying value of AFS financial assets at each reporting date and any impairment charges are recognized in profit or loss. When financial assets classified as AFS are sold, the accumulated fair value adjustments recognized in other comprehensive income (loss) are included in profit or loss.

(ii) Financial liabilities:

The Company classifies its financial liabilities in the following categories: FVTPL and other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include derivative financial liabilities, and are initially recognized at fair value with changes in fair value recorded through profit or loss.

Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit or loss.

Other financial liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date.

(iii) Fair value hierarchy:

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

3. **Significant Accounting Policies** (continued)

(b) Financial instruments: (continued)

(iv) Impairment of financial assets:

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An evaluation is made as to whether a decline in fair value is "significant" or "prolonged" based on indicators such as significant adverse changes in the market, economic or legal environment.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

(v) Derecognition of financial assets and liabilities:

Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognized in profit or loss.

(c) Impairment of non-current assets:

The carrying amounts of non-current assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and is recorded as an expense in profit or loss.

The recoverable amount is the higher of an asset's "fair value less costs to sell" for the asset's highest and best use, and "value-in-use". Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined. "Fair value less costs to sell" is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued development, use or eventual disposal of the asset. In assessing these cash flows and discounting them to the present value, assumptions used are those that an independent market participant would consider appropriate. In assessing "value-in-use", the estimated future cash flows expected to arise from the continuing use of the assets in their present form and from their disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

For the purposes of impairment testing, mineral property interests are allocated to cash-generating units to which the exploration or development activity relates. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. **Significant Accounting Policies** (continued)

(d) Mineral property interests:

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition or staking costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse.

All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the property interests are abandoned or the claims are allowed to lapse.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of a property option agreement. As the property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable in the future are not recorded. Property option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is credited to profit or loss.

(e) Discontinued Operations

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company, and which:
(i) Represent a major line of business or geographical area of operations;
(ii) Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
(iii) Is a subsidiary acquired exclusively with a view to re-sell.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statements of operations and comprehensive loss is restated as if the operation had been discontinued from the start of the comparative years presented.

(f) Equipment:

Equipment is recorded at cost less accumulated amortization. The Company calculates amortization using the declining balance method at rates varying from 10% to 30% annually.

3. Significant Accounting Policies (continued)

(g) Proceeds on unit offerings:

Proceeds received on the issuance of units, consisting of common shares and warrants, are first allocated to share capital based on the fair value of the common shares with any residual value then allocated to warrants. Consideration received on the exercise of warrants is recorded as share capital and any related reserve for share-based payments is transferred to share capital. Upon expiry of the warrants, the recorded fair value of the warrants is transferred from the reserve for share-based payments to deficit.

(h) Non-monetary transactions:

Common shares issued for consideration other than cash are measured at the fair value of the goods or services received or the fair value of the common shares issued, if it is determined the fair value of the goods or services cannot be reliably measured. Common shares issued to settled debt arrangements are measured at the fair value of the shares issued.

(i) Share-based payments:

The Company has a stock option plan that is described in Note 10(c). Share-based payments to employees are measured on the grant date using the Black-Scholes option pricing model and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to the reserve for share-based payments. Consideration received on the exercise of stock options is recorded as share capital and the related reserve for share-based payments is transferred to share capital. Upon expiry, the recorded fair value of vested options is transferred from the reserve for share-based payments to deficit and the recorded fair value of unvested options are recorded as a recovery to share-based payment expense on the consolidated statements of comprehensive loss.

(j) Environmental rehabilitation:

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral property interests and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the year.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

3. **Significant Accounting Policies** (continued)

(j) Environmental rehabilitation: (continued)

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss as incurred. The Company does not have any significant environmental rehabilitation liabilities.

(k) Loss per share:

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. The treasury stock method is used to calculate diluted loss per common share amounts. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of the diluted per common share amount assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. In the Company's case, diluted loss per common share presented is the same as basic loss per common share as the effect of outstanding share options and warrants would be anti-dilutive.

(l) Provisions:

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(m) Income taxes:

The Company follows the asset and liability method for accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and losses carried forward. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the year that includes the substantive enactment date. Deferred tax assets are recognized to the extent that recovery is considered probable.

4. Management of Capital

The Company is an exploration stage company and its activities involve a high degree of risk. The Company does not generate cash flows from operations. The Company's primary sources of funds are from debt capital and the issuance of share capital.

The Company defines its capital as debt and share capital. Capital requirements are driven by the Company's exploration activities on its mineral property interests and general administrative costs. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses on all exploration projects and overhead to manage its costs, commitments and exploration activities.

The Company has in the past invested its excess capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Management reviews the capital availability and needs on a regular basis to ensure the above-noted objectives are met. There have been no changes to the Company's approach to capital management during the year ended December 31, 2017.

Although the Company has raised funds in the past from the issuance of debt instruments and share capital, it is uncertain whether it would be able to continue this financing in the future. The Company will continue to rely on debt and equity financings to meet its commitments as they become due, and to meet its administrative overhead costs for the coming periods.

As at December 31, 2017, the Company was not subject to any externally imposed capital requirements.

5. Financial Instruments and Management of Financial Risk

The Company has classified its cash as FVTPL; receivables as loans and receivables; and accounts payable and accrued liabilities and promissory note payable as other financial liabilities.

The fair values of the Company's receivables and accounts payable and accrued liabilities approximates their carrying values due to the short terms to maturity. The fair value of the promissory note payable approximate its carrying value as it is at market interest rates. Cash is measured at fair value using Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk, and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are as follows.

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality Canadian financial institutions. Non-contractual taxes receivables from government agencies are not considered financial instruments.

5. Financial Instruments and Management of Financial Risk (continued)

(a) Credit risk: (continued)

Management has reviewed the items comprising the accounts receivable balance, and determined that all accounts are collectible; accordingly, there has been no allowance for doubtful accounts recorded.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise debt and equity financings. As at December 31, 2017, the Company had a working capital deficiency of approximately \$27,200 (2016 – \$1,379,300). The Company will require significant additional funding to meet its short-term liabilities and administrative overhead costs in 2018.

(c) Market risk:

The market risk exposures to which the Company to is interest rate risk.

(i) Interest rate risk:

In respect of financial assets, the Company's policy is to invest excess cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. Interest rate risk is not significant to the Company as it has no cash equivalents at year-end. The Company's debt obligations owed for the promissory note bear a fixed interest rate.

(Stated in Canadian dollars)

6. Mineral Property Interests

	Year ended December 31, 2017 Nicaragua		
	Los Andes	Other	Total
Acquisition Costs:			
Balance, December 31, 2016	$ 520,932	$ 15,380	$ 536,312
Disposition of subsidiary	(520,932)	(15,380)	(536,312)
Balance, December 31, 2017	-	-	-
Deferred Exploration Expenditures:			
Balance, December 31, 2016	2,245,724	432,565	2,678,289
Disposition of subsidiary	(2,245,724)	(432,565)	(2,678,289)
Balance, December 31, 2017	-	-	-
Mineral Property Interests:			
December 31, 2017	$ -	$ -	$ -

	Year ended December 31, 2016		
	Nicaragua		
	Los Andes	Other	Total
Acquisition Costs:			
Balance, December 31, 2015	$ 1,691,486	$ 49,936	$ 1,741,422
Write down	(1,170,554)	(34,556)	(1,205,110)
Balance, December 31, 2016	520,932	15,380	536,312
Deferred Exploration Expenditures:			
Balance, December 31, 2015	6,947,150	979,929	7,927,079
Aerial, photo and mapping	143	-	143
Assays and sampling	-	5,512	5,512
Camp and field supplies	100	441	541
Community and social	42,389	35,920	78,309
Equipment and systems	170	-	170
Geology	10,866	66,358	77,224
Salaries and local labour	242,749	177,475	420,224
Sundry	26,726	2,527	29,253
Surface/concession taxes	15,213	102,537	117,750
Transportation and travel	6,434	33,858	40,292
Write down	(5,046,216)	(971,992)	(6,018,208)
Balance, December 31, 2016	2,245,724	432,565	2,678,289
Mineral Property Interests:			
December 31, 2016	$ 2,766,656	$ 447,945	$ 3,214,601

6. Mineral Property Interests (continued)

(a) Los Andes property (Nicaragua):

In December 2014, the Company entered into a Purchase Agreement with Inversiones Ecologicas S.A. ("Inecosa"), which shared a common former officer with the Company, to acquire a 100% interest in the Los Andes property. The Company issued 7.06 million common shares to Inecosa at a fair value of $0.04 per share and paid US$300,000 "in trust" to shareholders of Inecosa pending successful transfer of title of the Los Andes property to the Company. In November 2015, Inecosa completed the transfer of title of the Los Andes property as well as other concessions to the Company, and funds held in trust for the shareholders of Inecosa were accordingly paid to them. Inecosa retains a 2% NSR, and the Company has the right to reduce the NSR to 1% by paying US$1 million and to acquire the remaining 1% NSR by paying an additional US$2 million.

The acquisition of the Company by Royal Road established a recoverable value for the assets of the Company and identified an indicator of impairment. The Company wrote-down the value of its mineral property interests to $3.2 million to reflect the valuation of Royal Road's offer to acquire all the issued and outstanding common shares of the Company on the basis of 0.16 common share of Royal Road for each common share of the Company, representing a Level 2 fair value assessment of the mineral property assets (Note 10(b)(i)).

On May 19, 2017, Royal Road acquired the subsidiary, Nicaza S.A., which has the rights to the mineral properties. All titles and interests are now owned by Royal Road (Note 1).

(b) Title to mineral property interests:

The Company has investigated rights of ownership of all of its mineral properties/concessions and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, all properties/concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

(c) Realization of assets:

The Company's investment in and expenditures on its mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for mineral property interests is dependent upon the existence of reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or proceeds from the disposition thereof.

(Stated in Canadian dollars)

6. Mineral Property Interests (continued)

(d) Environmental matters:

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former mineral property interests that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation of the Company's operation may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

7. Equipment

	Vehicles	Office Equipment	Total
Cost:			
Balance, December 31, 2015	$ 57,497	$ 13,762	$ 71,259
Less: Disposition and write off	(28,991)	(7,920)	(36,911)
Balance, December 31, 2016	28,506	5,842	34,348
Less: Disposition of subsidiary	(28,506)	(5,842)	(34,348)
Balance, December 31, 2017	-	-	-
Accumulated amortization:			
Balance, December 31, 2015	$ 6,959	$ 7,949	$ 14,908
Add: Amortization	6,327	3,169	9,496
Less: Disposition and write off	(4,895)	(6,988)	(11,883)
Balance, December 31, 2016	8,391	4,130	12,521
Less: Disposition of subsidiary	(8,391)	(4,130)	(12,521)
Balance, December 31, 2017	-	-	-
Net book value:			
Balance, December 31, 2016	$ 20,115	$ 1,712	$ 21,827
Balance, December 31, 2017	$ -	$ -	$ -

8. Due to a Shareholder

During the year ended December 31, 2017, a shareholder loaned the Company $10,895 (December 31, 2016 - $nil) to cover some of the payables that became due. The loan is non-interest bearing, with no fixed terms of repayment, due on demand and is unsecured.

(Stated in Canadian dollars)

9. Promissory Note Payable

In May 2016, the Company closed a loan agreement with Polygon Mining Opportunity Master Fund ("Polygon") pursuant to which Polygon advanced a loan in the principal amount of US$500,000 to the Company, as evidenced by a promissory note. The loan had an initial maturity date of May 13, 2018 and is payable on demand upon the Company consummating an equity or loan financing with net proceeds of at least US$2.5 million. The loan bears interest at the rate of 10% per annum payable quarterly beginning on June 30, 2016. Interest payments may, at the option of the Company, be added to the principal amount of the loan. As security for the payment of the Company's obligations and for the fulfilment and satisfaction of all covenants and agreements made under the loan agreement, the Company also entered into a general security agreement with Polygon pursuant to which the Company granted Polygon a security interest in all personal property of the Company, including the issued and outstanding shares of the Company's wholly-owned Nicaraguan subsidiary, Nicaza S.A, which holds certain mineral exploration properties located in Nicaragua, including the Los Andes project and the Piedra Iman property.

Polygon is a control person and related party of the Company (as defined by securities legislation) and owned 77.5% of the Company's issued and outstanding share capital at that time.

The Company and Polygon entered into an Agreement dated January 19, 2017 whereby the maturity date of the loan was extended to May 13, 2019 subject to Royal Road having taken up and paid for the Company's common shares which were held and deposited by Polygon by March 2, 2017 pursuant to Royal Road's tender offer to acquire the Company. On March 15, 2017, a total of 137,822,549 shares of the Company, representing over 90% of the Company's then issued and outstanding common shares, were purchased by Royal Road. The loan was assumed by Royal Road on July 6, 2017.

		Promissory Note
Balance December 31, 2015	$	-
Add:		
Proceeds from loans		671,350
Interest		43,133
Foreign exchange		736
Balance, December 31, 2016	$	715,219
Interest		36,274
Foreign exchange		(29,933)
Assumed by Royal Road		(721,560)
Balance, December 31, 2017	$	-

As a result of the loan being assumed and paid for by Royal Road the Company recognized a gain on debt settlement of $721,560 (2016- $nil).

10. Share Capital

(a) Authorized:

The authorized share capital of the Company is comprised of an unlimited number of common shares without par value.

(b) Issued:

On December 5, 2016 as amended January 6, 2017, the Company entered into the Support Agreement with Royal Road whereby Royal Road made an offer to acquire all the issued and outstanding shares of the Company on the basis of 0.16 common share of Royal Road for each common share of the Company. On March 15, 2017, 137,822,549 shares of the Company representing over 90% of the Company's then issued and outstanding common shares, were purchased by Royal Road.

On January 25, 2017, the Company issued 5,337,000 common shares at a fair value of $0.02 per share pursuant to shares for debt settlements with certain former directors, officers and vendors of the Company amounting to $342,160 including salaries, legal fees and directors fees payable to former directors. In addition, 2,500,000 common shares at a fair value of $0.02 per share were issued as severance to former senior officers.

On January 25, 2017, Polygon exercised 1,200,000 warrants with an exercise price of $0.05 for proceeds of $60,000 and an original fair value of $12,000. Then on March 1, 2017, Polygon exercised another 2,450,000 warrants with an exercise price of $0.05 for proceeds of $122,500 and an original fair value of $24,500.

On May 19, 2017, Royal Road and Generic entered into a Share Purchase Agreement, whereby, Generic agreed to purchase 100% of the shares of the Company owned by Royal Road for total consideration of $80,000. On May 31, 2017, 134,886,372 common shares of the Company own by Royal Road were purchased by Generic. Generic has the right to purchase the additional 2,936,177 shares of the Company held by Royal Road. Due to sale of the shares of the Company to Generic, the compulsory acquisition of the balance of the shares of the Company has not yet occurred.

(c) Stock option plan:

The Company has a stock option plan that allows it to grant stock options to its directors, officers, employees and consultants, provided that the aggregate number of stock options granted shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company. The exercise price of each stock option shall be based on the market price of the Company's shares as traded on the TSX Venture Exchange at the time of grant. Stock options have a maximum term of ten years and terminate 30 days following the termination of the optionee's employment, except in the case of death, in which case they terminate one year after the event. Vesting of stock options is made at the discretion of the Board at the time the stock options are granted.

(Stated in Canadian dollars)

10. Share Capital (continued)

(c) Stock option plan:

The continuity of stock options for the years ended December 31, 2017 and 2016 is as follows:

	2017		2016	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding balance, beginning of year	5,115,001	$0.12	5,925,002	$0.15
Forfeited	(793,000)	$0.09	(140,000)	$0.08
Cancelled and expired	(4,322,001)	$0.13	(670,001)	$0.39
Outstanding balance, end of year	-	n/a	5,115,001	$0.12

The following table summarizes information about stock options outstanding and exercisable at December 31, 2016:

Exercise Prices	Number Outstanding at Dec 31, 2016	Weighted Average Remaining Contractual Life (Number of Years)
$0.78	150,001	0.33
$0.15	1,400,000	2.23
$0.08	500,000	2.73
$0.08	3,065,000	3.50
	5,115,001	2.99

During the year ended December 31, 2017, the Company recognized share-based recovery of $19,080 (2016 – payment of $61,452) based on the fair value of unvested stock options. Share-based payments were segregated between former directors and officers, employees and consultants as follows:

	2017	2016
Directors (excludes directors who are officers)	$ -	$ 1,021
Officers (includes directors who are officers)	(16,873)	52,317
Employees	(683)	2,334
Consultants	(1,524)	5,780
	$ (19,080)	$ 61,452

All stock options were forfeited and cancelled in 2017 due to the resignations of all directors, officers, employees and consultants of the Company in March 2017.

(Stated in Canadian dollars)

10. Share Capital (continued)

(d) Warrants:

At December 31, 2017, the Company had outstanding warrants as follows:

Exercise Price	Expiry date	Oustanding at December 31, 2016	Issued	Exercised	Expired/Cancelled	Oustanding at December 31 2017
$ 0.05	December 30, 2019	88,160,000	-	(3,650,000)	(84,510,000)	-
		88,160,000		(3,650,000)	(84,510,000)	-

On January 25, 2017, 1.2 million warrants were exercised and then on March 1, 2017, 2.45 million warrants were exercised. The remaining warrants were cancelled pursuant to the agreement with Polygon (note 9).

At December 31, 2016, the Company had outstanding warrants as follows:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2015	Issued	Exercised	Expired	Outstanding at December 31, 2016
$0.24	December 13, 2016	20,833,333	-	-	(20,833,333)	-
$0.30	August 7, 2016 [1]	800,000	-	-	(800,000)	-
$0.05	December 30, 2019 [2]	88,160,000	-	-	-	88,160,000
		109,793,333	-	-	(21,633,333)	88,160,000

(1) Fair value of $40,449 was calculated using the Black-Scholes option pricing model with the following assumptions: volatility 139%, risk-free rate 1.123%, expected life 2.4 years, and expected dividend yield 0%.

(2) On December 30, 2014, the Company closed a private placement with Polygon for 88.16 million units at $0.05 per unit for gross proceeds of $4.4 million. Each unit was comprised of one common share and one share purchase warrant. Of the $0.05 unit price, $0.04 was allotted to common shares representing the fair value of the common shares on that date and $0.01 was allotted to warrants, resulting in a corresponding increase in the reserve for share-based payments.

11. Related Party Transactions

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is disclosed in the table below.

(Stated in Canadian dollars)

11. Related Party Transactions (continued)

Except as disclosed elsewhere in the consolidated financial statements, the Company had the following transactions with related parties:

	Year ended December 31,		Net balance receivable (payable)	
			December 31,	December 31,
	2017	2016	2017	2016
Key management compensation:				
Executive salaries and remuneration [1], [5], [6]	$ 2,877	$ 409,686	$ -	$ (267,222)
Severance pay [6]	50,000	-	-	-
Directors fees [2], [6]	-	41,000	-	(83,330)
Share-based (recovery) payments	(16,873)	53,338	-	-
	$ 36,004	$ 504,024	$ -	$ (350,552)
Legal fees incurred to a law firm in which a director of the Company is a partner [3], [6]	$ -	$ 31,030	$ -	$ (18,485)
Net office, sundry, rent and salary allocations recovered from (incurred to) company(s) sharing certain common director(s) [4]	$ -	$ 1,104	$ -	$ -
Gain on debt settlement [6]	$ 235,420	$ 68,196		

(1) Includes key management compensation which was included in employee and director remuneration, mineral property interests and property investigation, as applicable.

(2) A portion of Directors fees were accrued.

(3) Includes legal fees which are included in finance charges and share issuance expenses, as applicable.

(4) The company was Aztec Metals Corp. which shared a former common director.

(5) Pursuant to an employment agreement, a portion of a former senior officer's remuneration was payable in common shares of the Company.

(6) On January 25, 2017, the Company issued 5,337,000 common shares at a fair value of $0.02 per share pursuant to shares for debt settlements with certain former directors and former officers of the Company for salaries and severance payable, directors' fees payable, and legal services rendered amounting to $342,160. In 2016, the Company derecognized certain directors' fees payable. In addition, 2,500,000 common shares at a fair value of $0.02 per share were issued as severance to former senior officers.

Transactions with Inecosa are provided in Note 6(a) and with Polygon in Note 9.

(Stated in Canadian dollars)

12. Office and Sundry

	Year Ended December 31, 2017	2016
Office and Sundry:		
Insurance	$ 3,483	$ 12,446
Office and sundry	18,310	36,126
Rent	4,934	14,583
Telecommunications	1,187	8,505
	$ 27,914	$ 71,660

13. Discontinued Operations

The loss and comprehensive loss from the discontinued operations is comprised of the following:

Year ended December 31	2017	2016
Expenses	$	$
Amortization	-	9,096
Office	-	21,747
Professional fees	-	43,777
Property investigation	-	25,996
Foreign exchange	302,007	(39,669)
Impairment of mineral property	-	7,231,093
Loss from disposition of equipment, net of write offs	10,186	2,250
Write-off of receivables and value-added tax	-	7,689
Loss from disposition of subsidiary	2,676,346	-
	$ (2,988,539)	**$ (7,301,979)**

(Stated in Canadian dollars)

13. Discontinued Operations (continued)

The cash flows from the discontinued operations for are as follows:

	Year ended December 31,	
	2017	2016
Operating Activities		
Net loss from discontinued operations	$ **(2,988,539)**	$ **(7,301,979)**
Non-cash items included in net loss		
Amortization	-	9,096
Loss from disposition of equipment, net of write offs	10,186	2,250
Write-off of receivables and value-added tax	2,676,346	16,026
Write-down of mineral property interests, net of recoveries	302,007	7,231,093
	-	**(43,514)**
Changes in non-cash working capital		
Receivables and prepaids	4,348	(17,508)
Accounts payable and accrued liabilities	(264,309)	(232,181)
Cash used in operating activities	**(259,961)**	**(293,203)**
Financing		
Cash received from Royal Road	253,977	-
Cash provided by financing activities	**253,977**	-
Investing		
Mineral property interests, net of write-downs	-	(611,619)
Proceeds from disposition of equipment	-	22,778
Cash used in investing activities	-	**(588,841)**

(Stated in Canadian dollars)

14. Income Taxes

(a) A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

	2017	2016
Loss for the year	$(2,204,470)	$(7,734,060)
Canadian statutory tax rate	26.0%	26.0%
Income tax benefit computed at statutory rates	(573,162)	(2,010,856)
Foreign tax rates different from statutory rates	-	11,124
Items non-deductible for income tax purposes	4,961	21,851
Change in timing differences	601,393	26,852
Unused tax losses and tax offsets not recognized in tax asset	114,028	1,438,321
Impact of foreign exchange on tax assets and liabilities	-	512,708
Effect of change in tax rates	(147,220)	-
	$ -	$ -

Effective January 1, 2013, the Canadian federal corporate tax rate is 15% and the British Columbia provincial tax rate is 11% for a total Canadian statutory tax rate of 26%.

(b) The tax effected items that give rise to significant portions of the deferred income tax assets deferred income tax liabilities at December 31, 2017 and 2016 are presented below:

	December 31, 2017	2016
Deferred tax assets		
Non-capital losses carried forward	$ -	$ 120,095
Deferred tax liabilities		
Exploration and evaluation assets	-	(2,706)
Foreign exchange	-	(117,389)
Book value over tax value of mineral property interest	-	-
Deferred tax liabilities	-	(120,095)

(Stated in Canadian dollars)

14. Deferred Income Taxes (continued)

(c) The Company recognizes tax benefits on losses or other deductible amounts generated in countries where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	December 31, 2017	December 31, 2016
Non-capital losses	$ 6,702,766	$ 13,561,168
Resource Property	7,976,965	7,976,965
Property, plant and equipment	26,556	16,693
Share issue costs	15,676	82,896
Unrecognized deferred tax assets	$ 14,721,963	$ 21,637,122

The Company forfeited non-capital carryforwards of $7,213,042 upon disposal of subsidiaries in Mexico and $296,653 upon disposal of the subsidiary in Nicaragua.

The Company's unrecognized unused non-capital losses have the following expiry dates:

	Canada
2028	238,314
2029	390,279
2030	1,174,645
2031	1,329,747
2032	992,892
2033	816,543
2034	554,858
2035	439,963
2036	514,544
2037	250,981
	$ 6,702,766

15. Segmented Information

The Company had one operating segment in 2016, being mineral exploration, with assets previously located in Mexico and Nicaragua which were disposed of during the year ended December 31, 2017.

	December 31, 2017			December 31, 2016		
	Canada	Nicaragua	Total	Canada	Nicaragua	Total
Mineral property interests	$ -	$ -	$ -	$ -	$ 3,214,601	$ 3,214,601
Equipment	-	-	-	-	21,827	21,827

16. Subsequent Events

On March 12, 2018, the Company entered into a Letter Agreement with Arctic Blockschain Ltd. (Arctic) a company incorporated in Canada whereby Arctic will acquire the Company by way of a share exchange, amalgamation or other transaction as agreed to between the two parties. Arctic is the sole shareholder of Hydro66 UK Limited ("Hydro66"), a company based in Boden, Northern Sweden, that has been operating since 2014, offering enterprise co-location services as well as mining cryptocurrency on its own account and for customers, continuously since inception.

CAZA GOLD CORP.

Fourth Quarter Report

Management Discussion and Analysis

(stated in Canadian dollars)

Years ended December 31, 2017 and 2016

CAZA GOLD CORP.
(the "Company")

Fourth Quarter Report

Management's Discussion and Analysis
For the Year ended December 31, 2017
(expressed in Canadian dollars)

CAUTION – FORWARD LOOKING STATEMENTS

Certain statements contained herein regarding the Company and its operations constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 or "forward-looking information" under Canadian securities legislation. These forward-looking statements or information may include statements regarding perceived merit of properties, exploration results and budgets, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, completion of transactions, market prices for precious and base metals, or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be "forward-looking statements or information".

Forward-looking statements are based on a number of material assumptions, which could prove to be significantly incorrect, including our ability to achieve production at any of the Company's mineral exploration and development properties, estimated capital costs, operating costs, production and economic returns, estimated metal pricing, metallurgy, mineability, marketability and operating and capital costs, together with other assumptions underlying the Company's resource estimates, our expected ability to develop adequate infrastructure and that the cost of doing so will be reasonable assumptions that all necessary permits and governmental approvals will be obtained, assumptions made in the interpretation of drill results, the geology, grade and continuity of the Company's mineral deposits, our expectations regarding demand for equipment, skilled labour and services needed for exploration and development of mineral properties and our activities will not be adversely disrupted or impeded by development, operating or regulatory risks.

We caution you that such "forward looking statements or information" involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Such risks and uncertainties include, without limitation, fluctuations in precious metal prices, unpredictable results of exploration activities, uncertainties inherent in the estimation of mineral reserves and resources, fluctuations in the costs of goods and services, problems associated with exploration and mining operations, changes in legal, social or political conditions in the jurisdictions where the Company operates, lack of appropriate funding, currency fluctuations, risks related to market events and general economic conditions, uncertainty related to the Company's ability to meet production levels and observe operating costs estimates mining and development risks, including risks related to infrastructure, accidents, equipment breakdowns, labor disputes or other unanticipated difficulties with or interruptions in development, construction or production risks related to governmental regulation and permits, including environmental regulation uncertainty related to the Company's history of losses, increased competition in the mining industry, uncertainty as to the Company's ability to acquire additional commercially mineable mineral rights, operational and environmental risks and hazards associated with mining and processing, risks related to increases in demand for equipment, skilled labour and services needed for exploration and development of mineral properties, and related cost increases and risks related to the third parties on which the Company depends for its exploration and development activities, and other risk factors, as discussed in the Company's filings with Canadian securities regulatory agencies. The Company expressly disclaims any obligation to update any forward-looking statements or information, except as may be required by law.

1.0 Preliminary Information

The following Management's Discussion and Analysis ("MD&A") of Caza Gold Corp. (the "Company") should be read in conjunction with the accompanying audited consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2017 and 2016, and a summary of significant accounting policies and other explanatory information, all of which are available at the SEDAR website at www.sedar.com.

Financial information in this MD&A is prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

All information contained in the MD&A is as of April 25, 2018 unless otherwise indicated.

1.1 Background

The Company was incorporated on November 15, 2007 under the laws of British Columbia and is engaged in the evaluation, acquisition, exploration, development and exploitation of precious metal and base metal properties in Latin America.

As the Company is focused on its mineral exploration activities, there is no mineral production, sales or inventory in the conventional sense. The recoverability of amounts capitalized for mineral property interests is dependent upon the ability of the Company to arrange appropriate financing as needed, the discovery of reserves in its mineral properties, the development of its properties, confirmation and maintenance of the Company's interest in the underlying properties, the receipt of necessary permits and upon future profitable production or proceeds from the disposition thereof. Such exploration and development, if any, activities normally take years to complete and the amount of resulting income, if any, is difficult to determine with any certainty at this time. Many of the key factors are outside of the Company's control. The sales value of any mineralization discovered and developed by the Company is largely dependent upon factors beyond the Company's control such as the market prices of the metals produced. Item 1.17 provides details of risk factors.

1.2 Overall Performance

(i) Share Sale to Generic Capital Corporation

On May 31, 2017, Generic Capital Corporation ("Generic") acquired 137,822,549 common shares of the Company pursuant to a share purchase agreement dated May 29, 2017 between GCC and Royal Road Mineral Limited ("Royal Road"). Royal Road plans to dispose the remaining common shares of the Company held by it under the terms of the share purchase agreement. As part of the agreement, the Company transferred all of its assets in Nicaragua to Royal Road. During the year ended December 31, 2017, the Company disposed of the other subsidiaries - Minera Caza S.A. de C.V. and Minera Canarc de Mexico S.A. de C.V.

(ii) Support Agreement with Royal Road Minerals Limited:

On January 20, 2017, Royal Road made a formal offer (the "Offer") to purchase all of the outstanding common shares of the Company on the basis of 0.16 of an ordinary share of Royal Road for each common share of the Company.

On February 28, 2017, Royal Road was successful in its bid to acquire the Company. A total of 134,886,372 common shares of the Company, representing approximately 90% of the Company's issued and outstanding common shares were deposited under the Offer (and not withdrawn) as at February 27, 2017, the expiry time of the initial deposit period under the Offer.

Royal Road extended the deposit period under the Offer for the mandatory 10-day extension period required under applicable securities laws, to enable those shareholders who have not yet tendered their shares, to deposit their common shares to the Offer. The Offer was extended until March 13, 2017.

(Stated in Canadian dollars)

On March 15, 2017, Royal Road announced that it has taken up a total of 137,822,549 common shares of the Company deposited under its Offer made to the Company's shareholders, representing over 90% of the Company's issued and outstanding common shares. The Offer expired and was not further extended.

Royal Road had mailed a notice of compulsory acquisition to all remaining holders of the Company's common shares and expects to complete the acquisition of all the of the Company's common shares on or around May 21, 2017. Generic has the right to purchase the additional 2,936,177 of the Company held by Royal Road. Due to sale of the shares of the Company to Generic, the compulsory acquisition of the balance of the shares of the Company has not yet occurred.

1.3 Selected Annual Information

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

	Years Ended December 31,		
	2017	2016	2015
Total revenues	$ -	$ -	$ -
Income (loss) before discontinued operation and extraordinary items:			
(i) Total	$ 784,069	$ (432,081)	$ (511,040)
(ii) Basic per share	$ 0.01	$ (0.05)	$ -
(iii) Diluted per share	$ 0.01	$ (0.05)	$ -
Net Loss			
(i) Total	$ (2,204,470)	$ (7,734,060)	$ (511,040)
(ii) Basic per share	$ (0.02)	$ (0.05)	$ -
(iii) Diluted per share	$ (0.02)	$ (0.05)	$ -
Total assets	$ 3,699	$ 3,293,598	$ 10,129,540
Totoal long-term liabilities	$ -	$ 715,219	$ -
Dividends per share	$ -	$ -	$ -

During 2017, the Company recorded loss from discontinued operations of $2,988,539 (2016 - $7,301,979) due to the disposition of its subsidiaries.

1.4 Results of Operations

Fourth Quarter of Fiscal 2017 – Year ended December 31, 2017 compared with December 31, 2016

The Company incurred a significant net loss of $2,204,470 for the year ended December 31, 2017, in contrast to a net loss of $7,734,060 for fiscal 2016. The loss in the current year was due to the disposition of the subsidiaries. Net losses were impacted by different functional expense items.

Accounting and audit expenses increased by $12,308 to $40,273 during the year ended December 31, 2017 compared to $27,965 in the previous year.

The Company recorded amortization amount of $400 in 2016 compared to $nil in the current year.

Employee and director remuneration during the year ended December 31, 2017 were $92,257, which was about half compared to $181,894 in fiscal 2016. All the employees and directors of the Company provided their release during the first quarter of the current year when the RRM took over.

During the year ended December 31, 2017, the Company incurred $11,433 in legal expenses compared to $42,398 in 2016.

Office and sundry expenses were $27,914 during 2017 versus $71,660 in 2016.

Shareholder relations expense during the year ended were $13,114 compared to $40,488.

During the year ended December 31, 2017, the Company recovered $19,080 compared to an expense of $61,452 in 2016.

As at December 31, 2017, the Company had no mineral property interest.

Discontinued Operations
The Company disposed of its subsidiaries during the year ended December 31, 2017. Accordingly, the Company's operations relating to the subsidiaries have been classified as discontinued operations. For the year ended December 31, 2017 and 2016, the Company reported $2,988,539 and $7,301,979 of net loss, respectively, from discontinued operations.

1.5 Summary of Quarterly Results (Unaudited)

The following table provides selected financial information of the Company for each of the last eight quarters ended at the most recently completed quarter, December 31, 2017. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

	2017				2016			
	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31
Total revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Income (loss) before discontinued operations and extraordinary items:								
(i) Total	$ (151,271)	$ 950,594	$ (53,819)	$ 38,565	$ (6,524)	$ (157,635)	$ (149,180)	$ (118,742)
(ii) Basic earnings (loss) per share	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(iii) Diluted earnings (loss) per share	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net income (loss):								
(i) Total	$ (1,482,408)	$ (706,808)	$ (53,819)	$ 38,565	$ (7,308,503)	$ (157,635)	$ (149,180)	$ (118,742)
(ii) Basic earnings (loss) per share	$ (0.01)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(iii) Diluted earnings (loss) per share	$ (0.01)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total assets	$ 3,699	$ 3,510	$ 3,510	$ 3,340,613	$ 3,293,598	$ 10,539,230	$ 10,647,680	$ 10,123,494
Total long-term liabilities	$ -	$ -	$ 719,142	$ 785,233	$ 715,219	$ -	$ -	$ -
Dividends per share	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

1.6 Liquidity

The Company is in the exploration stage and has not yet determined whether its mineral property interests contain reserves. The recoverability of amounts capitalized for mineral property interests is dependent upon the existence of reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and upon future profitable production. The Company knows of no trends, demands, commitments, events or uncertainties that may result in the Company's liquidity either materially increasing or decreasing at the present time or in the foreseeable future.

(Stated in Canadian dollars)

Until such time that the Company can successfully bring a mineral property interest into production in order to generate cash flow, enter into other ventures that generate cash flows or identify other financing sources, the Company may have to mainly rely on raising additional financing.

Since its incorporation in 2007, the Company has endeavored to secure mineral property interests that in due course could be brought into production to provide the Company with cash flow which would be used to undertake work programs on other projects. To that end, the Company has expended its funds on mineral property interests that it believes have the potential to achieve cash flow within a reasonable time frame. As a result, the Company has incurred losses during each of its fiscal periods since incorporation. This result is typical of smaller exploration companies, and will continue until the Company generates revenues and positive cash flows.

The following table contains selected financial information of the Company's liquidity:

	Year ended December 31,	
	2017	2016
Cash	$ -	$ 39,896
Working capital (deficiency)	(27,196)	(664,095)

The Company has no source of operating revenues.

In May 2016, the Company closed a loan agreement with Polygon Mining Opportunity Master Fund ("Polygon") pursuant to which Polygon advanced a loan in the principal amount of US$500,000 to the Company, as evidenced by a promissory note. The loan had an initial maturity date of May 13, 2018 and is payable on demand upon the Company consummating an equity or loan financing with net proceeds of at least US$2.5 million. The loan bears interest at the rate of 10% per annum payable quarterly beginning on June 30, 2016. Interest payments may, at the option of the Company, be added to the principal amount of the loan. As security for the payment of the Company's obligations and for the fulfilment and satisfaction of all covenants and agreements made under the loan agreement, the Company also entered into a general security agreement with Polygon pursuant to which the Company granted Polygon a security interest in all personal property of the Company, including the issued and outstanding shares of the Company's wholly-owned Nicaraguan subsidiary, Nicaza S.A, which holds certain mineral exploration properties located in Nicaragua, including the Los Andes project and the Piedra Iman property.

Polygon is a control person and related party of the Company (as defined by securities legislation) and owned 77.5% of the Company's issued and outstanding share capital at that time.

The Company and Polygon entered into an Agreement dated January 19, 2017 whereby the maturity date of the loan was extended to May 13, 2019 subject to Royal Road having taken up and paid for the Company's common shares which were held and deposited by Polygon by March 2, 2017 pursuant to Royal Road's tender offer to acquire the Company. On March 15, 2017, a total of 137,822,549 shares of the Company, representing over 90% of the Company's then issued and outstanding common shares, were purchased by Royal Road. The loan was assumed by Royal Road on July 6, 2017.

On January 25, 2017, the Company issued 7,837,000 common shares at a fair value of $0.02 per share pursuant to shares for debt settlements with certain former directors and former officers and vendors of the Company. Of the 7,837,000 common shares, 5,337,000 common shares were issued to settle debts of $342,160 including salaries, legal fees and directors' fees payable to former directors and 2.5 million shares as severance to senior officers.

(Stated in Canadian dollars)

On January 25, 2017, Polygon exercised 1.2 million warrants with an exercise price of $0.05 for proceeds of $60,000. Then on March 1, 2017, Polygon exercised another 2.45 million warrants with an exercise price of $0.05 for proceeds of $122,500. The Company may have option agreements, if any, for mineral property interests that involve payments in the form of cash and/or common shares of the Company as well as minimum exploration expenditure requirements. Under Item 1.7, further details of contractual obligations are provided as at December 31, 2017. The Company continued to rely upon debt and equity financing as its principal source of financing its future projects.

1.7 Capital Resources

As at December 31, 2017, the Company did not have incur exploration expenditures on the properties and/or make payments in the form of cash and/or shares to the optionors to maintain the Company's interest and to fully exercise the options under various property agreements covering its mineral property interests. Those mineral interest were disposed.

1.8 Off-Balance Sheet Arrangements

There are no known off balance sheet arrangements except as disclosed in the Company's public filings.

1.9 Transactions with Related Parties

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is disclosed in the table below.

Except as disclosed elsewhere in the MD&A, the Company had the following transactions with related parties during the year ended December 31, 2017:

	Year ended December 31,		Net balance receivable (payable)	
	2017	2016	December 31, 2017	December 31, 2016
Key management compensation:				
Executive salaries and remuneration [(1), (5), (6)]	$ 2,877	$ 409,686	$ -	$ (267,222)
Severance pay [(6)]	50,000	-	-	-
Directors fees [(2), (6)]	-	41,000	-	(83,330)
Share-based (recovery) payments	(16,873)	53,338	-	-
	$ 36,004	$ 504,024	$ -	$ (350,552)
Legal fees incurred to a law firm in which a director of the Company is a partner [(3), (6)]	$ -	$ 31,030	$ -	$ (18,485)
Net office, sundry, rent and salary allocations recovered from (incurred to) company(s) sharing certain common director(s) [(4)]	$ -	$ 1,104	$ -	$ -
Gain on debt settlement [(6)]	$235,420	$ 68,196		

(1) Includes key management compensation which was included in employee and director remuneration, mineral property interests and property investigation, as applicable.

(2) A portion of Directors fees were accrued.

(3) Includes legal fees which are included in finance charges and share issuance expenses, as applicable.

(4) The company was Aztec Metals Corp. which shared a former common director.

(5) Pursuant to an employment agreement, a portion of a former senior officer's remuneration was payable in common shares of the Company.

(6) On January 25, 2017, the Company issued 5,337,000 common shares at a fair value of $0.02 per share pursuant to shares for debt settlements with certain former directors and former officers of the Company for salaries and severance payable, directors' fees payable, and legal services rendered amounting to $342,160. In 2016, the Company derecognized certain directors' fees payable. In addition, 2,500,000 common shares at a fair value of $0.02 per share were issued as severance to former senior officers.

The above related party transactions are incurred in the normal course of business.

Transactions with related parties are in the normal course of business and measured at the exchange amount, which is the amount agreed upon by the transacting parties and on terms and conditions similar to transactions with non-related parties. The Company shares common office facilities, employee and administrative support, and office sundry amongst company(ies) with common current and former director(s), and such allocations to the Company are on a full cost recovery basis.

In May 2016, the Company closed a loan agreement with Polygon pursuant to which Polygon advanced a loan in the principal amount of US$500,000 to the Company, as evidenced by a promissory note. In January and March 2017, Polygon exercised warrants for 3.65 million common shares at an exercise price of $0.05 per share. Item 1.2 provides further details.

On January 25, 2017, the Company issued 7,837,000 common shares at a fair value of $0.02 per share pursuant to shares for debt settlements with certain former directors and former officers and vendors of the Company. Of the 7,837,000 common shares, 5,337,000 common shares were issued to settle debts of $342,160 including salaries, legal fees and directors' fees payable to former directors and 2.5 million shares as severance to senior officers. Item 1.6 provides further details.

1.10 Proposed Transactions

On March 12, 2018, the Company entered into a Letter Agreement with Arctic Blockchain Ltd. (Arctic) a company incorporated in Canada whereby Arctic will acquire the Company by way of a share exchange, amalgamation or other transaction as agreed to between the two parties. Arctic is the sole shareholder of Hydro66 UK Limited ("Hydro66"), a company based in Boden, Northern Sweden that has been operating since 2014, offering enterprise co-location services as well as mining cryptocurrency on its own account and for customers, continuously since inception.

1.11 Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements along with the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates and, as such, estimates and underlying assumptions are reviewed on an on-going basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests; the determination of accrued liabilities; accrued site remediation; the variables used in the determination of the fair values of stock options granted and warrants issued as finders' fees and promissory note payable; and the recoverability of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

Acquisition costs of mineral property interests and exploration and development expenditures incurred thereto are capitalized and deferred. The costs related to a property from which there is production will be amortized using the unit-of-production method. Capitalized costs are written down to their estimated recoverable amount if the property is subsequently determined to be uneconomic. The amounts shown for mineral property interests represent costs incurred to date, less recoveries and write-downs, and do not reflect present or future values.

1.12 Changes in Accounting Policies Including Initial Adoption

The consolidated financial statements for the year ended December 31, 2017 include note disclosure in Note 2(f) which provides for any changes in accounting policies including initial adoption and recent accounting pronouncements.

The Company did not early adopt any recent pronouncements.

1.13 Financial Instruments and Other Instruments

The Company classifies its financial instruments as follows:

- cash as financial assets at fair value through profit or loss ("FVTPL"),
- receivables as loans and receivables, and
- accounts payable and accrued liabilities and promissory note payable and loan due to parent as other financial liabilities.

Management of financial risk:

The fair value hierarchy categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

The fair values of the Company's receivables and accounts payable and accrued liabilities and loan due to parent approximate their carrying values due to the short terms to maturity. The fair value of the promissory note payable approximate its carry value as it is at market interest rates. Cash is measured at fair value using Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk, and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are provided as follows.

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk through maintaining its cash with high-credit quality Canadian financial institutions. Non-contractual taxes receivables from government agencies are not considered financial instruments.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company attempts to ensure that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise debt and equity financings. As at September 30, 2017, the Company had a working capital deficiency of $27,196. The Company continues to rely on additional debt and equity funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests.

Item 1.6 provide details of the contractual obligations regarding the promissory note payable to Polygon.

Accounts payable and accrued liabilities are due in accordance with normal terms of trade and are payable in 2017.

(c) Market risk:

The significant market risk exposure to which the Company is exposed is foreign currency risk, interest rate risk and other price risk.

(i) Interest rate risk:

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. Interest rate risk is not significant to the Company as it has no cash equivalents at period-end. The Company's debt obligations owed for the promissory note bear a fixed interest rate.

(iii) Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company currently does not have any financial instruments which fluctuate with market prices.

1.14 Other MD&A Requirements

1.14.1 Other MD&A Requirements

Additional information relating to the Company are as follows:

(a) may be found on SEDAR at www.sedar.com; and

(b) is also provided in the Company's audited consolidated financial statements for the year ended December 31, 2017 and 2016.

(Stated in Canadian dollars)

1.14.2 Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of common shares without par value.

Changes in the Company's share capital for the year ended December 31, 2017 are as follows:

	Number of Shares		Amount
Balance at December 31, 2016	141,302,005	$	21,851,150
Issued:			
Shares for debt settlements	7,837,000		156,740
Exercise of warrants	3,650,000		219,000
Balance at December 31, 2017	**152,789,005**	**$**	**22,226,890**

On January 25, 2017, the Company issued 7,837,000 common shares at a fair value of $0.02 per share pursuant to shares for debt settlements with certain former directors and former officers and vendors of the Company. Of the 7,837,000 common shares, 5,337,000 common shares were issued to settle debts of $342,160 including salaries, legal fees and directors' fees payable to former directors and 2.5 million shares as severance to senior officers.

On January 25, 2017, Polygon exercised 1.2 million warrants with an exercise price of $0.05 for proceeds of $60,000 and a fair value of $12,000. Then on March 1, 2017, Polygon exercised another 2.45 million warrants with an exercise price of $0.05 for proceeds of $122,500 and a fair value of $24,500.

On March 13, 2017, a total of 137,822,549 shares of the Company, representing over 90% of the Company's then issued and outstanding common shares, were deposited under the offer by Royal Road. In May 2017, Royal Road acquired all the remaining common shares of the Company pursuant to the compulsory acquisition provisions in Section 300 of the Business Corporations Act (British Columbia).

On June 29, 2017, Generic Capital Corporation acquired, through share purchase agreement, 100% of issued and outstanding shares of Caza from Royal.

At the date of this report, there were 152,789,005 common shares issued and outstanding.

At December 31, 2017, the Company had no outstanding stock options.

The Offer by Royal Road resulted in the resignation of all directors, officers, consultants and employees of the Company in March 2017, resulting in the forfeiture and cancellation of all outstanding stock options.

At the date of this report, there were no outstanding stock options.

At December 31, 2017, the Company had no outstanding warrants.
In January 25, 2017, Polygon exercised 1.2 million warrants with an exercise price of $0.05 for proceeds of $60,000 and a fair value of $12,000. Then on March 1, 2017, Polygon exercised another 2.45 million warrants with an exercise price of $0.05 for proceeds of $122,500 and a fair value of $24,500.

At the date of this report, there were no warrants outstanding.

1.16 Outlook

The Company will continue to depend upon debt and equity capital to finance its future projects. There are no assurances that capital requirements will be met by this means of financing as inherent risks are attached therein including commodity prices, financial market conditions, and general economic factors. The Company does not expect to realize any operating revenues in the foreseeable future.

1.17 Risk Factors

The following is a brief discussion of those distinctive or special characteristics of the Company's operations and industry that may have a material impact on, or constitute risk factors in respect of, the Company's future financial performance.

Exploration and Development Risks

There is no assurance given by the Company that its exploration programs and mineral property interests will result in the discovery, development or production of a commercially viable ore body.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development, if any, activities will result in any discoveries of bodies of commercial ore. The economics of developing gold and other mineral properties are affected by many factors including capital and operating costs, variations of the grades and tonnages of ore mined, fluctuating mineral market prices, costs of mining and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Substantial expenditures are required to establish reserves through drilling and other work, to develop metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that funds required for development can be obtained on a timely basis. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, the global marketing conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for exploitation concessions. There can be no guarantee that such concessions will be granted.

Financing Risks

There is no assurance given by the Company that it will be able to secure the financing necessary to explore, develop and produce its mineral property interests.

The Company does not presently have sufficient financial resources or operating cash flow to undertake by itself all of its planned exploration and development, if any, programs. The development of the Company's mineral property interests may therefore depend on joint venture partnerships and on the Company's ability to obtain additional required financing. There is no assurance the Company will be successful in obtaining the required financing, the lack of which could result in the loss or substantial dilution of its interests (as existing or as proposed to be acquired) in its mineral property interests as disclosed herein. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise debt and equity capital financings, the attainment of profitable operations, external financings, and further share issuance to satisfy working capital and operating needs.

The Company may have to mainly rely on its controlling shareholder, Royal Road, to inject the capital, by way of private placement debt or equity financings, required to pay for exploration expenditures and administrative expenses. Royal Road has no obligation to participate in any further debt or equity capital injections in the Company. Also, although Polygon has been supportive of the Company's recent financing efforts, there is no assurance that Polygon will provide additional financial contributions to the Company in the future.

Estimates of Mineral Deposits

There is no assurance given by the Company that any estimates of mineral deposits herein will not change.

No assurance can be given that any identified mineralized deposit will ever become a commercially viable mineable ore body that can be legally and economically exploited. Estimates regarding mineralized deposits can also be affected by many factors such as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grades and tonnages of ore ultimately mined may differ from that indicated by drilling results and other work. There can be no assurance that gold recovered in small-scale laboratory tests will be duplicated in large-scale tests under on-site conditions. Material changes in mineralized tonnages, grades, dilution and stripping ratios or recovery rates may affect the economic viability of projects. The existence of mineralized deposits should not be interpreted as assurances of the future delineation of ore reserves or the profitability of future operations.

Mineral Prices

The mining industry is competitive and mineral prices fluctuate so that there is no assurance, even if commercial quantities of a mineral resource are discovered, that a profitable market will exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of precious and base metals fluctuate on a daily basis, have experienced volatile and significant price movements over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the U.S. dollar relative to other currencies), interest rates, central bank transactions, world supply for precious and base metals, international investments, monetary systems, and global or regional consumption patterns (such as the development of gold coin programs), speculative activities and increased production due to improved mining and production methods. The supply of and demand for gold are affected by various factors, including political events, economic conditions and production costs in major gold producing regions, and governmental policies with respect to gold holdings by a nation or its citizens. The exact effect of these factors cannot be accurately predicted, and the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. There is no assurance that the prices of gold and other precious and base metals will be such that the Company's properties can be mined at a profit.

Title Matters

There is no assurance given by the Company that it owns legal title to certain of its mineral property interests.

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to any of the Company's mining concessions may come under dispute. While the Company has diligently investigated title considerations to its mineral properties, in certain circumstances, the Company has only relied upon representations of property partners and government agencies. There is no guarantee of title to certain of the Company's mineral property interests. The properties may be subject to prior unregistered agreements or transfers, and title may be affected by unidentified and undetected defects. Native land claims or claims of aboriginal title may be asserted over areas in which the Company's mineral property interests are located.

Conflicts of Interest

There is no assurance given by the Company that its directors and officers will not have conflicts of interest from time to time.

The Company's directors and officers may serve as directors or officers of other public mineral exploration or mining companies or have significant shareholdings in other public mineral exploration or mining companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The interests of these companies may differ from time to time. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against any resolution involving any such conflict. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of the Province of British Columbia, Canada, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in any particular exploration or mining project at any given time, the directors will primarily consider the upside potential for the project to be accretive to shareholders, the degree of risk to which the Company may be exposed and its financial position at that time.

Uninsured Risks

Mineral exploration and mining and processing operations, if any, involve many risks and hazards, including, among others, metallurgical and other processing problems, unusual and unexpected rock formations, ground or slope failures or underground cave-ins, environmental contamination, industrial accidents, fires, flooding and periodic interruptions due to inclement or hazardous weather conditions or other acts of nature, organized labour disputes or work slow-downs, mechanical equipment failure and facility performance problems, and the availability of critical materials, equipment and skilled labour. These risks could result in damage to, or destruction of, the Company's properties or production facilities, personal injury or death, environmental damage, delays in mining or processing, increased production costs, asset write downs, monetary losses, and legal liability.

The Company cannot be certain that its insurance will cover all of the risks associated with mineral exploration and mining and processing, if any, or that it will be able to maintain insurance to cover these risks at economically feasible premiums. The Company could also become subject to liability for hazards against which it cannot insure or against which the Company may elect not to insure because of high premium costs or commercial impracticality. Such events could result in a prolonged interruption in operations that would have a negative effect on the Company's ability to generate revenues, profits and cash flow. Losses from such events may increase costs and decrease profitability.

Mining is inherently risky and subject to conditions or events beyond the Company's control, which could have a material adverse effect on the Company's business

Mining involves various types of risks and hazards, including environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structural cave-ins or slides, flooding, fires, power outages, labour disruptions, explosions, landslides and avalanches, mechanical equipment and facility performance problems, availability of materials and equipment, metals losses and periodic interruptions due to inclement or hazardous weather conditions.

These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury or death, including to employees, environmental damage, delays in mining, increased production costs, asset write downs, monetary losses and possible legal liability. The Company may not be able to obtain insurance to cover these risks at economically feasible premiums or at all. Insurance against certain environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from production, is not generally available to the Company or to other companies within the mining industry. The Company may suffer a material adverse impact on its business if it incurs losses related to any significant events that are not covered by its insurance policies.

Environmental and Other Regulatory Requirements

There is no assurance given by the Company that it has met all environmental or regulatory requirements.

The current or future operations of the Company, including exploration or, if any, development activities or, if any, commencement of production on its mineral property interests, require permits from various foreign, federal, state and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, exploration, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required in order for the Company to commence exploration or, if any, production on its various property interests will be obtained. Further, in May 2016, the Company's application for an environmental permit for the Piedra Iman project was denied, which impedes the ability of the Company to proceed with drilling at such project. Item 1.2(ii) provides further details. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, are necessary prior to operation of the other properties in which the Company has interests and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence exploration, or construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. New laws or regulations or amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation of current laws, regulations or permits, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Reclamation

There is a risk that monies allotted for land reclamation may not be sufficient to cover all risks. Therefore additional funds, or reclamation bonds or other forms of financial assurance may be required over the tenure of the project to cover potential risks. These additional costs may have material adverse impact on the financial condition and results of the Company.

Foreign Countries and Regulatory Requirements

The Company's mineral property interests are located in countries outside of Canada, and mineral exploration and mining activities, if any, may be affected in varying degrees by political stability and government regulations relating to the mineral exploration and mining industry. Any changes in regulations or shifts in political attitudes may vary from country to country and are beyond the control of the Company and may adversely affect its business. Such changes have, in the past, included nationalization of foreign owned businesses and properties. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income and other taxes and duties, expropriation of property, environmental legislation and safety. These uncertainties may make it more difficult for the Company and its joint venture partners to obtain any required exploration and production, if any, financing for its mineral properties.

Currency Fluctuation and Foreign Exchange Controls

The Company maintains a portion of its funds in U.S. dollar and Nicaraguan Cordoba denominated accounts. Certain of the Company's property and related contracts may be denominated in the U.S. dollar and Nicaraguan cordoba. The Company's operations in countries other than Canada are normally carried out in the currency of that country and make the Company subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. In addition future contracts may not be denominated in Canadian dollars and may expose the Company to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results of its operations. In addition, the Company is or may become subject to foreign exchange restrictions which may severely limit or restrict its ability to repatriate capital or profits from its properties outside of Canada to Canada. Such restrictions may have existed in the past in countries in which the Company holds property interests and future impositions of such restrictions could have a materially adverse effect on the Company's future profitability or ability to pay dividends.

General economic conditions may adversely affect the Company's growth, future profitability and ability to finance

The events in global financial markets in the past have had a significant impact on the global economy. Many industries, including the mining industry, are impacted by these market conditions. Specifically, the volatility of metal prices would impact the Company's revenues, profits, losses and cash flow, negative economic pressures could adversely impact demand for the Company's production construction related costs could increase and adversely affect the economics of any of the Company's projects, volatile energy, commodity and consumables prices and currency exchange rates would impact the Company's production costs and the devaluation and volatility of global stock markets would impact the valuation of the Company's equity and other securities.

Third Party Reliance

The Company's rights to acquire interests in certain mineral property interests have been granted by third parties who themselves may hold only an option to acquire such properties. As a result, the Company may have no direct contractual relationship with the underlying property holder.

The Company may be subject to legal proceedings

Due to the nature of its business, the Company may be subject to numerous regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of its business. The results of these legal proceedings cannot be predicted with certainty due to the uncertainty inherent in litigation, including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal. There can be no assurances that these matters will not have a material adverse effect on the Company's business.

Increased competition could adversely affect the Company's ability to acquire suitable producing properties or prospects for mineral exploration in the future

The mining industry is intensely competitive. Significant competition exists for the acquisition of properties producing or capable of producing metals. The Company must compete to acquire additional mining properties with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company or are further advanced in their development or are significantly larger, for the acquisition of mineral claims, leases and other mineral interests. The Company may also encounter increasing competition from other mining companies in its efforts to hire experienced mining professionals. Increased competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future. If the Company is unsuccessful in acquiring additional mineral properties or qualified personnel, it will not be able to grow at the rate it desires, or at all.

There can be no assurance that the Company will successfully acquire additional mineral rights

Most exploration projects do not result in the discovery of commercially mineable ore deposits and no assurance can be given that any particular level of recovery of ore reserves will be realized or that any identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. Moreover, mines have a depleting asset base which needs to be continually renewed. Estimates of reserves, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. If current exploration programs do not result in the discovery of commercial ore, the Company may need to write-off part or all of its investment in existing exploration stage properties, and may need to acquire additional properties. Material changes in ore reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

The Company's future growth and productivity will depend, in part, on its ability to identify and acquire additional mineral rights, and on the costs and results of continued exploration and development programs. Mineral exploration is highly speculative in nature and is frequently non-productive. Substantial expenditures are required to establish ore reserves through drilling and metallurgical and other testing techniques, to determine metal content and metallurgical recovery processes to extract metal from the ore, and to construct, renovate or expand mining and processing facilities.

If the Company does make further acquisitions, any positive effect on the Company's results will depend on a variety of factors, including, but not limited to, assimilating the operations of an acquired business or property in a timely and efficient manner, maintaining the Company's financial and strategic focus while integrating the acquired business or property, achieving identified and anticipated operating and financial synergies, unanticipated costs, diversion of management attention from existing business, potential loss of key employees or key employees of any business acquired, unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition, decline in the value of acquired properties, companies or securities, implementing uniform standards, controls, procedures and policies at the acquired business, as appropriate and, to the extent that the Company makes an acquisition outside of markets in which it has previously operated, conducting and managing operations in a new operating environment.

CAZA GOLD CORP.

CAZA GOLD CORP.

Consolidated Financial Statements

(stated in Canadian dollars)

Years ended December 31, 2016 and 2015

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CAZA GOLD CORP.

We have audited the accompanying consolidated financial statements of Caza Gold Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Caza Gold Corp. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 27, 2017

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CAZA GOLD CORP.

(An Exploration Stage Company)
Consolidated Statements of Financial Position
(Stated in Canadian dollars)

	Notes	December 31, 2016		2015	
ASSETS	8				
Current Assets					
Cash		$	**39,896**	$	364,756
Receivables and prepaids	10		**17,274**		39,932
Total Current Assets			**57,170**		404,688
Non-Current Assets					
Mineral property interests	6 and 10		**3,214,601**		9,668,501
Equipment	7		**21,827**		56,351
Total Non-Current Assets			**3,236,428**		9,724,852
Total Assets		$	**3,293,598**	$	10,129,540
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Accounts payable and accrued liabilities	10	$	**721,265**	$	599,015
Non-Current Liabilities					
Promissory note payable	8		**715,219**		-
Total Liabilities			**1,436,484**		599,015
Shareholders' Equity					
Share capital	9(b)		**21,851,150**		21,851,953
Reserve for share-based payments			**1,263,565**		1,407,299
Deficit			**(21,257,601)**		(13,728,727)
Total Shareholders' Equity			**1,857,114**		9,530,525
Total Liabilities and Shareholders' Equity		$	**3,293,598**	$	10,129,540

Refer to the accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

/s/ *Tim Coughlin* — Director

/s/ *Peter Mullens* — Director

CAZA GOLD CORP.

(An Exploration Stage Company)
Consolidated Statements of Comprehensive Loss
(Stated in Canadian dollars)

	Notes	Years ended December 31, 2016	2015
Expenses:			
Accounting and audit		$ **71,742**	$ 80,031
Amortization	7	**9,496**	10,481
Employee and director remuneration	10	**204,462**	259,539
Legal	10	**42,464**	37,437
Office and sundry	10 and 11	**68,177**	94,638
Property investigation	10 and 11	**25,998**	32,642
Regulatory		**38,561**	49,605
Shareholder relations		**3,399**	5,480
Share-based payments	9(c) and 10	**61,452**	146,356
Loss before the undernoted		**(525,751)**	(716,209)
Foreign exchange gain		**15,766**	266,213
Interest income		**232**	5,667
Interest and finance charges	8	**(43,133)**	-
Gain on debt settlement	9(b)(ii) and 10	**68,402**	51,118
Loss from disposition of equipment	7	**(2,250)**	(153)
Write-off of receivables and value-added tax	10	**(16,233)**	(117,676)
Write-down of mineral property interests, net of recoveries	6	**(7,231,093)**	-
Net loss and comprehensive loss for the year		$ **(7,734,060)**	$ (511,040)
Basic and diluted loss per share		$ **(0.05)**	$ (0.00)
Weighted average number of common shares outstanding		**141,302,005**	139,795,166

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)

Consolidated Statements of Changes in Shareholders' Equity

(Stated in Canadian dollars)

	Notes	Share Capital: Number of Shares	Share Capital: Amount	Reserve for Share-Based Payments	Deficit	Total
Balance, December 31, 2014		138,743,605	$ 21,782,282	$ 1,497,285	$ (13,454,029)	$ 9,825,538
Shares-for-debt settlement	9(b)	2,558,400	69,671	-	-	69,671
Share-based payments	9(c)	-	-	146,356	-	146,356
Expiry of stock options	9(c)	-	-	(236,342)	236,342	-
Net loss for the year		-	-	-	(511,040)	(511,040)
Balance, December 31, 2015		141,302,005	21,851,953	1,407,299	(13,728,727)	9,530,525
Share issue expenses		-	(803)	-	-	(803)
Share-based payments	9(c)	-	-	61,452	-	61,452
Expiry of stock options	9(c)	-	-	(164,737)	164,737	-
Expiry of warrants	9(d)	-	-	(40,449)	40,449	-
Net loss for the year		-	-	-	(7,734,060)	(7,734,060)
Balance, December 31, 2016		141,302,005	$ 21,851,150	$ 1,263,565	$ (21,257,601)	$ 1,857,114

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)
Consolidated Statements of Cash Flows (continued)
(Stated in Canadian dollars)

	Years ended December 31, 2016	2015
Cash provided from (used by):		
Operations:		
Loss for the year	$ **(7,734,060)**	$ (511,040)
Items not involving cash:		
Amortization	**9,496**	10,481
Accrued interest	**43,133**	-
Unrealized foreign exchange loss (gain)	**4,866**	(343,923)
Share-based payments	**61,452**	146,356
Gain on debt settlement	**(68,402)**	(51,118)
Loss from disposition of equipment, net of write offs	**2,250**	154
Write-off of receivables and value-added tax	**16,233**	117,676
Write-down of mineral property interests, net of recoveries	**7,231,093**	-
	(433,939)	(631,414)
Changes in non-cash working capital items:		
Receivables and prepaids	**6,425**	1,671
Accounts payable and accrued liabilities	**25,078**	267,930
Cash used by operating activities	**(402,436)**	(361,813)
Financing:		
Proceeds from promissory note payable	**671,350**	-
Share issuance expenses	**(803)**	-
Cash provided from financing activities	**670,547**	-
Investing:		
Mineral property interests, net of write-downs	**(611,619)**	(2,641,543)
Acquisition of equipment	-	(63,339)
Proceeds from disposition of equipment	**22,778**	-
Cash used by investing activities	**(588,841)**	(2,704,882)
Unrealized foreign exchange (loss) gain on cash held in foreign currency	**(4,130)**	343,923
Decrease in cash	**(324,860)**	(2,722,772)
Cash, beginning of year	**364,756**	3,087,528
Cash, end of year	$ **39,896**	$ 364,756

Refer to the accompanying notes to the consolidated financial statements.

CAZA GOLD CORP.

(An Exploration Stage Company)
Consolidated Statements of Cash Flows (continued)
(Stated in Canadian dollars)

	Notes	Years ended December 31, 2016	2015
Non-cash financing and investing activities:			
Accrual for mineral property interests		$ **298,997**	$ 133,423
Issuance of common shares for:			
Debt settlement	9(b)(ii) and 10	-	69,671
Fair values from the expiration of:			
Stock options		**164,737**	236,342
Warrants		**40,449**	-
Interest paid		-	-
Income taxes paid		-	-

Refer to the accompanying notes to the consolidated financial statements.

1. Nature of Operations and Going Concern

Caza Gold Corp. (the "Company") was incorporated on November 15, 2007 under the laws of British Columbia, Canada. The address of the Company's registered office is #1040 – 999 West Hastings Street, Vancouver, BC, Canada, V6C 2W2 and its principal place of business is Ground Floor, 4 Wharf Street St., Helier, Jersey, JE2 3NR.

On December 5, 2016 as amended January 6, 2017, the Company entered into a Support Agreement (the "Support Agreement") with Royal Road Minerals Limited ("Royal Road") whereby Royal Road made an offer to acquire all the issued and outstanding shares of the Company on the basis of 0.16 common share of Royal Road for each common share of the Company. On March 13, 2017, a total of 137,822,549 shares of the Company, representing over 90% of the Company's then issued and outstanding common shares, were deposited under the offer by Royal Road. Royal Road intends to acquire all the remaining shares of the Company pursuant to the compulsory acquisition provisions in Section 300 of the Business Corporations Act (British Columbia). Royal Road also intends to cause the common shares of the Company to be de-listed from the TSX Venture Exchange.

The Company is in the mineral exploration business and has not yet determined whether its properties contain reserves. The recoverability of amounts capitalized for mineral property interests is dependent upon the ability of the Company to arrange appropriate financing as needed, the discovery of reserves, the development of its properties, confirmation and maintenance of the Company's interest in the underlying properties, the receipt of necessary permitting and upon future profitable production or proceeds from the disposition thereof.

The Company has no operating revenues, has incurred significant net losses of approximately \$7.7 million for the year ended December 31, 2016 (2015 – \$511,000), and has a deficit of approximately \$21.3 million as at December 31, 2016 (2015 - \$13.7 million). Furthermore, the Company has a working capital deficiency of approximately \$664,100 (2015 – \$194,300). These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise debt or equity financings, the attainment of profitable operations, or obtaining financial support from Royal Road. Management would need additional capital to meet its planned business objectives. There can be no assurance that management's plans will be successful. These matters indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of Presentation

(a) Statement of compliance:

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

2. Basis of Presentation (continued)

(b) Approval of consolidated financial statements:

These consolidated financial statements were approved by the Company's Board of Directors on April 28, 2017.

(c) Basis of presentation:

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as disclosed in Note 5. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(d) Functional currency and presentation currency:

The functional and presentation currencies of the Company are the Canadian dollar. Amounts recorded in a foreign currency are translated into Canadian dollars as follows:

- monetary assets and liabilities at the exchange rate at the consolidated statement of financial position date;
- non-monetary assets and liabilities at the historical exchange rates, unless such items are carried at fair value, in which case they are translated at the date when the fair value was determined;
- shareholders' equity items at historical exchange rates; and
- revenue and expense items at the rate of exchange in effect on the transaction date.

Exchange gains and losses are recorded in profit or loss in the year in which they occur.

(e) Critical accounting estimates and judgements:

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements along with the reported amounts of revenues, if any, and expenses during the year. Actual results may differ from these estimates and, as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the year in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests; the determination of accrued liabilities; accrued site remediation; the variables used in the determination of the fair values of stock options granted and warrants issued as finders' fees and promissory note payable; and the recoverability of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future financial performance and cash flows.

2. **Basis of Presentation** (continued)

(e) Critical accounting estimates and judgements: (continued)

The Company applies judgment in assessing whether material uncertainties exist that would cast significant doubt as to whether the Company could continue as a going concern.

The Company applies judgment in assessing the functional currency of each entity consolidated in these consolidated financial statements. The functional currency of the Company and its subsidiaries is determined using the currency of the primary economic environment in which that entity operates.

At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore; expected renewals of exploration rights; whether substantive expenditures on further exploration and evaluation of resource properties are budgeted or planned; and results of exploration and evaluation activities on the exploration and evaluation assets. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the year.

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements:

The standards listed below include only those which the Company reasonably expects may be applicable to the Company in the current period and at a future date. The Company is currently assessing the impact of these future standards on the consolidated financial statements.

(i) The following standard became effective in the current period:

Disclosure Initiative *(Amendments to IAS 1 Presentation of Financial Statements)*

The amendments:

- Clarify the existing presentation and disclosure requirements in IAS 1, including the presentation of line items, subtotals and notes; and
- Provide guidance to assist entities to apply judgment in determining what information to disclose, and how that information is presented in their financial statements.

The change had no effect to these consolidated financial statements.

(ii) The following standards will become effective in future periods:

Disclosure Initiative (Amendments to IAS 7 *Statement of Cash Flows*)

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Applicable to the Company's annual period beginning January 1, 2017.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 *Income Taxes*)

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Applicable to the Company's annual period beginning January 1, 2017.

2. **Basis of Presentation** (continued)

(f) New accounting standards and recent pronouncements: (continued)

(ii) The following standards will become effective in future periods: (continued)

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 *Share-based Payment*)

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Applicable to the Company's annual period beginning January 1, 2018.

IFRS 9 *Financial Instruments*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*

  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- *Classification and measurement of financial liabilities:*

  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

(ii) The following standards will become effective in future periods: (continued)

IFRS 9 *Financial Instruments* (continued)

- *Impairment of financial assets:*

  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- *Hedge accounting:*

  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

Applicable to the Company's annual period beginning January 1, 2018.

2. **Basis of Presentation** (continued)

(f) New accounting standards and recent pronouncements: (continued)

(ii) The following standards will become effective in future periods: (continued)

IFRS 16 *Leases*

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers.*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

Applicable to the Company's annual period beginning January 1, 2019.

3. **Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

(a) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Minera Caza S.A. de C.V., Minera Canarc de Mexico S.A. de C.V. and Nicaza S.A.

All significant intercompany transactions and balances have been eliminated.

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or had rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(b) Financial instruments:

(i) Financial assets:

The Company classifies its financial assets in the following categories: fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity ("HTM") and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Financial assets at FVTPL

Financial assets at FVTPL include derivative financial asset, and are initially recognized at fair value with changes in fair value recorded through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity dates. Loans and receivables are carried at amortized cost less any impairment.

Held to maturity

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. HTM investments are initially recognized on their trade-date at fair value, and subsequently measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

3. **Significant Accounting Policies** (continued)

(b) Financial instruments: (continued)

(i) Financial assets: (continued)

Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income (loss) and classified as a component of equity. AFS financial assets include investments in equities of other entities.

Management assesses the carrying value of AFS financial assets at each reporting date and any impairment charges are recognized in profit or loss. When financial assets classified as AFS are sold, the accumulated fair value adjustments recognized in other comprehensive income (loss) are included in profit or loss.

(ii) Financial liabilities:

The Company classifies its financial liabilities in the following categories: FVTPL and other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include derivative financial liabilities, and are initially recognized at fair value with changes in fair value recorded through profit or loss.

Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit or loss.

Other financial liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date.

3. Significant Accounting Policies (continued)

(b) Financial instruments: (continued)

(iii) Fair value hierarchy:

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

(iv) Impairment of financial assets:

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An evaluation is made as to whether a decline in fair value is "significant" or "prolonged" based on indicators such as significant adverse changes in the market, economic or legal environment.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

(v) Derecognition of financial assets and liabilities:

Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognized in profit or loss.

(c) Impairment of non-current assets:

The carrying amounts of non-current assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and is recorded as an expense in profit or loss.

3. **Significant Accounting Policies** (continued)

(c) Impairment of non-current assets: (continued)

The recoverable amount is the higher of an asset's "fair value less costs to sell" for the asset's highest and best use, and "value-in-use". Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined. "Fair value less costs to sell" is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued development, use or eventual disposal of the asset. In assessing these cash flows and discounting them to the present value, assumptions used are those that an independent market participant would consider appropriate. In assessing "value-in-use", the estimated future cash flows expected to arise from the continuing use of the assets in their present form and from their disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

For the purposes of impairment testing, mineral property interests are allocated to cash-generating units to which the exploration or development activity relates. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(d) Mineral property interests:

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition or staking costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse.

All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the property interests are abandoned or the claims are allowed to lapse.

3. **Significant Accounting Policies** (continued)

(d) Mineral property interests: (continued)

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of a property option agreement. As the property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable in the future are not recorded. Property option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is credited to profit or loss.

(e) Equipment:

Equipment is recorded at cost less accumulated amortization. The Company calculates amortization using the declining balance method at rates varying from 10% to 30% annually.

(f) Proceeds on unit offerings:

Proceeds received on the issuance of units, consisting of common shares and warrants, are first allocated to share capital based on the fair value of the common shares with any residual value then allocated to warrants. Consideration received on the exercise of warrants is recorded as share capital and any related reserve for share-based payments is transferred to share capital. Upon expiry of the warrants, the recorded fair value of the warrants is transferred from the reserve for share-based payments to deficit.

(g) Non-monetary transactions:

Common shares issued for consideration other than cash are valued at their fair value at the date of issuance.

(h) Share-based payments:

The Company has a stock option plan that is described in Note 9(c). Share-based payments to employees are measured on the grant date using the Black-Scholes option pricing model and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to the reserve for share-based payments. Consideration received on the exercise of stock options is recorded as share capital and the related reserve for share-based payments is transferred to share capital. Upon expiry, the recorded fair value is transferred from the reserve for share-based payments to deficit.

3. **Significant Accounting Policies** (continued)

(i) Environmental rehabilitation:

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral property interests and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the year.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss as incurred. The Company does not have any significant environmental rehabilitation liabilities.

(j) Loss per share:

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. The treasury stock method is used to calculate diluted loss per common share amounts. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of the diluted per common share amount assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. In the Company's case, diluted loss per common share presented is the same as basic loss per common share as the effect of outstanding share options and warrants would be anti-dilutive.

3. **Significant Accounting Policies** (continued)

(k) Provisions:

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(l) Income taxes:

The Company follows the asset and liability method for accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and losses carried forward. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the year that includes the substantive enactment date. Deferred tax assets are recognized to the extent that recovery is considered probable.

4. Management of Capital

The Company is an exploration stage company and its activities involve a high degree of risk. The Company has not yet determined whether its mineral property interests contain reserves and currently has not earned any revenues from its mineral property interests and does not generate cash flows from operations. The Company's primary sources of funds are from debt capital and the issuance of share capital.

The Company defines its capital as debt and share capital. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses on all exploration projects and overhead to manage its costs, commitments and exploration activities.

The Company has in the past invested its excess capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Management reviews the capital availability and needs on a regular basis to ensure the above-noted objectives are met. There have been no changes to the Company's approach to capital management during the year ended December 31, 2016.

Although the Company has raised funds in the past from the issuance of debt instruments and share capital, it is uncertain whether it would be able to continue this financing in the future. The Company will continue to rely on debt and equity financings to meet its commitments as they become due, to continue exploration work on its mineral property interests, and to meet its administrative overhead costs for the coming periods.

As at December 31, 2016, the Company was not subject to any externally imposed capital requirements.

5. Financial Instruments and Management of Financial Risk

The Company has classified its cash as FVTPL; receivables as loans and receivables; and accounts payable and accrued liabilities and promissory note payable as other financial liabilities.

The fair values of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values due to the short terms to maturity. The fair value of the promissory note payable approximate its carrying value as it is at market interest rates. Cash is measured at fair value using Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk, and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are as follows.

(Stated in Canadian dollars)

5. **Financial Instruments and Management of Financial Risk** (continued)

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality Canadian financial institutions. Non-contractual taxes receivables from government agencies are not considered financial instruments.

Management has reviewed the items comprising the accounts receivable balance, and determined that all accounts are collectible; accordingly, there has been no allowance for doubtful accounts recorded.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise debt and equity financings. As at December 31, 2016, the Company had a working capital deficiency of approximately $664,100 (2015 – $194,300). The Company will require significant additional funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests in 2017.

The following schedule provides the contractual obligations related to the promissory note payable (Note 8) as at December 31, 2016:

	Payments due by Period (CAD$)					Payments due by Period (US$)				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Promissory note:										
Principal	$ -	$ -	$ -	$ -	$ -	$ 500,000	$ -	$ 500,000	$ -	$ -
Accrued interest [1]	-	-	-	-	-	32,171	-	32,171	-	-
Interest [1]	-	-	-	-	-	77,123	55,246	21,877	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ 609,294	$ 55,246	$ 554,048	$ -	$ -

(1) The Company has the option to add unpaid interest to the principal of the promissory note. Interest payable on the due dates thereof has been accrued and included in the principal.

On January 19, 2017, the maturity date was extended from May 13, 2018 to May 13, 2019 (Note 8).

Accounts payable and accrued liabilities are due in less than 90 days.

5. Financial Instruments and Management of Financial Risk (continued)

(c) Market risk:

The significant market risk exposures to which the Company is exposed are foreign currency risk, interest rate risk and other price risk.

(i) Foreign currency risk:

The Company has certain cash, receivables, accounts payable and promissory note payable stated in United States dollars, Nicaraguan cordobas and Mexican pesos, mineral property interests which are in Nicaragua and were previously in Mexico, and a portion of its operations are in Nicaragua and were previously in Mexico, resulting in expenditures subject to foreign currency fluctuations. Fluctuations in the United States dollar, Nicaraguan Cordoba and Mexican peso would impact the losses of the Company and the values of its assets and liabilities as the Company's functional and presentation currencies are the Canadian dollar. The Canadian dollar fluctuates and floats with the United States dollar, Nicaraguan Cordoba and Mexican peso.

At December 31, 2016, the Company was exposed to currency risk for its Canadian dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

	Stated in Canadian Dollars			
	Held in			Total
	United States Dollars	Mexican Pesos	Nicaraguan Cordoba	
Cash	$ 37,017	$ -	$ 1,286	$ 38,303
Receivables	-	-	-	-
Accounts payable and accrued liabilities	(311,291)	(224,074)	(13,971)	(549,336)
Promissory note payable	(715,219)	-	-	(715,219)
Net financial assets (liabilities), December 31, 2016	$ (989,493)	$ (224,074)	$ (12,685)	$ (1,226,252)
Cash	$ 107,884	$ -	$ 1,356	$ 109,240
Receivables	-	-	1,117	1,117
Accounts payable and accrued liabilities	(113,888)	(277,012)	(29,189)	(420,089)
Net financial assets (liabilities), December 31, 2015	$ (6,004)	$ (277,012)	$ (26,716)	$ (309,732)

Based upon the above net exposure as at December 31, 2016 and assuming all other variables remain constant, a 15% (2015 – 15%) depreciation or appreciation of the Canadian dollar relative to the United States dollar, Nicaraguan Cordoba and the Mexican peso could result in a decrease/increase of approximately $183,900 (2015 - $46,500) in the Company's net losses.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

5. **Financial Instruments and Management of Financial Risk** (continued)

(c) Market risk: (continued)

(ii) Interest rate risk:

In respect of financial assets, the Company's policy is to invest excess cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. Interest rate risk is not significant to the Company as it has no cash equivalents at year-end. The Company's debt obligations owed for the promissory note bear a fixed interest rate.

(iii) Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company currently does not have any financial instruments which fluctuate with market prices.

(Stated in Canadian dollars)

6. Mineral Property Interests

	Year ended December 31, 2016		
	Nicaragua		
	Los Andes	Other	Total
Acquisition Costs:			
Balance, December 31, 2015	$ 1,691,486	$ 49,936	$ 1,741,422
Write down	(1,170,554)	(34,556)	(1,205,110)
Balance, December 31, 2016	520,932	15,380	536,312
Deferred Exploration Expenditures:			
Balance, December 31, 2015	6,947,150	979,929	7,927,079
Aerial, photo and mapping	143	-	143
Assays and sampling	-	5,512	5,512
Camp and field supplies	100	441	541
Community and social	42,389	35,920	78,309
Equipment and systems	170	-	170
Geology	10,866	66,358	77,224
Salaries and local labour	242,749	177,475	420,224
Sundry	26,726	2,527	29,253
Surface/concession taxes	15,213	102,537	117,750
Transportation and travel	6,434	33,858	40,292
Write down	(5,046,216)	(971,992)	(6,018,208)
Balance, December 31, 2016	2,245,724	432,565	2,678,289
Mineral Property Interests:			
December 31, 2015	$ 8,638,636	$ 1,029,865	$ 9,668,501
December 31, 2016	$ 2,766,656	$ 447,945	$ 3,214,601

(Stated in Canadian dollars)

6. Mineral Property Interests (continued)

	Year ended December 31, 2015		
	Nicaragua		
	Los Andes	Other	Total
Acquisition Costs:			
Balance, December 31, 2014	$ 1,720,319	$ 479	$ 1,720,798
Acquisition or staking	(28,833)	49,457	20,624
Balance, December 31, 2015	1,691,486	49,936	1,741,422
Deferred Exploration Expenditures:			
Balance, December 31, 2014	5,405,352	93,379	5,498,731
Advances	394	-	394
Aerial, photo and mapping	7,613	17,483	25,096
Assays and surveys	31,243	12,904	44,147
Camp and field supplies	6,213	3,933	10,146
Community and social	150,348	93,960	244,308
Drilling	184,740	191,322	376,062
Equipment and systems	356	187	543
Geology	212,197	144,794	356,991
Geophysics	129,632	-	129,632
Salaries and local labour	628,625	206,935	835,560
Sundry	57,280	9,560	66,840
Surface taxes	20,962	139,838	160,800
Transportation and travel	112,195	65,634	177,829
Balance, December 31, 2015	6,947,150	979,929	7,927,079
Mineral Property Interests:			
December 31, 2014	$ 7,125,671	$ 93,858	$ 7,219,529
December 31, 2015	$ 8,638,636	$ 1,029,865	$ 9,668,501

6. Mineral Property Interests (continued)

(a) Los Andes property (Nicaragua):

In December 2014, the Company entered into a Purchase Agreement with Inversiones Ecologicas S.A. ("Inecosa"), which shared a common former officer with the Company, to acquire a 100% interest in the Los Andes property. The Company issued 7.06 million common shares to Inecosa at a fair value of $0.04 per share and paid US$300,000 "in trust" to shareholders of Inecosa pending successful transfer of title of the Los Andes property to the Company. In November 2015, Inecosa completed the transfer of title of the Los Andes property as well as other concessions to the Company, and funds held in trust for the shareholders of Inecosa were accordingly paid to them. Inecosa retains a 2% NSR, and the Company has the right to reduce the NSR to 1% by paying US$1 million and to acquire the remaining 1% NSR by paying an additional US$2 million.

The acquisition of the Company by Royal Road established a recoverable value for the assets of the Company and identified an indicator of impairment. The Company wrote-down the value of its mineral property interests to $3.2 million to reflect the valuation of Royal Road's offer to acquire all the issued and outstanding common shares of the Company on the basis of 0.16 common share of Royal Road for each common share of the Company, representing a Level 2 fair value assessment of the mineral property assets (Note 9(b)(i)).

(b) Title to mineral property interests:

The Company has investigated rights of ownership of all of its mineral properties/concessions and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, all properties/concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

(c) Realization of assets:

The Company's investment in and expenditures on its mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for mineral property interests is dependent upon the existence of reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or proceeds from the disposition thereof.

(Stated in Canadian dollars)

6. Mineral Property Interests (continued)

(d) Environmental matters:

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former mineral property interests that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation of the Company's operation may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

7. Equipment

	Vehicles	Field Equipment	Office Equipment	Total
Cost:				
Balance, December 31, 2014	$ -	$ 5,515	$ 20,370	$ 25,885
Add: Acquisitions	57,497	-	5,842	63,339
Less: Write-offs	-	(5,515)	(12,450)	(17,965)
Balance, December 31, 2015	57,497	-	13,762	71,259
Less: Disposition and write off	(28,991)	-	(7,920)	(36,911)
Balance, December 31, 2016	28,506	-	5,842	34,348
Accumulated amortization:				
Balance, December 31, 2014	$ -	$ 4,636	$ 17,602	$ 22,238
Add: Amortization	6,959	304	3,218	10,481
Less: Write offs	-	(4,940)	(12,871)	(17,811)
Balance, December 31, 2015	6,959	-	7,949	14,908
Add: Amortization	6,327	-	3,169	9,496
Less: Disposition and write off	(4,895)	-	(6,988)	(11,883)
Balance, December 31, 2016	8,391	-	4,130	12,521
Net book value:				
Balance, December 31, 2015	$ 50,538	$ -	$ 5,813	$ 56,351
Balance, December 31, 2016	$ 20,115	$ -	$ 1,712	$ 21,827

(Stated in Canadian dollars)

8. Promissory Note Payable

In May 2016, the Company closed a loan agreement with Polygon Mining Opportunity Master Fund ("Polygon") pursuant to which Polygon advanced a loan in the principal amount of US$500,000 to the Company, as evidenced by a promissory note. The loan had an initial maturity date of May 13, 2018 and is payable on demand upon the Company consummating an equity or loan financing with net proceeds of at least US$2.5 million. The loan bears interest at the rate of 10% per annum payable quarterly beginning on June 30, 2016. Interest payments may, at the option of the Company, be added to the principal amount of the loan. As security for the payment of the Company's obligations and for the fulfilment and satisfaction of all covenants and agreements made under the loan agreement, the Company also entered into a general security agreement with Polygon pursuant to which the Company granted Polygon a security interest in all personal property of the Company, including the issued and outstanding shares of the Company's wholly-owned Nicaraguan subsidiary, Nicaza S.A, which holds certain mineral exploration properties located in Nicaragua, including the Los Andes project and the Piedra Iman property.

Polygon is a control person and related party of the Company (as defined by securities legislation) and owned 77.5% of the Company's issued and outstanding share capital at that time.

The Company and Polygon entered into the Agreement in respect of Investment Agreements and Loan Agreement dated January 19, 2017 whereby the maturity date of the loan was extended to May 13, 2019 subject to Royal Road having taken up and paid for the Company's common shares which were held and deposited by Polygon by March 2, 2017 pursuant to Royal Road's tender offer to acquire the Company. On March 13, 2017, a total of 137,822,549 shares of the Company, representing over 90% of the Company's then issued and outstanding common shares, were deposited under the offer by Royal Road.

	Promissory Note
Balance, December 31, 2015	$ -
Add:	
Proceeds from loans	671,350
Interest or accretion	43,133
Foreign exchange	736
Balance, December 31, 2016	$ 715,219

9. Share Capital

(a) Authorized:

The authorized share capital of the Company is comprised of an unlimited number of common shares without par value.

(b) Issued:

(i) On December 5, 2016 as amended January 6, 2017, the Company entered into the Support Agreement with Royal Road whereby Royal Road made an offer to acquire all the issued and outstanding shares of the Company on the basis of 0.16 common share of Royal Road for each common share of the Company. On March 13, 2017, a total of 137,822,549 shares of the Company, representing over 90% of the Company's then issued and outstanding common shares, were deposited under the offer by Royal Road.

On January 25, 2017, the Company issued 7,837,000 common shares at a fair value of $0.02 per share pursuant to shares for debt settlements with certain former directors and former officers and vendors of the Company. Of the 7,837,000 common shares, 5,337,000 common shares were issued to settle debts of $266,850 including salaries, legal fees and directors fees payable to former directors and 2,500,000 common shares were issued as severance to former senior officers.

On January 25, 2017, Polygon exercised 1,200,000 warrants with an exercise price of $0.05 for proceeds of $60,000 and a fair value of $12,000. Then on March 1, 2017, Polygon exercised another 2,450,000 warrants with an exercise price of $0.05 for proceeds of $122,500 and a fair value of $24,500.

(ii) On April 14, 2015, the Company issued 1,250,000 common shares at a fair value of $0.03 per share which were issuable to a former senior officer pursuant an employment agreement. Then on November 17, 2015, the Company issued 1,308,400 common shares at a fair value of $0.03 per share to the same former senior officer for his remuneration.

(Stated in Canadian dollars)

9. Share Capital (continued)

(c) Stock option plan:

The Company has a stock option plan that allows it to grant stock options to its directors, officers, employees and consultants, provided that the aggregate number of stock options granted shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company. The exercise price of each stock option shall be based on the market price of the Company's shares as traded on the TSX Venture Exchange at the time of grant. Stock options have a maximum term of ten years and terminate 30 days following the termination of the optionee's employment, except in the case of death, in which case they terminate one year after the event. Vesting of stock options is made at the discretion of the Board at the time the stock options are granted.

The continuity of stock options for the years ended December 31, 2016 and 2015 is as follows:

	2016		2015	
	Number of Shares	Weighted average exercise price	Number of Shares	Weighted average exercise price
Outstanding balance, beginning of year	5,925,002	$0.15	2,819,003	$0.33
Granted	-	-	3,415,000	$0.08
Forfeited	(140,000)	$0.08	(23,667)	$1.01
Expired	(670,001)	$0.39	(285,334)	$1.07
Outstanding balance, end of year	5,115,001	$0.12	5,925,002	$0.15
Exercise price range	$0.08 - $0.78		$0.08 - $1.13	

(Stated in Canadian dollars)

9. Share Capital (continued)

(c) Stock option plan: (continued)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2016 and 2015:

	Options Outstanding			Options Exercisable		
Exercise Prices	Number Outstanding at Dec 31, 2016	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable at Dec 31, 2016	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices
$0.78	150,001	0.33	$0.78	150,001	0.33	$0.78
$0.15	1,400,000	2.23	$0.15	1,400,000	2.23	$0.15
$0.08	500,000	2.73	$0.08	500,000	2.73	$0.08
$0.08	3,065,000	3.50	$0.08	1,839,000	3.50	$0.08
	5,115,001	2.99	$0.12	3,889,001	2.82	$0.13

	Options Outstanding			Options Exercisable		
Exercise Prices	Number Outstanding at Dec 31, 2015	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable at Dec 31, 2015	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices
$1.125	175,001	0.48	$1.125	175,001	0.48	$1.125
$0.78	155,001	1.33	$0.78	155,001	1.33	$0.78
$0.15	1,680,000	3.23	$0.15	1,344,000	3.23	$0.15
$0.08	500,000	3.73	$0.08	300,000	3.73	$0.08
$0.08	3,415,000	4.51	$0.08	683,000	4.51	$0.08
	5,925,002	3.88	$0.15	2,657,002	3.32	$0.23

(Stated in Canadian dollars)

9. Share Capital (continued)

(c) Stock option plan: (continued)

During the year ended December 31, 2016, the Company recognized share-based payments of $61,452 (2015 - $146,356) based on the fair value of stock options that were earned by the provision of services during the year. Share-based payments were segregated between former directors and officers, employees and consultants as follows:

	2016	2015
Directors (excludes directors who are officers)	$ 1,021	$ 17,429
Officers (includes directors who are officers)	52,317	113,913
Employees	2,334	6,112
Consultants	5,780	8,902
	$ 61,452	$ 146,356

The weighted average fair value of stock options granted and the weighted average assumptions used to calculate share-based payments for stock option grants are estimated using the Black-Scholes option pricing model as follows:

	2016	2015
Number of stock options granted	-	3,415,000
Fair value of stock options granted	n/a	$0.05
Market price of shares on grant date	n/a	$0.06
Pre-vest forfeiture rate	n/a	15.88%
Risk-free interest rate	n/a	0.55%
Expected dividend yield	n/a	0%
Expected stock price volatility	n/a	139.73%
Expected option life in years	n/a	3

Expected stock price volatility is based on the historical price volatility of the Company's common shares.

On July 3, 2015, the Company granted stock options to purchase up to 3,415,000 common shares at an exercise price of $0.08 until July 3, 2020. These stock options are subject to vesting provisions in which 20% of the stock options vest immediately on the grant date and 20% vest every six months thereafter.

No stock options were granted in 2016.

All stock options were forfeited and cancelled in 2017 due to the resignations of all directors, officers, employees and consultants of the Company in March 2017.

(Stated in Canadian dollars)

9. Share Capital (continued)

(d) Warrants:

At December 31, 2016, the Company had outstanding warrants as follows:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2015	Issued	Exercised	Expired	Outstanding at December 31, 2016
$0.24	December 13, 2016	20,833,333	-	-	(20,833,333)	-
$0.30	August 7, 2016 [1]	800,000	-	-	(800,000)	-
$0.05	December 30, 2019 [2]	88,160,000	-	-	-	88,160,000
		109,793,333	-	-	(21,633,333)	88,160,000

(1) Fair value of $40,449 was calculated using the Black-Scholes option pricing model with the following assumptions: volatility 139%, risk-free rate 1.123%, expected life 2.4 years, and expected dividend yield 0%.

(2) On December 30, 2014, the Company closed a private placement with Polygon for 88.16 million units at $0.05 per unit for gross proceeds of $4.4 million. Each unit was comprised of one common share and one share purchase warrant. Of the $0.05 unit price, $0.04 was allotted to common shares representing the fair value of the common shares on that date and $0.01 was allotted to warrants, resulting in a corresponding increase in the reserve for share-based payments. On January 25, 2017, 1.2 million warrants were exercised and then on March 1, 2017, 2.45 million warrants were exercised.

(Stated in Canadian dollars)

9. **Share Capital** (continued)

(d) Warrants: (continued)

At December 31, 2015, the Company had outstanding warrants as follows:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2014	Issued	Exercised	Expired	Outstanding at December 31, 2015
$0.24	December 13, 2016	20,833,333	-	-	-	20,833,333
$0.30	August 7, 2016 [1]	800,000	-	-	-	800,000
$0.05	December 30, 2019 [2]	88,160,000	-	-	-	88,160,000
		109,793,333	-	-	-	109,793,333

(1) Arose from conversion of convertible promissory note. Fair value of $40,449 was calculated using the Black-Scholes option pricing model with the following assumptions: volatility 139%, risk-free rate 1.123%, expected life 2.4 years, and expected dividend yield 0%.

(2) On December 30, 2014, the Company closed a private placement with Polygon for 88.16 million units at $0.05 per unit for gross proceeds of $4.4 million. Each unit was comprised of one common share and one share purchase warrant. Of the $0.05 unit price, $0.04 was allotted to common shares representing the fair value of the common shares on that date and $0.01 was allotted to warrants, resulting in a corresponding increase in the reserve for share-based payments.

(e) Common shares reserved for issuance at December 31, 2016:

	Number of Shares
Stock options (Note 9(c))	5,115,001
Warrants (Note 9(d))	88,160,000
Common shares reserved for issuance	93,275,001

(Stated in Canadian dollars)

10. Related Party Transactions

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is disclosed in the table below.

Except as disclosed elsewhere in the consolidated financial statements, the Company had the following transactions with related parties:

	Years ended December 31,		Net balance receivable (payable) as at December 31,	
	2016	2015	2016	2015
Key management compensation:				
Executive salaries and remuneration [(1), (5), (6)]	$ 409,686	$ 590,702	$ (267,222)	$ (73,998)
Directors fees [(2), (5), (6)]	41,000	44,330	(83,330)	(116,525)
Share-based payments	53,338	131,342	-	-
	$ 504,024	$ 766,374	$ (350,552)	$ (190,523)
Legal fees incurred to a law firm in which a director of the Company is a partner [(3), (6)]	$ 31,030	$ 52,636	$ (18,485)	$ (11,503)
Net office, sundry, rent and salary allocations recovered from (incurred to) company(s) sharing certain common director(s) [(4)]	$ 1,104	$ (447)	$ -	$ 7,481
Gain of debt settlement [(5)]	$ 68,196	$ 51,118		
Write-off of receivables [(4)]	$ 8,544	$ 41,874		

(1) Includes key management compensation which was included in employee and director remuneration, mineral property interests and property investigation, as applicable.

(2) A portion of Directors fees were accrued.

(3) Includes legal fees which are included in finance charges and share issuance expenses, as applicable.

(4) The company was Aztec Metals Corp. which shared a former common director.

(5) Pursuant to an employment agreement, a portion of a former senior officer's remuneration was payable in common shares of the Company. In 2015, a gain was recognized for the common shares issued to a former senior in settlement of his portion of remuneration payable in common shares (Note 9(b)(ii)). In 2016, the Company derecognized certain directors fees payable.

(6) On January 25, 2017, the Company issued 7,597,000 common shares at a fair value of $0.02 per share pursuant to shares for debt settlements with certain former directors and former officers of the Company for salaries and severance payable, directors fees payable, and legal services rendered.

(Stated in Canadian dollars)

10. Related Party Transactions (continued)

The above related party transactions are incurred in the normal course of business.

Transactions with Inecosa are provided in Note 6(a), with Polygon in Notes 8 and 9(b)(i), and shares-for-debt settlement in 2015 with a former senior officer in Note 9(b)(ii).

11. Office and Sundry and Property Investigation

	2016	2015
Office and Sundry:		
Insurance	$ 15,695	$ 22,798
Office and sundry	22,729	28,348
Rent	21,248	33,316
Telecommunications	8,505	10,176
	$ 68,177	$ 94,638
Property Investigation:		
Equipment and systems	$ -	$ 3,354
Geology	17,641	9,145
Mapping and surveys	-	9,938
Office and sundry	252	217
Transportation and travel	8,105	9,988
	$ 25,998	$ 32,642

12. Segment Disclosures

The Company has one operating segment, being mineral exploration, with assets located in Canada and Nicaragua, as follows:

	December 31, 2016			December 31, 2015		
	Canada	Nicaragua	Total	Canada	Nicaragua	Total
Mineral property interests	$ -	$ 3,214,601	$ 3,214,601	$ -	$ 9,668,501	$ 9,668,501
Equipment	-	21,827	21,827	1,331	55,020	56,351

(Stated in Canadian dollars)

13. Deferred Income Taxes

(a) A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

		2016		2015
Loss for the year	$	(7,734,060)	$	(511,040)
Canadian statutory tax rate		26.0%		26.0%
Income tax benefit computed at statutory rates		(2,010,856)		(132,870)
Foreign tax rates different from statutory rates		11,124		83,730
Items non-deductible for income tax purposes		21,851		38,052
Change in timing differences		26,852		232,169
Unused tax losses and tax offsets not recognized in tax asset		1,438,321		430,892
Impact of foreign exchange on tax assets and liabilities		512,708		(651,973)
	$	-	$	-

Effective January 1, 2013, the Canadian federal corporate tax rate is 15% and the British Columbia provincial tax rate is 11% for a total Canadian statutory tax rate of 26%.

In 2009, the Mexican government approved tax reform that includes a 2% increase in the income tax rate in Mexico from 28% to 30% for a three-year period starting in 2010.

(Stated in Canadian dollars)

13. Deferred Income Taxes (continued)

(b) The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income liabilities at December 31, 2016 and 2015 are presented below:

	December 31, 2016	December 31, 2015
Deferred tax assets		
Non-capital losses carried forward	$ 120,095	$ 1,265,291
Deferred tax liabilities		
Book value over tax value of equipment	-	(346)
Exploration and evaluation assets	(2,706)	
Foreign exchange	(117,389)	-
Book value over tax value of mineral property inte	-	(1,264,945)
Deferred tax liabilities	(120,095)	(1,265,291)
Net deferred tax assets	$ -	$ -

(c) The Company recognizes tax benefits on losses or other deductible amounts generated in countries where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	December 31, 2016	December 31, 2015
Non-capital losses	$ 13,561,168	$ 12,631,969
Share issue costs	82,896	152,503
Unrecognized deferred tax assets	$ 13,644,064	$ 12,784,472

(Stated in Canadian dollars)

13. Deferred Income Taxes (continued)

(c) (continued)

The Company's unrecognized unused non-capital losses have the following expiry dates:

	Canada	Mexico	Nicaragua	Total
2017	$ -	$ 280,789	$ -	$ 280,789
2018	-	449,600	-	449,600
2019	-	306,349	-	306,349
2020	-	422,117	-	422,117
2021	-	2,310,490	-	2,310,490
2022	-	805,986	-	805,986
2023	-	2,498,222	-	2,498,222
2024	-	94,869	87,118	181,987
2025	-	44,620	115,374	159,994
2026	-	-	94,161	94,161
2027		-	-	-
2028	238,314	-	-	238,314
2029	390,279	-	-	390,279
2030	1,174,645	-	-	1,174,645
2031	1,329,747	-	-	1,329,747
2032	992,892	-	-	992,892
2033	816,543	-	-	816,543
2034	554,858	-	-	554,858
2035	439,963	-	-	439,963
2036	514,544	-	-	514,544
	$ 6,451,785	$ 7,213,042	$ 296,653	$ 13,961,480

CAZA GOLD CORP.

Fourth Quarter Report

Management Discussion and Analysis

(stated in Canadian dollars)

Years ended December 31, 2016 and 2015

CAZA GOLD CORP.

(the "Company")

Fourth Quarter Report

Management's Discussion and Analysis
For the Year ended December 31, 2016
(expressed in Canadian dollars)

CAUTION – FORWARD LOOKING STATEMENTS

Certain statements contained herein regarding the Company and its operations constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 or "forward-looking information" under Canadian securities legislation. These forward-looking statements or information may include statements regarding perceived merit of properties, exploration results and budgets, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, completion of transactions, market prices for precious and base metals, or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be "forward-looking statements or information".

Forward-looking statements are based on a number of material assumptions, which could prove to be significantly incorrect, including our ability to achieve production at any of the Company's mineral exploration and development properties, estimated capital costs, operating costs, production and economic returns, estimated metal pricing, metallurgy, mineability, marketability and operating and capital costs, together with other assumptions underlying the Company's resource estimates, our expected ability to develop adequate infrastructure and that the cost of doing so will be reasonable assumptions that all necessary permits and governmental approvals will be obtained, assumptions made in the interpretation of drill results, the geology, grade and continuity of the Company's mineral deposits, our expectations regarding demand for equipment, skilled labour and services needed for exploration and development of mineral properties and our activities will not be adversely disrupted or impeded by development, operating or regulatory risks.

We caution you that such "forward looking statements or information" involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Such risks and uncertainties include, without limitation, fluctuations in precious metal prices, unpredictable results of exploration activities, uncertainties inherent in the estimation of mineral reserves and resources, fluctuations in the costs of goods and services, problems associated with exploration and mining operations, changes in legal, social or political conditions in the jurisdictions where the Company operates, lack of appropriate funding, currency fluctuations, risks related to market events and general economic conditions, uncertainty related to the Company's ability to meet production levels and observe operating costs estimates mining and development risks, including risks related to infrastructure, accidents, equipment breakdowns, labor disputes or other unanticipated difficulties with or interruptions in development, construction or production risks related to governmental regulation and permits, including environmental regulation uncertainty related to the Company's history of losses, increased competition in the mining industry, uncertainty as to the Company's ability to acquire additional commercially mineable mineral rights, operational and environmental risks and hazards associated with mining and processing, risks related to increases in demand for equipment, skilled labour and services needed for exploration and development of mineral properties, and related cost increases and risks related to the third parties on which the Company depends for its exploration and development activities, and other risk factors, as discussed in the Company's filings with Canadian securities regulatory agencies. The Company expressly disclaims any obligation to update any forward-looking statements or information, except as may be required by law.

1.0 Preliminary Information

The following Management's Discussion and Analysis ("MD&A") of Caza Gold Corp. (the "Company") should be read in conjunction with the accompanying audited consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2016 and 2015, and a summary of significant accounting policies and other explanatory information, all of which are available at the SEDAR website at www.sedar.com.

Financial information in this MD&A is prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

All information contained in the MD&A is as of April 28, 2017 unless otherwise indicated.

Tim Coughlin, PhD (Structural Geology), FAusIMM, MSEG, President and Chief Executive Officer of the Company, is the Qualified Person who reviewed and approved any technical contents of this MD&A.

1.1 Background

The Company was incorporated on November 15, 2007 under the laws of British Columbia and is engaged in the evaluation, acquisition, exploration, development and exploitation of precious metal and base metal properties in Latin America.

As the Company is focused on its mineral exploration activities, there is no mineral production, sales or inventory in the conventional sense. The recoverability of amounts capitalized for mineral property interests is dependent upon the ability of the Company to arrange appropriate financing as needed, the discovery of reserves in its mineral properties, the development of its properties, confirmation and maintenance of the Company's interest in the underlying properties, the receipt of necessary permits and upon future profitable production or proceeds from the disposition thereof. Such exploration and development, if any, activities normally take years to complete and the amount of resulting income, if any, is difficult to determine with any certainty at this time. Many of the key factors are outside of the Company's control. The sales value of any mineralization discovered and developed by the Company is largely dependent upon factors beyond the Company's control such as the market prices of the metals produced. Item 1.17 provides details of risk factors.

1.2 Overall Performance

(i) Support Agreement with Royal Road Minerals Limited:

On January 20, 2017, Royal Road Minerals Limited ("Royal Road") made a formal offer (the "Offer") to purchase all of the outstanding common shares of the Company on the basis of 0.16 of an ordinary share of Royal Road for each common share of the Company.

On February 28, 2017, Royal Road was successful in its bid to acquire the Company. A total of 134,886,372 common shares of the Company, representing approximately 90% of the Company's issued and outstanding common shares were deposited under the Offer (and not withdrawn) as at February 27, 2017, the expiry time of the initial deposit period under the Offer.

Royal Road extended the deposit period under the Offer for the mandatory 10-day extension period required under applicable securities laws, to enable those shareholders who have not yet tendered their shares, to deposit their common shares to the Offer. The Offer was extended until March 13, 2017.

On March 15, 2017, Royal Road announced that it has taken up a total of 137,822,549 common shares of the Company deposited under its Offer made to the Company's shareholders, representing over 90% of the Company's issued and outstanding common shares. The Offer expired and will not be further extended.

Royal Road intends to acquire all of the remaining the Company common shares not deposited under the Offer pursuant to the compulsory acquisition provisions in Section 300 of the *Business Corporations Act* (British Columbia). Royal Road has mailed a notice of compulsory acquisition to all remaining holders of the Company's common shares and expects to complete the acquisition of all the of the Company's common shares on or around May 21, 2017. Royal Road further intends to cause the Company's common shares to be de-listed from the TSX Venture Exchange.

(ii) Mineral Property Interests:

The Company signed a purchase agreement in December 2014 to acquire a 100% interest in the Los Andes property in Nicaragua in which title to the concessions were transferred to the Company in November 2015.

In 2016, the Company wrote-down its mineral property interests to the fair value of the Offer by Royal Road.

Los Andes Property (Nicaragua)

In December 2014, the Company entered into a Purchase Agreement with Inversiones Ecologicas S.A. ("Inecosa"), which shares a certain common officer with the Company, to acquire a 100% interest in the Los Andes property. The Company issued 7.06 million common shares to Inecosa at a fair value of $0.04 per share and paid US$300,000 "in trust", at that time, to shareholders of Inecosa pending successful transfer of title of the Los Andes property to the Company. In November 2015, Inecosa completed the transfer of title of the Los Andes property as well as other concessions to the Company, and funds held in trust for the shareholders of Inecosa were accordingly paid to them. Inecosa retains a 2% NSR, and the Company has the right to reduce the NSR to 1% by paying US$1 million and to acquire the remaining 1% NSR by paying an additional US$2 million.

The Los Andes property consists of a number of gold and copper-gold targets occurring along a large scale structural and alteration trend. The targets are typically high sulfidation and porphyry, with low sulfidation along the peripheries. The entire Los Andes property now covers 15,603.13 Ha of titled claims, 100% controlled by the Company under five mineral concessions: Los Andes, Los Andes I and Los Andes Union in the center of the trend (total of 5338.23 Ha); El Pochote in the south (8674.90 Ha); and El Espejo in the north (1590.00 Ha).

In 2015, the Company completed additional exploration drilling at the San Francisco target as well as a second nearby target, Esperanza. Two holes totaling 746 meters were completed at San Francisco and two holes totaling 599 meters at Esperanza. At San Francisco, the targeted vein was not intersected, likely due to a change in orientation of the vein. At Esperanza, both holes drilled through silicified rock on surface and into unaltered andesite volcanic rocks. There were no significant results. The Company does not plan to pursue further work at San Francisco at this time, and future exploration efforts would be subject to financing.

The Company had completed detailed mapping and sampling at the Pedregal Target in 2015. The detailed mapping covered an area of 10 square kilometers, and further delineated areas of silicification and argillization noted in earlier surveys. A series of andesitic volcanic rocks exhibit featured typical of high sulfidation system, including silicification, argillic and advanced argillic alteration. Surface mapping and sampling had outlined a large area along a 2.5 km trend with anomalous gold, silver, copper and trace elements, coincident with the alteration. Gold values up to 1.8 g/t Au along with silver values up to 197 g/t Ag had been collected in rock samples within this area of alteration. In October 2015, five shallow diamond drill holes were completed for a total of 1,161 meters. The drill holes intersected strong argillic and silica alteration with anomalous values of silver and copper. The geochemistry and alteration suggested that the area was outboard of the main hydrothermal system and future drilling should target areas to the east, subject to financing.

The Company had identified a number of other targets along the 11 km long Los Andes structural corridor. These targets have been identified by a combination of mapping and sampling, and show hydrothermal alteration as well as anomalous geochemistry. Further work was needed to fully delineate these prospects, subject to financing.

In April 2015, a high resolution helicopter-borne magnetic and radiometric survey covering some 55 square kilometers over the main Los Andes area was completed. The survey totalled approximately 550 line kilometers at 100 meter spacing flown at a 50 meter altitude. Review of the initial results had identified a number of anomalous areas and had enhanced the structural model of the Los Andes trend. A magnetic high was centered over the Quisaltepe area, interpreted as a large, buried intrusive body. At least four other magnetic highs, likely intrusive bodies, associated with alteration and surface geochemical anomalies, were identified as follow-up prospects. Five large areas of interpreted as magnetite destruction were evident in the data along with three potassium radiometric anomalies.

In 2016, the Company initiated field work along the northern Los Andes structural trend in the area between the Quisaltepe and the Pedregal / Cerro Coral prospects which had identified broad zones of strongly silicified and veined andesitic volcanic rocks associated with volcanic necks, flow-dome complexes and breccia pipes. A first pass of mapping and rock chip sampling had been completed in this area. More detailed follow-up work was planned subject to financing.

El Diamante Property (Nicaragua)

The El Diamante property covers 2500.00 Ha of titled claims.

Located in the Chontales Department, 125 kilometers east of Managua along Federal Highway 7, the Diamante project is an early-stage generative exploration target centered on a large area of alteration. The area was initially identified by using airborne and remote sensing techniques followed up by ground-based, reconnaissance exploration. This initial work identified a broad zone of strong alteration, or lithocap in andesitic volcanic rocks.

In 2016, the Company completed the first phase of fieldwork at El Diamante outlining a large area of altered lithocap and quartz-sulfide veins with gold values as high as 0.16 g/t Au and silver up to 5.2 g/t Ag. The alteration in the lithocap was indicative of the upper parts of an epithermal system. The gold and silver assay results, along with the alteration, indicated potential for a mineral deposit concealed beneath the lithocap cover. The Company was planning additional exploration on the property to further delineate the target, subject to financing.

Piedra Iman Property (Nicaragua)

The Company's Piedra Iman project covers a large alteration zone identifying a porphyry copper-gold system. Title had been received for 7,947.27 Ha.

The Company had completed the planned fieldwork for 2015 at Piedra Iman which included detailed mapping on the main target area, along with reconnaissance exploration within the peripheral regions. The detailed mapping suggested a porphyry copper-gold-molybdenum system. The main mineralization was in a copper-gold porphyry system centered on multiple quartz diorite to diorite intrusives. This main porphyry system was in turn cut by a later granitic intrusive containing copper-molybdenum-gold. Potassic and sericitic alteration were present with chalcopyrite, bornite, and pyrite. Molybdenite was identified in the later granitic intrusive.

The Company recently completed further detailed geologic mapping and rock chip sampling extending the zone of alteration and mineralization another 500 meters to the west. Thirty-seven additional rock chip samples were collected. These samples, along with previous exploration data, delineate porphyry-related copper and gold mineralization on surface covered an area of over 800 meters long by 300 meters wide.

In May 2016, the Company received notice from the Nicaraguan Environmental Ministry (Ministerio del Ambiente y Los Recursos Naturales or "MARENA") that its application for an Environmental Permit (Permiso Ambiental) for the Piedra Iman project had been denied. The environmental permit was for construction of drilling platforms, drill holes, and a personnel camp. The Company had filed an appeal of the decision and was gathering more detailed technical information in support of the application. The Company planned to resubmit the application with the additional technical information, pending a positive outcome of the appeal process. The Company had an environmental assessment covering the Piedra Iman project which allowed it to conduct sampling, trenching, and other surface exploration activities. Thus exploration works, with the exception of drilling, can continue. The Company needed to assess the impact of the MARENA decision before proceeding with further exploration. The Company was working with community and government officials, as well as preparing technical studies in support of the permitting process.

Other Nicaragua Properties

The Company has four other properties under evaluation in Nicaragua: (1) Teustepe, (2) Las Lajas, (3) El Pedernal, and (4) Cerro La Vaca. All are in the early stages of exploration.

Teustepe was a gold target adjacent to the Los Andes property. It was covered by Los Potreritos concession of 4800.00 Ha. Initial fieldwork had outlined an area of silica-clay-iron oxide alteration with exposures over more than one square kilometer before diving under cover of alluvium. Float of colloform-banded quartz-sulfide veins was identified in the alluvium. This initial work suggested potential for a low sulfidation gold in quartz vein target, but further work was required to confirm this. The Company was currently working on obtaining an Environmental Assessment ("EA") permit to allow further exploration works such as detailed sampling and trenching, subject to financing.

Las Lajas project was covered under La Borbona concession of 5600.00 Ha. The target was within a caldera complex with silica and clay altered volcanic rocks. The Company completed mapping and other exploration works during 2011-2012, and again in 2015. These works indicated potential for a porphyry or high sulfidation gold target under the altered lithocap cover. In early 2016, the Company received notice from the Nicaragua Ministry of Mines, Energy, and Mineral Resources (MEM) that the Borbona concession rights had been revoked due to insufficient work on the part of the Company. The Company disagreed with the ruling and has filed an appeal. The appeal was still in process and a decision was pending. Work on the project was halted and the Company has not paid the most recent concession fee in July 2016 pending the decision.

El Pedernal project was covered by four concessions: Las Lajitas (414.75 Ha), Las Lajitas Union (102.98 Ha), San Nicolas (2201.85 Ha), and Cuisala (1368.00 Ha). The project comprised a large area of silica, clay, and iron oxide (after sulfide) lithocap alteration that can be traced for over six kilometers. In early 2016, the Company received notice from MEM that the Las Lajitas concession had been revoked due to insufficient work. The Company disagreed with the ruling and had filed an appeal. The Company continued work on the project and had paid all concession fees including Las Lajitas. The Company completed mapping and reconnaissance exploration on the properties in 2016. The Company was pursuing work on an Environmental Assessment (EA) permit to allow sampling and trenching to commence, subject to financing.

The Cerro La Vaca project was covered under the La Palma concession of 2000.00 Ha. The project comprised two large areas of silica-clay-iron oxide (after pyrite) lithocap alteration. During 2016, the Company completed mapping over the entire project area. The Company was working on an EA permit to allow further sampling and trenching works, subject to financing.

(iii) Polygon Mining Opportunity Master Fund:

In May 2016, the Company closed a loan agreement with Polygon pursuant to which Polygon advanced a loan in the principal amount of US$500,000 to the Company, as evidenced by a promissory note. The loan had a maturity date of May 13, 2018 and is payable on demand upon the Company consummating an equity or loan financing with net proceeds of at least US$2.5 million. The loan bears interest at the rate of 10% per annum payable quarterly beginning on June 30, 2016. Interest payments may, at the option of the Company, be added to the principal amount of the loan. As security for the payment of the Company's obligations and for the fulfilment and satisfaction of all covenants and agreements made under the loan agreement, the Company also entered into a general security agreement with Polygon pursuant to which the Company granted Polygon a security interest in all personal property of the Company, including the issued and outstanding shares of the Company's wholly-owned Nicaraguan subsidiary, Nicaza S.A, which holds certain mineral exploration properties located in Nicaragua, including the Los Andes project and the Piedra Iman property. The loan was approved by the Company's independent committee of the Board of Directors. Interests which are payable quarterly have been accrued and included in the principal amount of the loan.

Polygon was a control person and related party of the Company (as defined by securities legislation) and owned 77.5% of the Company's issued and outstanding share capital at that time.

The Company and Polygon entered into the Agreement in respect of Investment Agreements and Loan Agreement dated January 19, 2017 whereby the maturity date of the loan was extended to May 13, 2019 subject to Royal Road having taken up and paid for the Company's common shares which were held and deposited by Polygon by March 2, 2017 pursuant to Royal Road's tender offer to acquire the Company. On March 13, 2017, a total of 137,822,549 shares of the Company, representing over 90% of the Company's then issued and outstanding common shares, were deposited under the offer by Royal Road. Royal Road intends to acquire all the remaining shares of the Company pursuant to the compulsory acquisition provisions in Section 300 of the Business Corporations Act (British Columbia).

(iv) Other:

At the Company's Annual General Meeting held in June 2016, Messrs. Brian Arkell, Michael Humphries, Michael Adams, James Defer, Stewart Lockwood and Philip Yee were re-elected as Directors of the Company for the ensuing year. Messrs. Michael Humphries, Michael Adams, and James Defer resigned as Directors on November 29, 2016. Mr. Brian Arkell resigned as Chief Executive Officer, President and Director of the Company, Mr. Stewart Lockwood resigned as Secretary and Director, Mr. Philip Yee resigned as Chief Financial Officer and Director, and Mr. Marco Montecinos resigned as Vice-President Exploration effective March 1, 2017 when Royal Road acquired over 90% of the Company's issued and outstanding shares. Messrs. Tim Coughlin, Peter Mullens and Vernon Arseneault were appointed to the Company's Board of Diretors, with Mr. Mullens as its Chairman of the Board, Mr. Coughlin as the Chief Executive Officer and President, Mr. Eric Lowry as Secretary, and Ms. Cindy Davis as Chief Financial Officer.

On January 25, 2017, the Company issued 7,837,000 common shares at a fair value of $0.02 per share pursuant to shares for debt settlements with certain former directors and former officers and vendors of the Company. Of the 7,837,000 common shares, 5,337,000 common shares were issued to settle debts of $266,850 including salaries, legal fees and directors fees payable to former directors and 2.5 million shares as severance to senior officers.

On January 25, 2017, Polygon exercised 1.2 million warrants with an exercise price of $0.05 for proceeds of $60,000 and a fair value of $12,000. Then on March 1, 2017, Polygon exercised another 2.45 million warrants with an exercise price of $0.05 for proceeds of $122,500 and a fair value of $24,500.

(Stated in Canadian dollars)

1.3 Selected Annual Information

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

	Years Ended December 31,		
	2016	2015	2014
Total revenues	$ -	$ -	$ -
Loss before discontinued operations and extraordinary items:			
(i) Total	$ (7,734,060)	$ (511,040)	$ (812,243)
(ii) Basic per share	$ (0.05)	$ -	$ (0.02)
(iii) Diluted per share	$ (0.05)	$ -	$ (0.02)
Net loss:			
(i) Total	$ (7,734,060)	$ (511,040)	$ (812,243)
(ii) Basic per share	$ (0.05)	$ -	$ (0.02)
(iii) Diluted per share	$ (0.05)	$ -	$ (0.02)
Total assets	$ 3,293,598	$ 10,129,540	$ 10,469,983
Total long-term liabilities	$ 715,219	$ -	$ -
Dividends per share	$ -	$ -	$ -

1.4 Results of Operations

Fourth Quarter of Fiscal 2016 – Year ended December 31, 2016 compared with December 31, 2015

The Company incurred a significant net loss of $7.7 million for the year ended December 31, 2016, in contrast to a net loss of $511,000 for fiscal 2015, in which the former was significantly influenced by the write down of $7.2 million in mineral property interests and the latter was affected by the rapid appreciation of the United States dollar relative to the Canadian dollar resulting in the foreign exchange gain of $266,200. The Company had continued with its efforts to manage its discretionary expenses due to budgetary constraints and lack of cash resources. Net losses were impacted by different functional expense items.

The Company had no sources of operating revenues. Operating losses continued to be incurred for ongoing activities of the Company to explore or to maintain its mineral property interests, specifically its interest in the Los Andes property and its other regional interests in Nicaragua.

The Company continued its reliance on the external Nicaraguan accounting firm for the Company's ongoing financial reporting and accounting and tax compliance and jurisdictional legal representation in 2015 and 2016, and for external accounting and reporting support in Mexico for the first half of 2015. The volume of transactional events increased significantly in Nicaragua in 2015 from the Company's direct employment of local labourers and its exploration activities, resulting in increased external accounting support which subsided in the fourth quarter of 2015 as the Company completed its exploration activities. This effected to higher costs in 2015. In late 2015 and early 2016, the Company also engaged tax advisors to clarify tax issues affecting Nicaraguan exploration properties which were transferred from Inecosa to the Company's wholly owned Nicaraguan subsidiary, and in the third quarter for 2016, to assist with its Canadian tax compliance with foreign ownership rules.

Amortization was higher from the acquisition of additional equipment in fiscal 2015 in Nicaragua to support exploration activities. Certain equipment in Nicaragua was disposed in the first quarter of fiscal 2016 to provide funds needed to support ongoing local expenditures, thereby reducing amortization in subsequent quarters.

Employee remuneration was lower in 2016 than 2015. Employee remuneration directly related to mineral exploration projects was allocated to those specific projects rather than to operations, in which the Company had active exploration programs for the Los Andes project and its other regional projects in Nicaragua in 2015, and such expenses were also allocated to property investigation and project generation efforts as warranted. In the first quarter of 2015, exploration activities were focused on geophysics and detailed mapping and sampling; in the second quarter preliminary work for drilling which was mobilized in early July 2015; in the third quarter for drilling programs in San Francisco and Pedregal and reconnaissance exploration and detailed mapping at Piedra Iman; and in the fourth quarter exploration activities subsided. The closure of the Company's Mexico office reduced employee remuneration in the latter part of fiscal 2015 and subsequent quarters. For the first quarter of 2016, there were no exploration programs as the Company's mineral exploration projects were on care and maintenance due to the lack of funds; in the second quarter, the Company proceeded with mapping and rock chip sampling at both Los Andes and Piedra Iman including the first phase of fieldwork at El Diamante prospect; in the third quarter, the Company had completed its exploration programs and no further exploration efforts were initiated for the remainder of the year due to nominal cash resources for working capital and its mineral property interests were on care and maintenance. Also nominal salaries were incurred in the fourth quarter of 2016 due to the Company's inability to continue to accrue salaries and eventual settlement of any salaries as the Company advances in its discussion regarding valuations which may adversely affect the Offer presented by Royal Road to acquire all the shares of the Company and the limited ability by Polygon to continue to finance the Company's working capital needs. Employee remuneration was mainly incurred to support its ongoing continuous disclosure and other regulatory compliance and financial and administrative support.

Legal fees were higher in 2016 than in 2015. In 2015, legal services were mainly for assistance to the Company's continuous disclosure obligations, shares for debt settlement with a senior officer, granting of stock options, and the transfer of title concessions of mineral property interests from Inecosa to the Company. Minimal legal services were rendered in the fourth quarter of fiscal 2015 as the Company reduced its level of corporate finance activity to preserve its limited cash resources and remaining working capital which continued into the first two quarters of 2016. Certain legal services were rendered in the closing of the promissory loan of US$500,000 from Polygon in May 2016 and for specific advisory services to assist in corporate finance issues. In the fourth quarter of 2016, legal fees significantly increased due to the Offer by Road Royal leading the Support Agreement to acquire all the issued and outstanding shares of the Company and the related regulatory requirements.

Office and sundry were higher in the first quarter of 2016 relative to comparable quarter but slightly subsided in the second quarter, then increased in the third quarter and again decreased in the fourth quarter of 2016 but remain lower than comparable quarters in 2015. The term of the Company's coverage for general and Nicaraguan liability insurance to mitigate any exploration risks associated with its reconnaissance, sampling and drilling and ancillary activities in Nicaragua continued into 2016 which policy was not implemented in the first quarter of 2015. Such insurance coverages were not renewed in 2016 given limited exploration activities after the second quarter of 2016. Certain software licenses were not renewed in 2016 due to budgetary constraints. Closure of the Mexico office in 2015 also reduced expenses for subsequent quarters. Office and sundry and rent reflect the ongoing minimalistic expenditures for ancillary office support facilities as the Company maintains its reduced level of discretionary administrative operating expenses.

There were no concerted efforts expended on property investigation and project generation for comparative years. The primary focus in 2015 was the exploration and drilling programs for the Los Andes property and a planned airborne geophysics survey in the area. Property investigation activities for 2015 involve mostly mapping of Nicaraguan regional areas to better interpret and supplement the geological data for its existing mineral property interests which ended in the fourth quarter. Generative activities in 2016 involve pursuing possible merger or acquisition and joint venture opportunities given the difficulties in the capital markets for junior exploration companies from weak commodity prices during the early part of the year. In the second quarter of 2016, the Company focused on exploration activities on its mineral property interests subsequent to the debt financing from Polygon, which were completed in the third quarter. Then in the fourth quarter of 2016 negotiations with Royal Road advanced culminating to the Support Agreement for the Offer for Royal Road to acquire the Company.

Regulatory expenses were lower than the prior year in 2015. External support services for the Company's annual general meeting were discounted to satisfy budgetary constraints in 2016. There were no new corporate initiatives in 2016 which would affect its ongoing compliance disclosure or require regulatory reviews for approvals.

There were negligible shareholder relations activities given the Company's limited discretionary cash resources. For the past two years, the Company had no active shareholders relations programs given the reduction in the percentage of common shares in the public float as Polygon increased its percentage interest in the Company to 78.9% at that time upon the closing of the private placement with Polygon in December 2014. Shareholder relation expenses were incurred to promote the status of the Company's Nicaraguan projects which would supplement joint venture efforts in 2016.

Share-based payments were for the granting and vesting of stock options. In July 2015, the Company granted stock options to purchase up to 3.4 million common shares at an exercise price of $0.08 until July 3, 2020, in which 20% of the stock options vest immediately on the grant date and 20% vest every six months thereafter. There was more than double the number of stock options which were subject to vesting provisions in the beginning of 2016 than in the beginning of 2015; however forfeitures and changes in the volatility and expected live of the unvested stock options would contribute to the lower expense in the current period than in the comparative period in 2015. No stock options were granted in 2016. Forfeitures from the departure of personnel and resignations of directors reduced share-based payments.

In 2015, the foreign exchange gain is from the net effects of foreign currency translation from the Company's Mexican and Nicaraguan subsidiaries which operate in their respective jurisdictional currencies and from US dollar stated accounts, as the Company's functional and presentation currencies are the Canadian dollar. In early 2015, a significant portion of the Company's funds were held in US dollars whereby the private placement of $4.4 million with Polygon in December 2014 was received in US dollars. The rapid appreciation of the US dollar relative to the Canadian dollar during the first quarter of fiscal 2015 allowed the realization of foreign exchange gain which primarily resulted in the net earnings during the first quarter and a significant foreign exchange gain during the year ended December 31, 2015, even though the Company does not have any sources of revenues and does not have any revenue-generating operations. A foreign exchange loss was recognized in the second quarter of fiscal 2015 as the US dollar's rapid appreciation subsided within that particular quarter. The net foreign exchange gain in the fourth quarter of 2015 was nominal, as the Company's US dollar cash holdings were depleted from its exploration programs during the remainder of 2015. Although the US dollar continued to appreciate during the first quarter of fiscal 2016, the comparative impact was nominal as the Company's US dollar cash holdings continue to be depleted to significantly lower amounts than the first quarter of 2015. The Company did close on a debt financing for US$500,000 in May 2016 with Polygon which was made in US funds. In 2016, there was less volatility in foreign exchange rates than in 2015 resulting in less foreign exchange gain/loss effects in the current year. Any foreign gains in the US dollar were offset by the depreciation in the Mexican pesos and Nicaraguan Cordoba.

Interest income is earned from the Company's investment in guaranteed investment certificates which bear interest at a discount from the prime rate and are redeemable at any time. Funds were invested in guaranteed investment certificates in the fourth quarter of 2014 from the proceeds of the private placement with Polygon which closed in December 2014. The majority of such funds were invested in interest bearing deposits in 2015 resulting in the realization of higher interest earned. Funds are withdrawn as needed for ongoing working capital and exploration expenditures. The depletion of invested funds contributed to the lower interest income in the first quarter of 2016. Funds from the promissory note with Polygon in May 2016 were not invested in interest bearing instruments given the immediacy of implementing the Company's exploration programs which was completed in the third quarter, and the settlement of outstanding debts owed at that time.

Interest charges were incurred in the second and subsequent quarters of fiscal 2016 for the promissory note with Polygon which was issued in May 2016. The promissory note bears an interest rate of 10% payable quarterly and matures on May 13, 2018 which was then extended to May 13, 2019 in January 2017. Interest payments may, at the option of the Company, be added to the principal amount of the loan, which accrued interest of $43,133 was included as principal at December 31, 2016.

In the first half of 2015, the Company recovered nominal value added tax refunds from the Mexican government which were previously written off as uncollectible. The closure of the Company's office in Mexico in 2015 resulted in the write off of any remaining VAT and other receivables. Ongoing uncertainty as to the cash collectability of VAT in Nicaragua contributed to the respective write offs in both 2016 and 2015. Certain receivables were written off in both 2016 and 2015.

In 2015, the gain on debt settlement was for the remuneration to a senior officer who is in part compensated by the issuance of common shares of the Company. The gain is recognized from discrepancy between the market price on the date of the issuance of such shares and the minimum regulatory deemed value. In 2016, certain directors fees payable to former directors were derecognized.

In the first quarter of 2016, the Company disposed of a truck to provide working capital for ongoing support in Nicaragua and recognized a loss from such disposition. In the fourth quarter of 2016, an obsolete equipment was written off.

In the fourth quarter of 2016, the Company wrote down its Nicaraguan mineral property interests by $7.2 million to a fair value of $3.2 million to reflect the valuation of the Offer by Royal Road to acquire all the issued and outstanding shares of the Company.

As at December 31, 2016, the Company has mineral property interests which are comprised of the following:

	Year ended December 31, 2016		
	Nicaragua		
	Los Andes	Other	Total
Acquisition Costs:			
Balance, December 31, 2015	$ 1,691,486	$ 49,936	$ 1,741,422
Acquisition or staking	-	-	-
Write down	(1,170,554)	(34,556)	(1,205,110)
Balance, December 31, 2016	520,932	15,380	536,312
Deferred Exploration Expenditures:			
Balance, December 31, 2015	6,947,150	979,929	7,927,079
Aerial, photo and mapping	143	-	143
Assays and sampling	-	5,512	5,512
Camp and field supplies	100	441	541
Community and social	42,389	35,920	78,309
Equipment and systems	170		170
Geology	10,866	66,358	77,224
Salaries and local labour	242,749	177,475	420,224
Sundry	26,726	2,527	29,253
Surface/concession taxes	15,213	102,537	117,750
Transportation and travel	6,434	33,858	40,292
Write down	(5,046,216)	(971,992)	(6,018,208)
Balance, December 31, 2016	2,245,724	432,565	2,678,289
Mineral Property Interests:			
December 31, 2015	$ 8,638,636	$ 1,029,865	$ 9,668,501
December 31, 2016	$ 2,766,656	$ 447,945	$ 3,214,601

1.5 Summary of Quarterly Results (Unaudited)

The following table provides selected financial information of the Company for each of the last eight quarters ended at the most recently completed quarter, December 31, 2016. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

(Stated in Canadian dollars)

	2016				2015			
	Dec 31 [(1)]	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31 [(2)]
Total revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Income (loss) before discontinued operations and extraordinary items:								
(i) Total	$ (7,308,503)	$ (157,635)	$ (149,180)	$ (118,742)	$ (275,161)	$ (164,173)	$ (169,387)	$ 97,681
(ii) Basic earnings (loss) per share	$ (0.05)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(iii) Diluted earnings (loss) per share	$ (0.05)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net income (loss):								
(i) Total	$ (7,308,503)	$ (157,635)	$ (149,180)	$ (118,742)	$ (275,161)	$ (164,173)	$ (169,387)	$ 97,681
(ii) Basic earnings (loss) per share	$ (0.05)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(iii) Diluted earnings (loss) per share	$ (0.05)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total assets	$ 3,293,598	$ 10,539,230	$ 10,647,680	$ 10,123,494	$ 10,129,540	$ 10,355,737	$ 10,532,190	$ 10,686,399
Total long-term liabilities	$ 715,219	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Dividends per share	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(1) In the fourth quarter of fiscal 2016, the Company wrote down its Nicaraguan mineral property interests by $7.2 million to a fair value of $3.2 million to reflect the valuation of the Offer by Royal Road to acquire all the issued and outstanding shares of the Company.

(1) The net earnings in the first quarter of fiscal 2015 was attributable to the accelerated strength in the US dollar relative to the Canadian dollar.

1.6 Liquidity

The Company is in the exploration stage and has not yet determined whether its mineral property interests contain reserves. The recoverability of amounts capitalized for mineral property interests is dependent upon the existence of reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and upon future profitable production. The Company knows of no trends, demands, commitments, events or uncertainties that may result in the Company's liquidity either materially increasing or decreasing at the present time or in the foreseeable future.

Until such time that the Company can successfully bring a mineral property interest into production in order to generate cash flow, enter into other ventures that generate cash flows or identify other financing sources, the Company may have to mainly rely on its controlling shareholder, Royal Road, to inject the capital, by way of private placement debt or equity financings, required to pay for exploration expenditures and administrative expenses. Royal Road has no obligation to participate in any further debt or equity capital injections in the Company. Also, although Polygon has been supportive of the Company's recent financing efforts, there is no assurance that Polygon will provide additional financial contributions to the Company in the future.

Since its incorporation in 2007, the Company has endeavored to secure mineral property interests that in due course could be brought into production to provide the Company with cash flow which would be used to undertake work programs on other projects. To that end, the Company has expended its funds on mineral property interests that it believes have the potential to achieve cash flow within a reasonable time frame. As a result, the Company has incurred losses during each of its fiscal periods since incorporation. This result is typical of smaller exploration companies, and will continue until the Company generates revenues and positive cash flows.

(Stated in Canadian dollars)

The following table contains selected financial information of the Company's liquidity:

	December 31, 2016	December 31, 2015
Cash	$ 39,896	$ 364,756
Working capital deficiency	(664,095)	(194,327)

The Company has no source of operating revenues.

Operating and investing activities continue to reduce cash resources of the Company. Operating activities include employee remuneration, legal, office and sundry, and regulatory. The Company incurred exploration expenditures of $769,400 for its mineral property interests in Nicaragua during the year ended December 31, 2016 (2015 - $2.45 million) which was written down by $7.2 million to a fair value of $3.2 million in 2016.

On April 14, 2015, the Company issued 1.25 million common shares at a fair value of $0.03 per share which were issuable to a senior officer pursuant an employment agreement. Then on November 17, 2015, the Company issued 1.31 million common shares at a fair value of $0.03 per share to the same senior officer for his remuneration.

The Company did not close any debt or equity financings in 2015.

In May 2016, the Company closed a loan agreement with Polygon pursuant to which Polygon advanced a loan in the principal amount of US$500,000 to the Company, as evidenced by a promissory note. The loan had an original maturity date of May 13, 2018 which was extended to May 13, 2019, and is payable on demand upon the Company consummating an equity or loan financing with net proceeds of at least US$2.5 million. The loan bears interest at the rate of 10% per annum payable quarterly beginning on June 30, 2016. Interest payments may, at the option of the Company, be added to the principal amount of the loan. As security for the payment of the Company's obligations and for the fulfilment and satisfaction of all covenants and agreements made under the loan agreement, the Company also entered into a general security agreement with Polygon pursuant to which the Company granted Polygon a security interest in all personal property of the Company, including the issued and outstanding shares of the Company's wholly-owned Nicaraguan subsidiary, Nicaza S.A, which holds certain mineral exploration properties located in Nicaragua, including the Los Andes project and the Piedra Iman property. Item 1.2(iii) provides further details.

The following schedule provides the contractual obligations related to the promissory note payable as at December 31, 2016:

(Stated in Canadian dollars)

	Payments due by Period (CAD$)					Payments due by Period (US$)				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Promissory note:										
Principal	$ -	$ -	$ -	$ -	$ -	$ 500,000	$ -	$ 500,000	$ -	$ -
Accrued interest [1]	-	-	-			32,171	-	32,171	-	-
Interest [1]	-	-	-			77,123	55,246	21,877	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ 609,294	$ 55,246	$ 554,048	$ -	$ -

(1) The Company has the option to add unpaid interest to the principal of the promissory note. The interest due and payable in 2016 was accrued and included in the principal.

On January 25, 2017, the Company issued 7,837,000 common shares at a fair value of $0.02 per share pursuant to shares for debt settlements with certain former directors and former officers and vendors of the Company. Of the 7,837,000 common shares, 5,337,000 common shares were issued to settle debts of $266,850 including salaries, legal fees and directors fees payable to former directors and 2.5 million shares as severance to senior officers.

On January 25, 2017, Polygon exercised 1.2 million warrants with an exercise price of $0.05 for proceeds of $60,000. Then on March 1, 2017, Polygon exercised another 2.45 million warrants with an exercise price of $0.05 for proceeds of $122,500.

The Company continued to explore alternatives to raising capital to advance exploration of its Nicaraguan projects and to improve its financial condition through joint ventures, mergers and acquisitions and other strategic alternatives.

The Company may have option agreements, if any, for mineral property interests that involve payments in the form of cash and/or common shares of the Company as well as minimum exploration expenditure requirements. Under Item 1.7, further details of contractual obligations are provided as at December 31, 2016. The Company continued to rely upon debt and equity financing as its principal source of financing its projects.

1.7 Capital Resources

As at December 31, 2016, the Company did not have to incur exploration expenditures on the properties and/or make payments in the form of cash and/or shares to the optionors to maintain the Company's interest and to fully exercise the options under various property agreements covering its mineral property interests.

In November 2015, Inecosa completed the transfer of title of the Los Andes property as well as other concessions to the Company, and funds held in trust for the shareholders of Inecosa were accordingly paid to them. Inecosa retains a 2% NSR on certain of the Company's Nicaraguan properties, and the Company has the right to reduce the NSR to 1% by paying US$1 million and to acquire the remaining 1% NSR by paying an additional US$2 million.

1.8 Off-Balance Sheet Arrangements

There are no known off balance sheet arrangements except as disclosed in the Company's public filings.

(Stated in Canadian dollars)

1.9 Transactions with Related Parties

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is disclosed in the table below.

Except as disclosed elsewhere in the MD&A, the Company had the following transactions with related parties during the year ended December 31, 2016:

	Years ended December 31,		Net balance receivable (payable) as at December 31,	
	2016	2015	2016	2015
Key management compensation:				
Executive salaries and remuneration (1), (5), (6)	$ 409,686	$ 590,702	$ (267,222)	$ (73,998)
Directors fees (2), (5), (6)	41,000	44,330	(83,330)	(116,525)
Share-based payments	53,338	131,342	-	-
	$ 504,024	$ 766,374	$ (350,552)	$ (190,523)
Legal fees incurred to a law firm in which a director of the Company is a partner (3), (6)	$ 31,030	$ 52,636	$ (18,485)	$ (11,503)
Net office, sundry, rent and salary allocations recovered from (incurred to) company(s) sharing certain common director(s) (4)	$ 1,104	$ (447)	$ -	$ 7,481
Gain of debt settlement (5)	$ 68,196	$ 51,118		
Write-off of receivables (4)	$ 8,544	$ 41,874		

(1) Includes key management compensation which was included in employee and director remuneration, mineral property interests and property investigation, as applicable.

(2) A portion of Directors fees were accrued.

(3) Includes legal fees which are included in finance charges and share issuance expenses, as applicable.

(4) The company was Aztec Metals Corp. which shared a former common director.

(5) Pursuant to an employment agreement, a portion of a former senior officer's remuneration was payable in common shares of the Company. In 2016, the Company derecognized certain directors fees payable.

The above related party transactions are incurred in the normal course of business.

Transactions with related parties are in the normal course of business and measured at the exchange amount, which is the amount agreed upon by the transacting parties and on terms and conditions similar to transactions with non-related parties.

The Company shares common office facilities, employee and administrative support, and office sundry amongst company(ies) with common current and former director(s), and such allocations to the Company are on a full cost recovery basis.

In May 2016, the Company closed a loan agreement with Polygon pursuant to which Polygon advanced a loan in the principal amount of US$500,000 to the Company, as evidenced by a promissory note. In January and March 2017, Polygon exercised warrants for 3.65 million common shares at an exercise price of $0.05 per share. Item 1.2 provides further details.

On January 25, 2017, the Company issued 7,837,000 common shares at a fair value of $0.02 per share pursuant to shares for debt settlements with certain former directors and former officers and vendors of the Company. Of the 7,837,000 common shares, 5,337,000 common shares were issued to settle debts of $266,850 including salaries, legal fees and directors fees payable to former directors and 2.5 million shares as severance to senior officers. Item 1.2(iv) provides further details

1.10 Fourth Quarter

Items 1.2, 1.4, 1.5, 1.6 and 1.7 provide further details for the fourth quarter of fiscal 2016.

1.11 Proposed Transactions

Other than those in the ordinary course and other than those already disclosed in this MD&A and other than those already disclosed in its regulatory and public filings, there are no proposed material asset or business acquisitions or dispositions before the board of directors for consideration.

1.12 Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements along with the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates and, as such, estimates and underlying assumptions are reviewed on an on-going basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests; the determination of accrued liabilities; accrued site remediation; the variables used in the determination of the fair values of stock options granted and warrants issued as finders' fees and promissory note payable; and the recoverability of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

Acquisition costs of mineral property interests and exploration and development expenditures incurred thereto are capitalized and deferred. The costs related to a property from which there is production will be amortized using the unit-of-production method. Capitalized costs are written down to their estimated recoverable amount if the property is subsequently determined to be uneconomic. The amounts shown for mineral property interests represent costs incurred to date, less recoveries and write-downs, and do not reflect present or future values.

1.13 Changes in Accounting Policies Including Initial Adoption

The consolidated financial statements for the year ended December 31, 2016 include note disclosure in Note 2(f) which provides for any changes in accounting policies including initial adoption and recent accounting pronouncements.

The Company did not early adopt any recent pronouncements.

1.14 Financial Instruments and Other Instruments

The Company classifies its financial instruments as follows:

- cash as financial assets at fair value through profit or loss ("FVTPL"),
- receivables as loans and receivables, and
- accounts payable and accrued liabilities and promissory note payable as other financial liabilities.

Management of financial risk:

The fair value hierarchy categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

The fair values of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values due to the short terms to maturity. The fair value of the promissory note payable approximate its carry value as it is at market interest rates. Cash is measured at fair value using Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk, and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are provided as follows.

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk through maintaining its cash with high-credit quality Canadian financial institutions. Non-contractual taxes receivables from government agencies are not considered financial instruments.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company attempts to ensure that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise debt and equity financings. As at December 31, 2016, the Company had a working capital deficiency of $664,100. The Company continues to rely on additional debt and equity funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests.

Items 1.2(iii) and 1.6 provide details of the contractual obligations regarding the promissory note payable to Polygon.

Accounts payable and accrued liabilities are due in accordance with normal terms of trade and are payable in 2017.

(c) Market risk:

The significant market risk exposure to which the Company is exposed is foreign currency risk, interest rate risk and other price risk.

(i) Foreign currency risk:

The Company has certain cash and accounts payable stated in United States dollars, Nicaraguan cordobas and Mexican pesos, mineral property interests which are in Nicaragua and were previously in Mexico, and a portion of its operations are in Nicaragua and were previously in Mexico, resulting in expenditures subject to foreign currency fluctuations. Fluctuations in the United States dollar, Nicaraguan Cordoba and Mexican peso would impact the losses of the Company and the values of its assets and liabilities as the Company's functional and presentation currencies are the Canadian dollar. The Canadian dollar fluctuates and floats with the United States dollar, Nicaraguan Cordoba and Mexican peso.

At December 31, 2016, the Company was exposed to currency risk for its Canadian dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

	Stated in Canadian Dollars			
	Held in			Total
	United States Dollars	Mexican Pesos	Nicaraguan Cordoba	
Cash	$ 37,017	$ -	$ 1,286	$ 38,303
Receivables and prepaids	-	-	-	-
Accounts payable and accrued liabilities	(311,291)	(224,074)	(13,971)	(549,336)
Promissory note payable	(715,219)	-	-	(715,219)
Net financial assets (liabilities), December 31, 2016	$ (989,493)	$ (224,074)	$ (12,685)	$ (1,226,252)

Based upon the above net exposure as at December 31, 2016 and assuming all other variables remain constant, a 15% depreciation or appreciation of the Canadian dollar relative to the United States dollar, Nicaraguan Cordoba and the Mexican peso could result in a decrease/increase of approximately $183,900 in the Company's net losses.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(ii) Interest rate risk:

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. Interest rate risk is not significant to the Company as it has no cash equivalents at period-end. The Company's debt obligations owed for the promissory note bear a fixed interest rate.

(Stated in Canadian dollars)

(iii) Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company currently does not have any financial instruments which fluctuate with market prices.

1.15 Other MD&A Requirements

1.15.1 Other MD&A Requirements

Additional information relating to the Company are as follows:

(a) may be found on SEDAR at www.sedar.com; and

(b) is also provided in the Company's audited consolidated financial statements for the years ended December 31, 2016 and 2015.

1.15.2 Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of common shares without par value.

Changes in the Company's share capital for the year ended December 31, 2016 are as follows:

	Number of Shares		Amount
Balance at December 31, 2015	141,302,005	$	21,851,953
Issued:			
Share issue expenses	-		(803)
Balance at December 31, 2016	141,302,005	$	21,851,150

On January 25, 2017, the Company issued 7,837,000 common shares at a fair value of $0.02 per share pursuant to shares for debt settlements with certain former directors and former officers and vendors of the Company. Of the 7,837,000 common shares, 5,337,000 common shares were issued to settle debts of $266,850 including salaries, legal fees and directors fees payable to former directors and 2.5 million shares as severance to senior officers.

On January 25, 2017, Polygon exercised 1.2 million warrants with an exercise price of $0.05 for proceeds of $60,000 and a fair value of $12,000. Then on March 1, 2017, Polygon exercised another 2.45 million warrants with an exercise price of $0.05 for proceeds of $122,500 and a fair value of $24,500.

(Stated in Canadian dollars)

On March 13, 2017, a total of 137,822,549 shares of the Company, representing over 90% of the Company's then issued and outstanding common shares, were deposited under the offer by Royal Road. Royal Road intends to acquire all the remaining shares of the Company pursuant to the compulsory acquisition provisions in Section 300 of the Business Corporations Act (British Columbia). Royal Road also intends to cause the common shares of the Company to be de-listed from the TSX Venture Exchange. Item 1.2(i) provides further details.

At April 28, 2017, there were 152,789,005 common shares issued and outstanding.

At December 31, 2016, the Company had outstanding stock options to purchase an aggregate of 5,115,001 common shares as follows:

	2016	
	Number of Shares	Weighted average exercise price
Outstanding balance, beginning of year	5,925,002	$0.15
Forfeited	(140,000)	$0.08
Expired	(670,001)	$0.39
Outstanding balance, end of year	5,115,001	$0.12
Exercise price range	$0.08 - $0.78	

The Offer by Royal Road resulted in the resignation of all directors, officers and employees of the Company in March 2017, resulting in the cancellation of all outstanding stock options.

At April 28, 2017, there were no outstanding stock options.

At December 31, 2016, the Company had outstanding warrants as follows:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2015	Issued	Exercised	Expired	Outstanding at December 31, 2016
$0.24	December 13, 2016	20,833,333	-	-	(20,833,333)	-
$0.30	August 7, 2016	800,000	-	-	(800,000)	-
$0.05	December 30, 2019	88,160,000	-	-	-	88,160,000
		109,793,333	-	-	(21,633,333)	88,160,000

On January 25, 2017, Polygon exercised 1.2 million warrants with an exercise price of $0.05 for proceeds of $60,000 and a fair value of $12,000. Then on March 1, 2017, Polygon exercised another 2.45 million warrants with an exercise price of $0.05 for proceeds of $122,500 and a fair value of $24,500.

At April 28, 2017, warrants for 84,510,000 common shares remain outstanding.

1.16 Outlook

The Company will continue to depend upon debt and equity capital to finance its existing projects. There are no assurances that capital requirements will be met by this means of financing as inherent risks are attached therein including commodity prices, financial market conditions, and general economic factors. The Company does not expect to realize any operating revenues from its mineral property interests in the foreseeable future.

1.17 Risk Factors

The following is a brief discussion of those distinctive or special characteristics of the Company's operations and industry that may have a material impact on, or constitute risk factors in respect of, the Company's future financial performance.

Exploration and Development Risks

There is no assurance given by the Company that its exploration programs and mineral property interests will result in the discovery, development or production of a commercially viable ore body.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development, if any, activities will result in any discoveries of bodies of commercial ore. The economics of developing gold and other mineral properties are affected by many factors including capital and operating costs, variations of the grades and tonnages of ore mined, fluctuating mineral market prices, costs of mining and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Substantial expenditures are required to establish reserves through drilling and other work, to develop metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that funds required for development can be obtained on a timely basis. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, the global marketing conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for exploitation concessions. There can be no guarantee that such concessions will be granted.

Financing Risks

There is no assurance given by the Company that it will be able to secure the financing necessary to explore, develop and produce its mineral property interests.

The Company does not presently have sufficient financial resources or operating cash flow to undertake by itself all of its planned exploration and development, if any, programs. The development of the Company's mineral property interests may therefore depend on joint venture partnerships and on the Company's ability to obtain additional required financing. There is no assurance the Company will be successful in obtaining the required financing, the lack of which could result in the loss or substantial dilution of its interests (as existing or as proposed to be acquired) in its mineral property interests as disclosed herein. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise debt and equity capital financings, the attainment of profitable operations, external financings, and further share issuance to satisfy working capital and operating needs.

The Company may have to mainly rely on its controlling shareholder, Royal Road, to inject the capital, by way of private placement debt or equity financings, required to pay for exploration expenditures and administrative expenses. Royal Road has no obligation to participate in any further debt or equity capital injections in the Company. Also, although Polygon has been supportive of the Company's recent financing efforts, there is no assurance that Polygon will provide additional financial contributions to the Company in the future.

Estimates of Mineral Deposits

There is no assurance given by the Company that any estimates of mineral deposits herein will not change.

No assurance can be given that any identified mineralized deposit will ever become a commercially viable mineable ore body that can be legally and economically exploited. Estimates regarding mineralized deposits can also be affected by many factors such as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grades and tonnages of ore ultimately mined may differ from that indicated by drilling results and other work. There can be no assurance that gold recovered in small-scale laboratory tests will be duplicated in large-scale tests under on-site conditions. Material changes in mineralized tonnages, grades, dilution and stripping ratios or recovery rates may affect the economic viability of projects. The existence of mineralized deposits should not be interpreted as assurances of the future delineation of ore reserves or the profitability of future operations.

Mineral Prices

The mining industry is competitive and mineral prices fluctuate so that there is no assurance, even if commercial quantities of a mineral resource are discovered, that a profitable market will exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of precious and base metals fluctuate on a daily basis, have experienced volatile and significant price movements over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the U.S. dollar relative to other currencies), interest rates, central bank transactions, world supply for precious and base metals, international investments, monetary systems, and global or regional consumption patterns (such as the development of gold coin programs), speculative activities and increased production due to improved mining and production methods. The supply of and demand for gold are affected by various factors, including political events, economic conditions and production costs in major gold producing regions, and governmental policies with respect to gold holdings by a nation or its citizens. The exact effect of these factors cannot be accurately predicted, and the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. There is no assurance that the prices of gold and other precious and base metals will be such that the Company's properties can be mined at a profit.

Title Matters

There is no assurance given by the Company that it owns legal title to certain of its mineral property interests.

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to any of the Company's mining concessions may come under dispute. While the Company has diligently investigated title considerations to its mineral properties, in certain circumstances, the Company has only relied upon representations of property partners and government agencies. There is no guarantee of title to certain of the Company's mineral property interests. The properties may be subject to prior unregistered agreements or transfers, and title may be affected by unidentified and undetected defects. Native land claims or claims of aboriginal title may be asserted over areas in which the Company's mineral property interests are located.

Conflicts of Interest

There is no assurance given by the Company that its directors and officers will not have conflicts of interest from time to time.

The Company's directors and officers may serve as directors or officers of other public mineral exploration or mining companies or have significant shareholdings in other public mineral exploration or mining companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The interests of these companies may differ from time to time. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against any resolution involving any such conflict. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of the Province of British Columbia, Canada, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in any particular exploration or mining project at any given time, the directors will primarily consider the upside potential for the project to be accretive to shareholders, the degree of risk to which the Company may be exposed and its financial position at that time.

Uninsured Risks

Mineral exploration and mining and processing operations, if any, involve many risks and hazards, including, among others, metallurgical and other processing problems, unusual and unexpected rock formations, ground or slope failures or underground cave-ins, environmental contamination, industrial accidents, fires, flooding and periodic interruptions due to inclement or hazardous weather conditions or other acts of nature, organized labour disputes or work slow-downs, mechanical equipment failure and facility performance problems, and the availability of critical materials, equipment and skilled labour. These risks could result in damage to, or destruction of, the Company's properties or production facilities, personal injury or death, environmental damage, delays in mining or processing, increased production costs, asset write downs, monetary losses, and legal liability.

The Company cannot be certain that its insurance will cover all of the risks associated with mineral exploration and mining and processing, if any, or that it will be able to maintain insurance to cover these risks at economically feasible premiums. The Company could also become subject to liability for hazards against which it cannot insure or against which the Company may elect not to insure because of high premium costs or commercial impracticality. Such events could result in a prolonged interruption in operations that would have a negative effect on the Company's ability to generate revenues, profits and cash flow. Losses from such events may increase costs and decrease profitability.

Mining is inherently risky and subject to conditions or events beyond the Company's control, which could have a material adverse effect on the Company's business

Mining involves various types of risks and hazards, including environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structural cave-ins or slides, flooding, fires, power outages, labour disruptions, explosions, landslides and avalanches, mechanical equipment and facility performance problems, availability of materials and equipment, metals losses and periodic interruptions due to inclement or hazardous weather conditions.

These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury or death, including to employees, environmental damage, delays in mining, increased production costs, asset write downs, monetary losses and possible legal liability. The Company may not be able to obtain insurance to cover these risks at economically feasible premiums or at all. Insurance against certain environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from production, is not generally available to the Company or to other companies within the mining industry. The Company may suffer a material adverse impact on its business if it incurs losses related to any significant events that are not covered by its insurance policies.

Environmental and Other Regulatory Requirements

There is no assurance given by the Company that it has met all environmental or regulatory requirements.

The current or future operations of the Company, including exploration or, if any, development activities or, if any, commencement of production on its mineral property interests, require permits from various foreign, federal, state and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, exploration, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required in order for the Company to commence exploration or, if any, production on its various property interests will be obtained. Further, in May 2016, the Company's application for an environmental permit for the Piedra Iman project was denied, which impedes the ability of the Company to proceed with drilling at such project. Item 1.2(ii) provides further details. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, are necessary prior to operation of the other properties in which the Company has interests and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence exploration, or construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. New laws or regulations or amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation of current laws, regulations or permits, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Reclamation

There is a risk that monies allotted for land reclamation may not be sufficient to cover all risks. Therefore additional funds, or reclamation bonds or other forms of financial assurance may be required over the tenure of the project to cover potential risks. These additional costs may have material adverse impact on the financial condition and results of the Company.

Foreign Countries and Regulatory Requirements

The Company's mineral property interests are located in countries outside of Canada, and mineral exploration and mining activities, if any, may be affected in varying degrees by political stability and government regulations relating to the mineral exploration and mining industry. Any changes in regulations or shifts in political attitudes may vary from country to country and are beyond the control of the Company and may adversely affect its business. Such changes have, in the past, included nationalization of foreign owned businesses and properties. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income and other taxes and duties, expropriation of property, environmental legislation and safety. These uncertainties may make it more difficult for the

Company and its joint venture partners to obtain any required exploration and production, if any, financing for its mineral properties.

Currency Fluctuation and Foreign Exchange Controls

The Company maintains a portion of its funds in U.S. dollar and Nicaraguan Cordoba denominated accounts. Certain of the Company's property and related contracts may be denominated in the U.S. dollar and Nicaraguan cordoba. The Company's operations in countries other than Canada are normally carried out in the currency of that country and make the Company subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. In addition future contracts may not be denominated in Canadian dollars and may expose the Company to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results of its operations. In addition, the Company is or may become subject to foreign exchange restrictions which may severely limit or restrict its ability to repatriate capital or profits from its properties outside of Canada to Canada. Such restrictions may have existed in the past in countries in which the Company holds property interests and future impositions of such restrictions could have a materially adverse effect on the Company's future profitability or ability to pay dividends.

General economic conditions may adversely affect the Company's growth, future profitability and ability to finance

The events in global financial markets in the past have had a significant impact on the global economy. Many industries, including the mining industry, are impacted by these market conditions. Specifically, the volatility of metal prices would impact the Company's revenues, profits, losses and cash flow, negative economic pressures could adversely impact demand for the Company's production construction related costs could increase and adversely affect the economics of any of the Company's projects, volatile energy, commodity and consumables prices and currency exchange rates would impact the Company's production costs and the devaluation and volatility of global stock markets would impact the valuation of the Company's equity and other securities.

Third Party Reliance

The Company's rights to acquire interests in certain mineral property interests have been granted by third parties who themselves may hold only an option to acquire such properties. As a result, the Company may have no direct contractual relationship with the underlying property holder.

Possible Dilution to Current Shareholders based on Outstanding Options and Warrants

At December 31, 2016, the Company had 141,302,005 common shares and 5,115,001 share purchase options and 88,160,000 share purchase warrants outstanding. The resale of outstanding shares from the exercise of dilutive securities could have a depressing effect on the market for the Company's shares. At December 31, 2016, dilutive securities represented approximately 66% of the Company's issued shares. None of these dilutive securities were exercisable at prices below the December 30, 2016 closing market price of $0.02 for the Company's shares.

The Company may be subject to legal proceedings

Due to the nature of its business, the Company may be subject to numerous regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of its business. The results of these legal proceedings cannot be predicted with certainty due to the uncertainty inherent in litigation, including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal. There can be no assurances that these matters will not have a material adverse effect on the Company's business.

Increased competition could adversely affect the Company's ability to acquire suitable producing properties or prospects for mineral exploration in the future

The mining industry is intensely competitive. Significant competition exists for the acquisition of properties producing or capable of producing metals. The Company must compete to acquire additional mining properties with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company or are further advanced in their development or are significantly larger, for the acquisition of mineral claims, leases and other mineral interests. The Company may also encounter increasing competition from other mining companies in its efforts to hire experienced mining professionals. Increased competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future. If the Company is unsuccessful in acquiring additional mineral properties or qualified personnel, it will not be able to grow at the rate it desires, or at all.

There can be no assurance that the Company will successfully acquire additional mineral rights

Most exploration projects do not result in the discovery of commercially mineable ore deposits and no assurance can be given that any particular level of recovery of ore reserves will be realized or that any identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. Moreover, mines have a depleting asset base which needs to be continually renewed. Estimates of reserves, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. If current exploration programs do not result in the discovery of commercial ore, the Company may need to write-off part or all of its investment in existing exploration stage properties, and may need to acquire additional properties. Material changes in ore reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

The Company's future growth and productivity will depend, in part, on its ability to identify and acquire additional mineral rights, and on the costs and results of continued exploration and development programs. Mineral exploration is highly speculative in nature and is frequently non-productive. Substantial expenditures are required to establish ore reserves through drilling and metallurgical and other testing techniques, to determine metal content and metallurgical recovery processes to extract metal from the ore, and to construct, renovate or expand mining and processing facilities.

If the Company does make further acquisitions, any positive effect on the Company's results will depend on a variety of factors, including, but not limited to, assimilating the operations of an acquired business or property in a timely and efficient manner, maintaining the Company's financial and strategic focus while integrating the acquired business or property, achieving identified and anticipated operating and financial synergies, unanticipated costs, diversion of management attention from existing business, potential loss of key employees or key employees of any business acquired, unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition, decline in the value of acquired properties, companies or securities, implementing uniform standards, controls, procedures and policies at the acquired business, as appropriate and, to the extent that the Company makes an acquisition outside of markets in which it has previously operated, conducting and managing operations in a new operating environment.

SCHEDULE "B"
FINANCIAL STATEMENTS OF ARCTIC

ARCTIC BLOCKCHAIN LTD.

FINANCIAL STATEMENTS
FOR THE PERIOD
DECEMBER 4, 2017 (Date of Incorporation)
TO DECEMBER 31, 2017

(Expressed in Canadian Dollars)

D&H Group LLP
Chartered Professional Accountants
10th Floor, 1333 West Broadway
Vancouver, BC V6H 4C1

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Independent Auditor's Report

To the Shareholders of Arctic Blockchain Ltd.

We have audited the accompanying financial statements of Arctic Blockchain Ltd., which comprise the statement of financial position as at December 31, 2017 and the statement of comprehensive loss, statement of changes in equity and statement of cash flows for the period from incorporation on December 4, 2017 to December 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Arctic Blockchain Ltd. as at December 31, 2017, and its financial performance and its cash flows for the period from incorporation on December 4, 2017 to December 31, 2017 in accordance with International Financial Reporting Standards.

"D&H Group LLP"

Vancouver, B.C.
April 17, 2018

Chartered Professional Accountants

ARCTIC BLOCKCHAIN LTD.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017
(Expressed in Canadian Dollars)

	Notes	$
ASSETS		
Current assets		
Cash		10,801
GST receivable		128
TOTAL ASSETS		10,929
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities		3,150
TOTAL LIABILITIES		3,150
SHAREHOLDERS' EQUITY		
Share capital	4(b)	1
Share subscriptions received	7(a)	11,000
Deficit		(3,222)
TOTAL SHAREHOLDERS' EQUITY		7,779
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		10,929

Nature of Operations - see Note 1

Events after the Reporting Period - see Note 7

These financial statements were approved for issue by the Board of Directors on April 17, 2018 and are signed on its behalf by:

/s/ Richard Patricio
Richard Patricio
Director

/s/ Michael Hudson
Michael Hudson
Director

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

ARCTIC BLOCKCHAIN LTD.
STATEMENT OF COMPREHENSIVE LOSS
FOR THE PERIOD DECEMBER 4, 2017 (Date of Incorporation) TO DECEMBER 31, 2017
(Expressed in Canadian Dollars)

	$
Expenses	
Bank charges	9
Legal	1,670
Office	191
Travel	1,352
	3,222
Net loss and comprehensive loss for the period	(3,222)

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

ARCTIC BLOCKCHAIN LTD.
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD DECEMBER 4, 2017 (Date of Incorporation) TO DECEMBER 31, 2017
(Expressed in Canadian Dollars)

	Share Capital				
	Number of Shares	Amount $	Share Subscriptions $	Deficit $	Total Equity $
Balance at December 4, 2017	-	-	-	-	-
Common share issued	1	1	-	-	1
Share subscriptions received	-	-	11,000	-	11,000
Net loss for the period	-	-	-	(3,222)	(3,222)
Balance at December 31, 2017	1	1	11,000	(3,222)	7,779

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

ARCTIC BLOCKCHAIN LTD.
STATEMENT OF CASH FLOWS
FOR THE PERIOD DECEMBER 4, 2017 (Date of Incorporation) TO DECEMBER 31, 2017
(Expressed in Canadian Dollars)

	$
Operating activities	
Net loss for the period	(3,222)
Changes in non-cash working capital items:	
GST receivable	(128)
Accounts payable and accrued liabilities	3,150
Net cash provided by operating activities	(200)
Financing activities	
Issuance of common share	1
Share subscriptions received	11,000
Net cash provided by financing activities	11,001
Net change in cash during the period	10,801
Cash at beginning of period	-
Cash at end of period	10,801

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

1. Nature of Operations

Arctic Blockchain Ltd. (the "Company") was incorporated on December 4, 2017 under the provisions of the Business Corporations Act (British Columbia). The Company's head office is located at #1305 - 1090 West Georgia Street, Vancouver, BC, V6E 3V7.

On December 8, 2017 the Company signed a non-binding letter agreement to acquire a private entity engaged in the business of offering co-location services and mining cryptocurrencies. Subsequent to December 31, 2017 the Company completed a number of financings, completed the acquisition of the private entity and is pursuing a listing of its common shares on a Canadian stock exchange. See Note 7.

As at December 31, 2017 the Company had an accumulated deficit of $3,222 and working capital of $9,799. With the financings completed subsequent to December 31, 2017 the Company anticipates that it will have sufficient financial resources to maintain its current level of operations over the next twelve months.

2. Basis of Preparation

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Measurement

The Company's financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. The financial statements are presented in Canadian dollars unless otherwise noted.

3. Significant Accounting Policies

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

(i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

(ii) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates

3. **Summary of Significant Accounting Policies** (continued)

the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized to the extent of the amount expected to be utilized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 5.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(i) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. As at December 31, 2017 the Company did not have any cash equivalents.

Amounts Receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivable. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. As at December 31, 2017 the Company did not have any amounts receivable.

Accounts Payable and Accrued Liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are classified as other financial liabilities initially at fair value and subsequently measured at amortized cost using the effective interest method.

Impairment of Financial Assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, an impairment loss is recognized in the statement of comprehensive loss.

Impairment losses on financial assets carried at amortized cost, including loans and receivables, are calculated as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

3. **Summary of Significant Accounting Policies** (continued)

Impairment of Non-financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators exist, then the asset's recoverable amount is estimated. The recoverable amounts of the following types of intangible assets are measured annually whether or not there is any indication that it may be impaired:

(i) an intangible asset with an indefinite useful life; and
(ii) an intangible asset not yet available for use.

The recoverable amount of an asset or CGU is the greater of its value in use ("VIU") and its fair value less costs to sell ("FVLCS"). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company's assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

In respect of assets other than intangible assets that have indefinite useful lives, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed in a subsequent period when there has been an increase in the recoverable amount of a previously impaired asset or CGU. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Financial Instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss.

Financial assets classified as fair value through profit or loss ("FVTPL") are measured at fair value with unrealized gains and losses recognized through comprehensive loss. Cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. At December 31, 2017 the Company has not classified any financial assets as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. At December 31, 2017 the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At December 31, 2017 the Company has not classified any financial liabilities as FVTPL.

3. **Summary of Significant Accounting Policies** (continued)

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any related income tax effects.

Share-Based Payment Transactions

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Current and Deferred Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case the income tax is also recognized in other comprehensive loss or directly in equity, respectively.

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Income Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Currency

The functional currency of the Company is Canadian dollars and these financial statements are presented in Canadian dollars. Transactions of the Company that are denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the balance sheet date. Exchange gains or losses, if any, arising from the translation of foreign currency denominated monetary assets and liabilities are included in operations.

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Accounting Standards and Interpretations Issued but Not Yet Effective

As at the date of these financial statements, the following standards have not been applied in these financial statements:

(i) The completed version of IFRS 9, *Financial Instruments*, was issued in July 2014. The completed standard provides for revised guidance on the classification and measurement of financial assets. It also introduces a new expected credit loss model for calculating impairment for financial assets. The new hedging guidance that was issued in November 2013 is incorporated into this new final standard. This final version of IFRS 9 will be effective for periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect that the adoption of this standard will have a significant effect on the Company's financial statements.

(ii) IFRS 15, *Revenue from Contracts with Customers*, outlines the principles for recognizing revenue from contracts with customers. The new standard establishes a new five-step model for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard is effective for annual periods beginning on or after January 1, 2018, and is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. The Company does not expect that the adoption of this standard will have a significant effect on the Company's financial statements.

(iii) IFRS 16, *Leases*, specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019. Management is currently assessing the impact of this new standard on the Company's accounting policies and financial statement presentation.

4. Share Capital

(a) *Authorized Share Capital*

The Company's authorized share capital consists of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) *Reconciliation of Changes in Share Capital*

During the period ended December 31, 2017 the Company issued one common share for $1.

See also Note 7.

5. Income Taxes

Deferred income tax assets of the Company as at December 31, 2017 are as follows:

	$
Losses carried forward	840
Valuation allowance	(840)
Net deferred income tax asset	-

5. Income Taxes (cotninued)

The recovery of income taxes shown in the statements of comprehensive loss differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	$
Income tax rate reconciliation	
Combined federal and provincial income tax rate	26%
Expected income tax recovery	840
Unrecognized benefit of income tax losses	(840)
Deferred income tax recovery	-

As at December 31, 2017 the Company has accumulated non-capital losses of approximately $3,200 for Canadian income tax purposes and are available to reduce taxable income of future years. The non-capital losses expire in 2038.

6. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following five categories: FVTPL; held-to-maturity investments; loans and receivables; AFS; and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	$
Cash	FVTPL	10,801
Accounts payable and accrued liabilities	Other financial liabilities	(3,150)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amount for accounts payable and accrued liabilities approximate its fair value due to its short-term nature. The Company's fair value of cash under the fair value hierarchy are measured using Level 1 inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized 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. Management believes that the credit risk concentration with respect to financial instruments included in cash is remote.

(Expressed in Canadian Dollars)

6. Financial Instruments and Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

	Contractual Maturity Analysis at December 31, 2017				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	10,801	-	-	-	10,801
Accounts payable and accrued liabilities	(3,150)	-	-	-	(3,150)

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 commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears floating rates of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

Capital Management

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital and cash and cash equivalents. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

7. Events after the Reporting Period

(a) On February 23, 2018 the Company completed a private placement of 5,000,000 units, at $0.01 per unit, for gross proceeds of $50,000. Each unit consisted of one common share of the Company and one share purchase warrant entitling the holder to purchase an additional common share at a price of $0.50 per share for a period of one year from Listing (as defined below).

As at December 31, 2017 the Company had received $11,000 in share subscriptions.

(b) On February 27, 2018 the Company completed a debenture financing for gross proceeds of $10,000,000. The debentures are non-secured, without terms of interest and matures on February 27, 2023. The debentures also have a mandatory conversion feature requiring conversion into units of the Company at a conversion price of $0.50 per unit in the event the Company completes a liquidity event, which includes a public offering of the Company's common shares or any transaction in which all of substantially all of the Company's outstanding common shares are exchanged for securities of another listed issuer (collectively the "Listing"). Upon conversion, each unit will comprise of one common share of the Company and one share purchase warrant entitling the holder to purchase an additional common share at an exercise price of $0.75 per share, exercisable for a period of two years from Listing.

The Company paid a finder's fee of $48,000 and $73,355 for legal costs associated with the financing.

7. Events after the Reporting Period (continued)

(c) On February 15, 2018 the Company, Hydro66 UK Limited ("Hydro66") and the shareholders of Hydro66 (the "Sellers") entered into a share purchase agreement (the "SPA") whereby the Company agreed to acquire all of the issued and outstanding share capital of Hydro66 (the "Acquisition") through the issuance of 100,000,000 common shares of the Company and 25,000,000 warrants (collectively the "Consideration Shares and Warrants"). Each Warrant will entitle the holder to purchase one addition common share of the Company at a price of $0.75 per share for a period of two years from Listing.

On February 28, 2018 the Company closed on the Acquisition, issued the Consideration Shares and Warrants and advanced Hydro66 $9,000,000 in accordance with the terms of the SPA.

Pursuant to the SPA the Company will use its commercially reasonable efforts to promptly and diligently advance a listing on a recognized Canadian stock exchange, with an intention to complete the Listing on or before June 30, 2018.

Hydro66 is a private corporation operating since 2014, offering enterprise co-location services as well as mining cryptocurrency on its own account and for customers.

(d) On March 12, 2018 the Company entered into a letter agreement (the "Letter Agreement") with Caza Gold Corp. ("Caza") setting forth the terms and conditions under which the Company and Caza have agreed to proceed to complete a business combination and concurrently list the Company's common shares on a Canadian stock exchange.

The Letter Agreement also contains a provision under which the Company has agreed to cease and terminate any discussion with other parties in respect of alternative transactions during an exclusive period (the "Exclusive Period"), ending on the earlier of the execution of a definitive agreement, or June 10, 2018. In the event that the Company breaches the provision during the Exclusive Period then it will be required to pay Caza a termination fee of $400,000.

SCHEDULE "C"
FINANCIAL STATEMENTS OF HYDRO

Registration number:
09027295

Hydro66 UK Limited

Annual Report and Financial Statements

For the year ended 31 December 2017

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Directors and professional advisors

The board of directors	David Rowe Richard Croft Justin Fielder (resigned on 22 May 2017)
Registered office	15 Percy Street London W1T 1DS
Registered number	09027295
Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG

Strategic Report

Year ended 31 December 2017

Principal activities

The principal activities of Hydro66 UK Limited ("the Company") during the year were, and will continue to be, the provision of colocation services.

The Company delivers low-cost, environmentally-friendly colocation services. Using locally generated clean green hydropower, Hydro66's first data centre is located in the leading cloud and data centre cluster in the Nordics, in Northern Sweden. This gives customers the ability to reduce their carbon footprint while providing cost savings against the traditional colocation model.

The Company also contributes a small amount of its computing power to digital currency pools. For its contribution to the pools the Company receives income in the form of digital currencies.

Trading performance – key performance indicators

The directors consider revenue and EBITDA as the key financial metrics against which the performance of the Company is measured.

	Year ended December 31 2017	**Year ended December 31 2016**	**Year ended December 31 2015**
Revenue [£]	**1.3m**	0.4m	0.3m
EBITDA [£]	**0.1m**	(0.6m)	(1.4m)

Trading performance – review of the year

Revenue saw high growth over 2017, up 225% on the previous year reflecting the sell out during the year of the existing space and earnings from digital currency pools.

Financial Results

The company reported operating loss before interest and tax of £0.3 for the year (2016: (£0.8m)) with operating expenses before depreciation and realised gains on digital currencies of £2.4m for the year (2016: £1.3m).

Prospects

The Directors see prospects for the Company as being very healthy. The Company continues to enhance its position in the North of Sweden with a 15 MW expansion underway and planned for completion by Spring 2018.

Data centers are increasingly under the spotlight as being energy-intensive, and with that scrutiny comes the need for innovation and transparency. Large numbers of companies are realising the environmental and cost benefits of locating processing power in a cool climate close to abundant green power. The Hydro66 data centre is ideally located to deliver these benefits.

On 15 February 2018, a sale purchase agreement was executed to sell 100% of the company to Arctic Blockchain Ltd. As consideration for the sale the shareholders of Hydro66 UK Ltd were issued 80% of the shares and rights to subscribe to further shares in Arctic Blockchain Ltd

Cash flow, banking facilities and financial position

The Company finished the year ended 31 December 2017 in a strong financial position with closing cash and cash equivalents of £1m (2016: £1.4m); and closing digital currencies recorded as intangible assets of £0.2m (2016: £0.2m).

Net assets at 31 December 2017 increased to £5.5m from £4.2m as at 31 December 2016.

Principal Risks and Uncertainties

The principal risks and uncertainties associated with the Company's activities are set out below, along with the financial risks, which are included in more detail in note 3 of the financial statements.

Strategic Risks - the main strategic risks to the Company's business arise from deterioration in general economic conditions and increased competition.

Adverse global economic conditions and uncertain conditions have created, and in the future may create, uncertainty and unpredictability and add risk to our future outlook. An uncertain global economy could also result in churn in our customer base, reductions in revenues from our offerings, longer sales cycles, slower adoption of new technologies and increased price competition, adversely affecting our liquidity.

Regulatory Risks - A number of customers operate in the digital currency space. Increased legal or regulatory burdens affecting the space could result in churn in our customer base and reductions in revenues from our offerings, adversely affecting our liquidity. Digital currency is a new technology and the legislation surrounding it, including local tax regimes, is evolving. Hydro66 currently has operations in the United Kingdom and Sweden where it is subject to VAT and Corporation tax. The Directors are of the view that the tax has been appropriately accounted for and reported although it is an evolving area of local legislation and therefore could be at risk of challenge from local tax authorities.

Operations Risks – Key operational risks involve the delivery and support provided to customers. The Company is reliant on third party suppliers which provide support. To mitigate against these risks and to ensure a high level of service is provided to our customers, the Company's operational teams are required to monitor service levels and review the disaster recovery plans that are currently in place. The Company also continuously reviews key contracts and relationships with its suppliers to ensure high levels of service are sufficiently provided to the Company.

The objective of the Board is to manage risk across the Company, enabling it to achieve its key business objectives.

Changes in business objectives which may alter the risks faced by the Company are monitored closely by the Board throughout the year to ensure that the necessary changes to internal controls or procedures are implemented. The main risks arising from the Company's financial position are credit risk, foreign currency risk and liquidity risk. Refer to note 3 of the financial statements for further detail.

Statement of Directors' responsibilities
The directors are responsible for preparing the Voluntary Directors' Report and the non-statutory consolidated financial statements.

Those charged with governance have requested the directors to prepare financial statements for each financial year. The directors have elected to prepare the non-statutory financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The directors do not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the group for that period. In preparing these non-statutory financial statements, the directors are have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- stated whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors have taken responsibility for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company. They have also taken responsibility for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:
- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Charitable Donations

Worldwide charitable donations made by the Company during the year were nil (Dec 2016: nil).

Employees

The Company attaches importance to good communications and relations with employees. Meetings are actively held to fulfil the objectives on a frequent basis. All employees are kept up to date with developments in the Company and financial factors expected to affect the Company performance.

Future Outlook

The directors are confident of the future performance of the Company. The Company has enjoyed strong revenue growth and an increased customer base, which is a central driver for the future growth of the Company. Further details are disclosed on page 3.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future.

The Company's business activities, together with the factors likely to affect its future performance are set out within this report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are incorporated in this review.

The Company meets its day-to-day working capital requirements using cash in hand and digital currencies. The Company closed a funding round in June 2017 for USD $2m, of which all has been invested into the expansion of the Company as of the date of this report. Based on the forecasted burn rate, cash in hand and digital currency funds are anticipated to meet the Company's operational requirements for the foreseeable future.

On 15 February 2018, a sale purchase agreement was executed to sell 100% of the company to Arctic Blockchain Ltd. As consideration for the sale the shareholders of Hydro66 UK Ltd were issued 80% of the shares and rights to subscribe to further shares in Arctic Blockchain Ltd

Directors

The directors who served the Company during the year were as follows:

David Rowe
Richard Croft
Justin Fielder (resigned 22 May 2017)

Disclosure of information to Auditor

In the case of each Director in office at the date the Directors' Report is approved:

a) So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

b) The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Independent Auditor

The auditors, Grant Thornton UK LLP are expected to be reappointed by resolution of the shareholders at the general meeting.

On behalf of the Board

R. Croft

Richard Croft, Director
12 April 2018

Opinion

We have audited the non-statutory group financial statements (the 'financial statements') of Hydro66 UK Limited and its subsidiaries (the 'group') for the year ended 31 December 2017, which comprise the consolidated income statement, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements , including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements give a true and fair view of the state of the group's affairs as at 31 December 2017 and of its loss for the year then ended in accordance with IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the company's directors, as a body, in accordance with our letter of engagement dated 15 January 2018. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for preparation of the financial statements which give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matter

The Group was not required to have an audit for the year ended 31 December 2016. Accordingly, the corresponding figures for the year ended 31 December 2016 are unaudited.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
12 April 2018

Hydro66 UK Limited

Consolidated income statement

Year ended 31 December 2017

Continuing operations	**Note**	**Year ended 31 Dec 2017 £**	Unaudited Year ended 31 Dec 2016 £
Turnover	4	1,348,052	424,952
Operating expenses	5	(1,655,820)	(1,226,791)
Operating loss		(307,768)	(801,839)
Operating loss before depreciation and realised gains on digital currencies		(1,044,711)	(853,111)
Depreciation	5, 11	(369,374)	(237,439)
Realised gains on digital currencies	5	1,106,317	288,711
Operating profit / (loss) before interest and taxes		(307,768)	(801,839)
Interest payable and similar charges	7	(464)	-
Profit / (loss) on ordinary activities before taxation		(308,232)	(801,839)
Taxation	10	-	-
Profit / (loss) for the financial year		(308,232)	(801,839)

Consolidated statement of other comprehensive income

Year ended 31 December 2017

Profit / (loss) for the year	(308,232)	(801,839)
Other comprehensive income	(89,744)	(49,429)
Total comprehensive profit / (loss) attributable to equity holders	(397,976)	(851,268)

The accompanying accounting policies and notes (pages 13-29) form part of these financial statements.

Hydro66 UK Limited

Consolidated statement of financial position

Year ended 31 December 2017

	Note	At 31 Dec 2017	Unaudited At 31 Dec 2016	Unaudited At 1 Jan 2016
		£	£	£
Non-current assets				
Property, plant and equipment	11	**4,811,118**	2,925,396	2,350,978
Intangible assets (digital currencies)	12	**168,912**	210,659	-
		4,980,030	3.136,055	2,350,978
Current assets				
Trade and other receivables	13	**777,316**	233,687	549,225
Cash at bank and in hand	14	**995,475**	1,443,905	161,273
		1,772,791	1,677,592	710,498
Current liabilities				
Short-term borrowings	16	(43,435)	-	(3,897,227)
Trade and other payables	15	(1,195,472)	(383,139)	(326,524)
Deferred income	15	-	(225,214)	(257,616)
		(1,238,907)	(608,353)	(4,481,367)
Net current assets / (liabilities)		**533,884**	1,069,239	(3,770,869)
Net assets		**5,513,914**	4,205,294	(1,419,891)
Capital and reserves				
Called-up equity share capital	17	**1,087,084**	919,611	518,459
Share premium reserve	17	**7,491,736**	6,075,301	-
Share option reserve	18	**122,688**	-	-
Foreign exchange reserve	17	**(118,101)**	(28,357)	21,072
Retained earnings at start of year		**(2,761,261)**	(1,959,422)	(595,380)
Earnings in the year		**(308,232)**	(801,839)	(1,364,042)
Shareholders' funds		**5,513,914**	4,205,294	(1,419,891)

The accompanying accounting policies and notes (pages 13-29) form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 12 April 2018. Signed on behalf of the Board by:

R. Croft

Richard Croft

Director
Company number 09027295

Hydro66 UK Limited

Consolidated statement of changes in equity

Year ended 31 December 2017

	Note	Share capital	Share premium	Share option reserve	FX reserve	Retained earnings	Total Equity
		£	£	£	£	£	£
Balance at 1 Jan 2016 (unaudited)		518,459	-	-	21,072	(1,959,422)	(1,419,891)
Total profit / (loss) for the year		-	-	-	-	(801,839)	(801,839)
Issue of share capital	17	401,152	6,075,301	-	-	-	6,476,453
Share options credit		-	-	-	-	-	-
Foreign exchange movement		-	-	-	(49,429)	-	(49,429)
Balance at 31 Dec 2016 (unaudited)		919,611	6,075,301	-	(28,357)	(2,761,261)	4,205,294
Total profit / (loss) for the year		-	-	-	-	**(308,232)**	**(308,232)**
Issue of share capital	17	**167,473**	**1,416,435**	-	-	-	**1,583,908**
Share options credit	18	-	-	**122,688**	-	-	**122,688**
Foreign exchange movement		-	-	-	(89,744)	-	**(89,744)**
Balance at 31 Dec 2017		**1,087,084**	**7,491,736**	**122,688**	**(118,101)**	**(3,069,493)**	**5,513,914**

The accompanying accounting policies and notes (pages 13-29) form part of these financial statements.

Hydro66 UK Limited

Consolidated statement of cash flows

Year ended 31 December 2017

	Note	At Dec 31, 2017	Unaudited At Dec 31, 2016
		£	£
Cash flows from operating activities			
Profit / (loss) before taxation		(308,232)	(801,839)
Adjustments for:			
Depreciation of property, plant and equipment	11	369,374	237,439
Increase in intangible assets	12	(591,363)	(277,423)
Share options expense	18	122,688	-
Finance costs	7	464	-
Net changes in working capital:		40,069	776,591
Cash (used in) / from operations		(367,000)	65,232
Cash flows from investing activities			
Additions to property, plant and equipment	11	(2,223,430)	(546,635)
Proceeds from disposal of intangible assets	12	632,942	66,764
Net cash used in investing activities		(1,590,488)	(479,871)
Cash from financing activities			
Proceeds/ (pay down) from borrowings	16	42,971	(4,233,224)
Proceeds from share related transactions	17	1,583,908	6,476,453
Net cash from financing activities		1,626,879	2,243,229
Net (decrease) / increase in cash and cash equivalents		(330,609)	1,698,127
Cash and cash equivalents opening balance	14	1,443,905	161,273
Effect of exchange rate		(117,821)	(415,495)
Cash and cash equivalents at end of the year		995,475	1,443,905

The accompanying accounting policies and notes (pages 13-29) form part of these financial statements.

1. General information

Nature of operations
The Company is incorporated in the United Kingdom, domiciled in the United Kingdom and its registered office is 15 Percy Street, London, England, W1T 1DS. The registered number of the Company is 09027295.

2. Summary of significant accounting policies and estimates

Basis of preparation
The consolidated financial statements of the Company have been prepared in accordance with IFRSs as adopted by the European Union, IFRS Interpretations Committee ("IFRS IC") interpretations and the Companies Act 2006 applicable to the companies reporting under IFRSs

These financial statements are presented in Pounds Sterling (£) which is also the functional currency of the Company.

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates which have been laid out in note 2. These accounting policies were consistently applied for all the years presented.

Going concern
The financial statements presented within have been prepared on a going concern basis. See Strategic report for additional details.

Changes in accounting policy and disclosures

(a) Transition to IFRS

The financial statements and notes have been prepared in accordance with IFRSs for the first time.

The Company's transition date is 1 January 2016. The Company prepared its opening IFRSs statement of financial position at that date and the Company's IFRSs adoption date is 31 December 2016. The Company has applied IFRS 1 in preparing these financial statements. In preparing these financial statements in accordance with IFRS 1, the Company has applied the mandatory exceptions from full retrospective application of IFRSs as described in note 24.

(b) New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2016 that would be expected to have a material impact on the Company.

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted

IFRS 7 Financial Instruments: Disclosures initiative (issued 29 January 2016)

IFRS 7 addresses the disclosure requirements relating to the significance of financial instruments to an entity and the nature and extent of risks associated with those financial instruments. Additional hedge accounting disclosures will be required when IFRS 9 becomes effective. The Company is yet to assess the full impact of the standard.

IFRS 9 Financial Instruments

IFRS 9 addresses the classification and measurement of financial assets and will replace IAS 39. The Standard is effective for accounting years commencing on or after 1 January 2018, subject to adoption by the European Union. The Company is yet to assess the full impact of the standard.

2. Summary of significant accounting policies and estimates (continued)

IFRS 15 Revenue from Contracts with Customers

The Standard sets out at what point and how revenue is recognised and requires enhanced disclosures. Revenue contracts should be recognised in accordance with a single, principles based five-step plan. The Standard is effective for accounting years beginning on or after 1 January 2018. The Company is yet to assess the full impact of the standard, although it is noted that no firm guidance yet exists for the accounting for revenue on digital currency creation. The company continues to monitor guidance and will assess any impact as it evolves.

IFRS 16 Leases

The Standard assesses the use of off-balance sheet leases, bringing most lessee leases on-balance sheet and eliminating the distinction between operating and finance leases, leaving lessor accounting largely unchanged. The Standard is effective for years beginning on or after 1 January 2019. The Company is yet to assess the full impact of the standard.

Amendments to IAS 16 Property, Plant and Equipment

The IASB has clarified that a depreciation method based on revenue is not an appropriate method in determining a pattern in which the asset's future economic benefits are consumed. The amendments are effective for accounting years beginning on or after 1 January 2016.. The Company is yet to assess the full impact of the standard.

Amendments to IAS 38 Intangible Assets

The amendments clarify the suitability of using a revenue-based method of amortisation for intangible assets. The amendments are similar to those made to IAS 16, however, the amendments to IAS 38 include a rebuttable presumption that an amortisation method based on revenue generated is not appropriate. The amendments are effective for accounting years beginning on or after 1 January 2016. The Company is yet to assess the full impact of the standard.

Annual Improvements to IFRS 2010-2012 Cycle

The issues addressed in this cycle cover IFRS2, IFRS3, IFRS8, IFRS13, IAS7, IAS16, IAS24 and IAS38. The Annual Improvements are effective for accounting years beginning on or after 1 February 2015. The Company is not expecting any of these issues to significantly impact on the Company's financial statements.

Annual Improvements 2012-2014 cycle

The issues are effective for accounting years beginning on or after 1 July 2016. The Company is not expecting any of these issues to significantly impact on the Company's financial statements.

Sources of estimation and key judgements

The key sources of estimation at the reporting date are discussed below:

(a) Digital currency recognition and valuation

The Company recognises revenue from the provision of transaction verification services within digital currency networks. As consideration for these services, the Company receives digital currency from each specific network in which it participates.

Revenue is measured based on the fair value of the currency received. The fair value is determined using the spot price of the currency on the date of receipt. Digital currencies are treated as intangible assets and carried at the spot rate on the date of receipt.

Digital currencies are a new type of currency available only in digital form and are deemed to be intangibles assets under IAS38. The cost model has been applied to digital currencies.

2. Summary of significant accounting policies and estimates (continued)

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.

(b) Evolving Tax Regimes

Digital currency is a new technology and the legislation surrounding it, including local tax regimes, is evolving. Hydro66 currently has operations in the United Kingdom and Sweden where it is subject to VAT and Corporation tax. The Directors have taken the judgement that the tax has been appropriately accounted for and reported although it is an evolving area of local legislation and therefore could be at risk of challenge from local tax authorities.

Critical accounting policies

Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services, stated net of discounts and returns. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities. Revenue represents amounts invoiced for the provision of data centre services, including space and power.

The Company also recognizes revenue from the provision of transaction verification services within digital currency networks. As consideration for these services, the Company receives digital currency from each specific network in which it participates.

Revenue is measured based on the fair value of the currency received. The fair value is determined using the spot price of the currency on the date of receipt. The currency is recorded on the statement of financial position, as a current intangible asset at the spot rate. Realised gains or losses, as well as gains or losses on the sale of currency for traditional (fiat) currencies are included in profit and loss. There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting of digital currencies and management has exercised significant judgement in determining appropriate accounting treatment. Management has examined various factors surrounding the substance of the Company's operations and the guidance in IAS 18, Revenues, including the stage of completion being the completion and addition of a block to a blockchain and the reliability of the measurement of the digital currency received. In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies which could result in a change in the Company's financial position and earnings.

Property, plant and equipment

Property, plant and equipment are stated at cost at acquisition less accumulated depreciation. Cost include the original purchase price for the asset and costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all property, plant and equipment to write off the cost, less any residual value, on a straight-line basis over the expected useful economic lives of the assets concerned by applying the following annual rates

Office equipment	3 years
Plant and machinery	3 – 25 years
Buildings	50 years

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. An asset's carrying amount is written down immediately to its recoverable amount (higher of an asset's fair value less costs to sell and value in use) if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the consolidated income statement.

2. Summary of significant accounting policies and estimates (continued)

Trade payables
Trade payables are either obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers or transaction obligations for amounts due to end customer.

Trade payables are classified as current liabilities if settlement is due within one year or less. If not, they are presented as non-current liabilities.

Operating Leases
Rentals applicable to operating leases where substantially all the benefits and risks of ownership do not transfer to the lessee are charged to the income statement on a straight-line basis over the period of the lease.

Taxation
The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the UK and Sweden where the Group operates and generates taxable income.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of the assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferring income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Provisions and contingencies
A provision is recognised in the statement of financial position when the Company has a legal obligation or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle that obligation, and a reliable estimate of the amount can be made. Provisions are discounted. If the obligation cannot be reliably measured, it is classified as a contingent liability.

Pension scheme arrangements
The Company operates a defined contribution pension schemes for the benefit of employees. The amount charged to the profit and loss account is the contribution payable by the Company in the year.

Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Share Capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Foreign currencies
(a) Functional and presentation currency
Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is the Company's functional and presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation to year-end exchange rates of monetary assets and liabilities denominated in foreign

2. Summary of significant accounting policies and estimates (continued)

currencies are recognised in the income statements.

Government Grants
Government grants related to fixed assets, are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset, the grant is recognised in profit or loss over the life of the depreciable asset as a reduced depreciation expense

Receivables
Receivables are non-derivative financial assets with a fixed or determinable payment that are not quoted in an active market. After initial recognition loans and receivables are carried at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Assets carried at amortised cost
In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the group will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

Cash and cash equivalents
Cash and short-term deposits in the statement of financial position comprise cash at bank and short term deposits with a maturity of three months or less.

Intangible assets - Digital currency valuation
Digital currencies consist of cryptocurrency denominated assets such as Bitcoin and Litecoin; and are included in non-current assets as an intangible asset. Digital currencies are treated as intangible assets and carried at the spot rate they were earned at. The fair value is determined using the spot price of the currency on the date of receipt. Gain or loss is recognised in the profit and loss account at the point of sale. Digital currency is not amortised as the directors consider that it has an indefinite useful life. 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.

De-recognition of liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.
When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Share-based payments
The company operates an equity-settled share option scheme for employees. There are no cash-settled schemes.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. The fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example sales growth targets and performance conditions).

All share-based payments are ultimately recognized as an expense in the Statement of Comprehensive Income with a corresponding credit to shareholders' equity in the Balance Sheet. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are different to that estimated on vesting. Upon exercise, the proceeds received for share options, net of any directly attributable transaction costs up to the nominal value of the shares issued, are allocated to share capital with any excess being recorded as share premium.

3. Financial risk management

The Company is exposed, in varying degrees, to a variety of financial related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts as well as its trade and other receivables which have a balance of £777,316 as at December 31, 2017. The majority of cash is deposited in bank accounts held with one major bank in Sweden and one major bank in the United Kingdom so there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company's secondary exposure to risk on its energy taxes receivable is minimal since it is refundable from stable governments.

The Company has implemented certain operational processes and policies to address the Company's credit related risks around customer payment default and other transactional impacts. Transactional bad debt risk is managed by transactional controls, regular monitoring and reporting of revenues and debtors. If necessary, the Company will assess the relationship with the customer and is constantly managing any significant relationship. See note 12 for assessment of exposure related to trade debtors.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash and cash equivalent balances to ensure that it is able to meet its obligations as and when they fall 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.

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 affect the costs that the Company incurs in its operations as well as the currency in which the Company has historically raised capital. The Company's presentation currency is Pounds Sterling (£). Major purchases are transacted in Pounds Sterling (£) and Swedish Kronor, while financing to date has been completed in Pounds Sterling (£) and US Dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than an entity's functional currency. A portion of the Company's general and administrative costs are incurred mainly in currencies separate from each entity's functional currency, such as the Euro and the US Dollar. The fluctuation of these currencies in relation to the Pounds Sterling (£) will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of shareholders' equity. The Company's most significant foreign currency is the Swedish Kronor, and the net monetary position held in Swedish Kronor (in Pounds Sterling (£) equivalents) is £409,000.

Interest rate 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.

Digital Currency and Risk Management
Digital currencies are measured using level one fair values, determined by taking the rate from the largest digital currency exchanges. 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. The profitability of the Company is directly related to the current and future market price of coins; in addition, the Company may not be able liquidate its inventory of digital currency at its desired price if required. 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 coin sales. Digital currencies have a limited history and the fair value historically has been very volatile. Historical performance of digital currencies are not indicative of their future price performance. The Company's digital currencies currently consist of Bitcoin and Litecoin, and a 25% variance in the price of these currencies could have a £216,000 impact on the Company's earnings before tax.

4. Revenue

The Company's operations are centred on providing data centre services. Management therefore considers there is only one reporting segment for the Company.

The geographical split of revenue by customer location is as follows:

	2017	**2017**	2016	2016
	£	**£**	£	£
	Data Centre Services	Digital Currency Services	Data Centre Services	Digital Currency Services
United Kingdom	**63,435**	**-**	216,581	-
USA	**-**	**457,320**	-	142,927
Europe	**745,689**	**81,608**	65,444	-
	809,124	**538,928**	282,025	142,927

5. Expenses by nature

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£
Cost of sales		
Direct costs	424,934	444,304
Administrative expenses		
Depreciation of property, plant and equipment	**369,374**	237,479
Employee benefit expense (see note 8)	**545,634**	502,774
Marketing and customer acquisition costs	**161,890**	102,787
Professional fees	**583,335**	173,686
Share based options expense	**122,688**	-
Realised gains on sale of digital currency	**(1,106,317)**	(288,711)
Other expenses	**554,282**	54,472
Total administrative expenses	**1,230,886**	782,487
Total cost of sales and administrative expenses	**1,655,820**	1,226,791

6. Auditor Remuneration

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£
Fees payable to the Company's auditors for the audit of the Company	**55,000**	-
Fees payable to the Company's auditors for the audit of the subsidiaries	**19,027**	
Fees payable to the Company's auditors for other services:		
- Tax advisory services	-	-
- Fees payable for other services	-	-
Total auditor remuneration	**74,027**	-

7. Finance income and costs

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£
Interest on 8% convertible loan notes	464	-
Total finance costs	464	-

8. Directors' emoluments and employees

(a) Employee benefit expense

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£
Employee costs during the year (including directors)		
Wages and salaries	484,719	449,674
Social security costs	59,832	53,100
Share based payments	122,688	-
Other pension costs	1,083	-
Total	668,322	502,774

(b) Average number of people employed

	Year ended 31 December 2017	Year ended 31 December 2016
Average number of people employed during the year	Number	Number
Sales and marketing	2	2
Operational	7	6
Total	9	8

(c) Directors' emoluments and key management compensation

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£
Directors' emoluments		
Wages and salaries	31,000	107,665
Social security costs	3,998	12,619
Share based payments	-	-
Aggregate emoluments	34,998	120,284

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£
Highest paid director		
Wages and salaries	25,000	58,332
Social security costs	3,450	6,931
Share based payments	-	-
Aggregate emoluments	28,450	65,263

Key management of the Company are the directors of the Company and are included above.

9. Pension Scheme

The Company operates a contribution scheme for which the pension cost charges for the year amounted to £1,083 (Dec 2016: nil). As at 31 December 2017, £887 has been included in the trade and other payables for contributions (Dec 2016: £nil) to be paid over.

10. Tax

The tax charge / (credit) represents:

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£
Current tax		
Current tax - UK	-	-
Foreign taxation	-	-
Adjustment in respect of previous period	-	-
Total current tax	-	-
Deferred tax – current year	-	-
Deferred tax – prior year	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	-	-
Total current and deferred tax relating to items of OCI	-	-
	-	-

Domestic income tax is calculated at the domestic effective tax rate of 19.25% (2016: 20%) of the estimated assessable profit for the year.

The tax charge for the year can be reconciled to the profit per the Income Statement as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£
Profit / (loss) before tax	**(308,232)**	(801,839)
Tax at UK rate 19.25% (2016: 20%)	**(59,334)**	(160,368)
Effect of:		
Income not taxable for tax purposes	**(20,351)**	
Foreign tax rates	**11,325**	-
Rate changes	**(27,605)**	-
Tax losses not recognised as a deferred tax asset	**95,965**	160,368
Tax charge for the year	-	-
Corporation tax asset / (liability) provided		
Opening 1/1/2017 and closing 31/12/2017	-	-

10. Tax (continued)

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Due to history of taxable losses and uncertainty regarding of timing of utilisation management estimates that no taxable profits will be available in the foreseeable future. There were no deferred tax assets or liabilities recognised at the current or prior year end. After the processing of the 2017 tax result, the tax losses currently amount to approximately £1.7m

11. Property, plant and equipment

	Land & Buildings	Plant & Machinery	Office Equipment	Total
	£	£	£	£
Cost				
As at 1 January 2016	1,451,281	1,001,307	32,745	2,485,333
Additions	20,480	526,155	-	546,635
Effect of foreign exchange	158,835	124,621	-	283,456
At 31 December 2016	1,630,596	1,652,083	32,745	3,315,424
Additions	**1,070,100**	**1,150,008**	3,322	**2,223,430**
Effect of foreign exchange	**17,587**	**17,702**	-	**35,289**
At 31 December 2017	**2,718,283**	**2,819,793**	**36,067**	**5,574,143**
Accumulated Depreciation				
As at 1 January 2016	8,875	94,827	30,653	134,355
Charge for year	29,329	206,597	1,513	237,439
Effect of foreign exchange	1,829	16,405	-	18,234
At 31 December 2016	40,033	317,829	32,166	390,028
Charge for year	**34,049**	**333,730**	**1,595**	**369,374**
Effect of foreign exchange	**418**	**3,205**	-	**3,623**
At 31 December 2017	**74,500**	**654,764**	**33,761**	**763,025**
Net book value				
At 31 December 2017	**2,643,783**	**2,165,029**	**2,306**	**4,811,118**
At 31 December 2016	1,590,563	1,334,254	579	2,925,396
At 1 January 2016	1,442,406	906,480	2,092	2,350,978

12. Intangible assets – digital currency

	£
Cost	
As at 1 January 2016	-
Additions	277,423
Disposals	(66,764)
Effect of foreign exchange	-
At 31 December 2016	**210,659**
Additions	591,363
Disposals	(632,942)
Effect of foreign exchange	(168)
At 31 December 2017	**168,912**

No amortisation has been charged against digital currency during the year as it is treated as having an indefinite useful life.

13. Trade and other receivables

	31 December 2017	31 December 2016	1 January 2016
Current Debtors	£	£	£
Current trade receivables (less than 30 days) - net	76,968	63,857	2,175
Accounts receivable (net)	76,968	63,857	2,175
Tax receivable (VAT & energy tax rebate)	457,814	20,795	30,652
Prepayments	242,534	149,035	207,015
Other debtors	-	-	309,383
Total current trade and other receivables	777,316	233,687	549,225

The Company does not hold any material trade receivables over one year. The Company has not recorded a provision for uncollected trade receivables.

14. Cash and cash equivalents

	31 December 2017	31 December 2016	1 January 2016
	£	£	£
Cash and cash equivalents	995,475	1,443,905	161,273
Total cash and cash equivalents	995,475	1,443,905	161,273

15. Trade and other payables

	31 December 2017	31 December 2016	1 January 2016
	£	£	£
Trade payables	651,286	111,590	217,775
Other taxation and social security	26,901	17,217	14,804
Other payables	183,326	234,412	86,134
Accrued expenses	333,959	19,920	7,811
Deferred income	-	225,214	257,616
Total trade and other payables	1,195,472	608,353	584,140

16. Borrowings

	31 December 2017	31 December 2016	1 January 2016
	£	£	£
Short-term borrowings	43,435	-	3,897,227
Total borrowings	43,435	-	3,897,227

In November 2017, the Company issued an unsecured convertible loan note with two key shareholders with annual interest rate of 8%. Interest is charged to finance costs in the income statement.

In the year ended 31 December 2016 the company repaid a loan from David Rowe, a director of the company, of £4.2m. The repayment of the loan was settled by the issue of 150,137 shares.

17. Shareholder Capital and Reserves

The balance on the share capital account represents the aggregate nominal value of all ordinary shares, with full right regarding voting, participation and dividends, in issue to the parent company. All ordinary shares have a nominal value of £1.00.

	Note	Share capital	Share premium	Share option reserve	FX reserve	Retained earnings	Total Equity
		£	£	£	£	£	£
Balance at 1 Jan 2016 (unaudited)		518,459	-	-	21,072	(1,959,422)	(1,419,891)
Total profit / (loss) for the year		-	-	-	-	(801,839)	(801,839)
Issue of share capital	17	401,152	6,075,301	-	-	-	6,476,453
Share options credit		-	-	-	-	-	-
Foreign exchange movement		-	-	-	(49,429)	-	(49,429)
Balance at 31 Dec 2016		919,611	6,075,301	-	(28,357)	(2,761,261)	4,205,294
Total profit / (loss) for the year		-	-	-	-	**(308,232)**	**(308,232)**
Issue of share capital	17	**167,473**	**1,416,435**	-	-	-	**1,583,908**
Share options credit	18	-	-	**122,688**	-	-	**122,688**
Foreign exchange movement		-	-	-	**(89,744)**	-	**(89,744)**
Balance at 31 Dec 2017		**1,087,084**	**7,491,736**	**122,688**	**(118,101)**	**(3,069,493)**	**5,513,914**

18. Share based payments

The company enters into equity-settled share-based payment transactions with its employees.

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the year during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured taking into account the terms and conditions upon with the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. The proceeds received net of any directly attributable costs are credited to share capital (nominal value) and share premium when the options are exercised.

As the shares are exercisable with the parent Company, the Company recognises the impact of share-based payments granted to other equity reserves.

18. Share based payments (continued)

Compensation Plan

The fair value of the awards granted under the EMI and the assumptions used in the calculation of the share-based payment expense are as follows:

Valuation model	Estimation model to predict Company standard deviation
Date of grant	(2 March 2017 to 31 August 2017)
Option expiration date	3 years from grant date
Number granted	(2.7k to 7.7k)
Exercise price	£0.01 to £9.58
Expected life of award	Three years
Vesting conditions	Time based (nil years to 3 years of service)

The total amount to be expensed over the vesting year is determined by reference to the value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each Statement of Financial Position date, the entity revises its estimates of the number of options that are expected to vest, with any changes in estimate recognised in the income statement, with a corresponding adjustment in equity as per IFRS 2, and is as follows:

	31 December 2017 £	31 December 2016 £
Share option expense	**122,688**	-

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Movements in the number of outstanding conditional awards of shares currently exercisable are as follows:

	31 December 2017 No. of Shares	31 December 2016 No. of Shares
At Beginning of year	-	-
Exercised	-	-
Granted	59,565	-
Forfeited/Cancelled	-	-
Outstanding at end of year	59,565	-
Vested at end of year	-	-

The Company did not have any treasury shares granted or issued and outstanding as of 31 December 2017.

19. Commitments

19(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised in liabilities is as follows:

	31 December 2017 £	31 December 2016 £
Property, plant and equipment	816,998	-

19(b) Non-cancellable operating leases

The Group leases office space under non-cancellable operating leases expiring with three years.

Commitments for minimum lease payments in relations to non-cancellable operating leases are payable as follows:

	31 December 2017 £	31 December 2016 £
Within one year	35,400	-
Later than one year but not later than five years	31,121	-
Later than five years	-	-
	66,521	-

The Company has various commercial agreements with vendors. The Company does not have any contingencies as of 31 December 2017.

20. Subsidiaries

Hydro66 UK Limited owns the following operating subsidiaries:

	Shareholding	Class	Country of Incorporation	Principal activity
Megamining Limited	100%	Ordinary	England	Provision of digital mining services
Hydro66 Svenska AB	100%	Ordinary	Sweden	Colocation & Digital Currency Transaction Services
Hydro66 Services AB	100%	Ordinary	Sweden	Colocation

21. Related party transactions

Key management are considered to be the Directors. Details of emoluments are disclosed in note 8.

During the year ended 31 December 2017 the company issued a loan note and received £43k from David Rowe (2016: £nil). During the year ended 31 December 2016 the company repaid a loan from David Rowe, a director of the company, of £4.2m. The repayment of the loan was settled by the issue of 150,137 shares.

Hydro66 Svenska AB, a sister company of which David Rowe and Richard Croft are directors, provided hosting services to Megamining Ltd. 2017: £17k; 2016: £76k

Croft Legal Services Ltd, of which Richard Croft is a Director, provided legal services to Megamining Ltd. 2017: £78k; 2016: £67k.

Kurchakee Ltd, of which David Rowe is a director, bought finance and legal services and office space from Megamining Ltd. 2017: nil; 2016: £44k.

Black Green Capital Ltd, of which David Rowe and Richard Croft are directors, bought finance and legal services from Megamining Ltd. 2017: £8k; 2016 nil.

Moiety AB (formerly known as Cloud Autograf AB), of which Anne Graf is a director, provided consultancy services to Hydro66 Svenska AB. 2017: SEK 1,885,664; 2016: SEK 418,792.

0920 Media AB (brand name Meramedia), of which Anne Graf is a director, provided marketing services to Hydro66 Svenska AB. 2017: SEK 671,618; 2016: SEK 328,038.

Incita AB. Anne Graf is a director of this company. In 2016, Hydro66 Svenska AB purchased SEK 49 260 of marketing services from Incita AB. There were no transactions with this company in 2017.

B-chain e-services AB. Anne Graf is a director of this company. Hydro66 Services AB provided space and power to B-chain e-services AB. 2017: USD 596 156. 2016: nil.

22. Ultimate parent company

The ultimate controlling entity is Hydro66 UK Ltd. The ultimate controlling party is David Rowe, who owned 53.3% of the company at 31 December 2017.

23. Post financial statement events

On 15 February 2018, a sale purchase agreement was executed to sell 100% of the company to Arctic Blockchain Ltd. As consideration for the sale the shareholders of Hydro66 UK Ltd were issued 80% of the shares and rights to subscribe to further shares in Arctic Blockchain Ltd.

24. Transition to IFRS

These consolidated financial statements represent the first annual financial statements prepared in accordance with IFRS as adopted by European Union. The Company adopted IFRS 1, First-time Adoption of International Financial Reporting Standards. The accounting policies set out in note 2 have been applied on a retrospective basis in preparing the financial statements for the year ended 31 December 2017, the comparative information presented in these financial statements for the Year ended 31 December 2016 and in preparation of the opening IFRS statement of financial position at 1 January 2016. This is the first year that the Company has prepared consolidated financial statements so there is no reconciliation between previous reporting and IFRS.

24. Transition to IFRS - continued

IFRS Mandatory Exceptions

Set forth below are the applicable mandatory exceptions in IFRS 1 applied in the conversion from UK GAAP to IFRS;

Estimates

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under UK GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Hydro66 UK Limited
Management Discussion & Analysis
31 December 2017

The following discussion is management's assessment and analysis of the results and financial condition of Hydro66 UK Limited (the "**Company**" or "**Hydro66**"), and should be read in conjunction with the accompanying annual report and financial statements and related notes. The preparation of financial data is in accordance with International Financial Reporting Standards ("**IFRS**") and all figures are reported in Pounds Sterling (£) which is the functional currency of the Company unless otherwise indicated.

This MD&A contains information up to and including February 28, 2018.

Overall performance

The principal activities of Hydro66 during the year were, and will continue to be, the provision of colocation services.

Hydro66 delivers low-cost, environmentally-friendly colocation services. Using locally generated clean green hydropower, Hydro66's first data centre is located in the leading cloud and data centre cluster in the Nordics, in Northern Sweden. This gives customers the ability to reduce their carbon footprint while providing cost savings against the traditional colocation model.

The Company also contributes a small amount of its computing power to digital currency pools. For its contribution to the pools the Company receives income in the form of digital currencies.

The prospects for Hydro66 are very healthy. The Company continues to enhance its position in the North of Sweden with a 15.6 MW expansion underway and planned for completion by Spring 2018.

Selected Annual Financial Information

The Company closed the year ended 31 December 2017 in a strong financial position with closing cash and cash equivalents of £1m (2016: £1.4m); and closing digital currencies recorded as intangible assets of £0.2m (2016: £0.2m).

Net assets at 31 December 2017 increased to £5.5m from £4.2m as at 31 December 2016.

No dividends were paid during the year.

Revenue and EBITDA, two of the key financial metrics were reported as follows for the past three years:

	Year ended December 31 2017	**Year ended December 31 2016**	**Year ended December 31 2015**
Revenue [£]	**1.3m**	0.4m	0.3m
EBITDA [£]	**0.1m**	(0.6m)	(1.4m)

Revenue saw high growth over 2017, up 225% on the previous year reflecting the sell out during the year of the existing space and earnings from digital currency pools.

The table below shows the split of revenues for each of the reportable segments:

	2017	**2017**	**2016**	**2016**
	£m	**% of total**	**£**	**% of total**
Colocation	0.8m	60%	0.3m	66%
Digital currency verification services	0.5m	40%	0.1m	34%
Total	**1.3m**		**0.4m**	

Data centers are increasingly under the spotlight as being energy-intensive, and with that scrutiny comes the need for innovation and transparency. Large numbers of companies are realising the environmental and cost benefits of locating processing power in a cool climate close to abundant green power. The Hydro66 data centre is ideally located to deliver these benefits. Hydro66 is uniquely positioned to deliver colocation for crypto currency mining, enterprise data space and digital currency verification services (self-mining).

The consolidated financial statements of Hydro66 have been prepared in accordance with IFRSs as adopted by the European Union, IFRS Interpretations Committee ("**IFRS IC**") interpretations and the Companies Act 2006 applicable to the companies reporting under IFRSs

The financial statements are presented in Pounds Sterling (£) which is also the functional currency of the Company.

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates which are detailed below. These accounting policies were consistently applied for all the years presented.

Critical accounting policies

Revenue
Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services, stated net of discounts and returns. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities. Revenue represents amounts invoiced for the provision of data centre services, including space and power.

The Company also recognizes revenue from the provision of transaction verification services within digital currency networks. As consideration for these services, the Company receives digital currency from each specific network in which it participates.

Revenue is measured based on the fair value of the currency received. The fair value is determined using the spot price of the currency on the date of receipt. The currency is recorded on the statement of financial position, as an intangible asset at the spot rate. Realised gains or losses, as well as gains or losses on the sale of currency for traditional (fiat) currencies are included in profit and loss. There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting of digital currencies and management has exercised significant judgement in determining appropriate accounting treatment. Management has examined various factors surrounding the substance of the Company's operations and the guidance in IAS 18, Revenues, including the stage of completion being the completion and addition of a block to a blockchain and the reliability of the measurement of the digital currency received. In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies which could result in a change in the Company's financial position and earnings.

Intangible assets - Digital currency valuation
Digital currencies consist of cryptocurrency denominated assets such as Bitcoin and Litecoin; and are included in non-current assets as an intangible asset. Digital currencies are treated as intangible assets and carried at the spot rate they were earned at. The fair value is determined using the spot price of the currency on the date of receipt. Gain or loss is recognised in the profit and loss account at the point of sale. Digital currency is not amortised as the directors consider that it has an indefinite useful life. 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.

Results of operations

Net sales increased from £0.4m to £1.3m from 2016 to 2017. The increase in sales was driven by the sell-out of data centre space and the revenue earned from providing transactional verification services to the digital currency pools which rose from £0.1m in 2016 to £0.5m. The increase in revenue from the digital currency pools was driven by the increase in prices seen in 2017 of both Bitcoin and Litecoin.

Cost of sales remained constant at £0.4m, but the overall gross margin increased from 0% to 68%. The increase was driven by the reduction of energy tax for Data Centres in Sweden.

Hydro66 is expanding its existing site to have 18.9 MW deployed by Q3 2018. A strong pipeline is likely to ensure that the capacity is pre-sold. Hydro66 also remains in an excellent position to be opportunistic and flexible for further self-mining.

Summary of quarterly results

The table below shows the quarterly results for the last eight quarters:

Quarter	12/31/17	9/30/17	6/30/17	3/31/17	12/31/16	9/30/16	6/30/16	3/31/16
Revenue - GBP	458,914	427,643	354,463	107,031	172,624	74,192	128,175	49,961
Net income from continuing operations - GBP	401,276	(229,073)	(119,623)	(360,812)	(227,717)	(338,612)	(85,048)	(150,462)
Net income/loss in total and on per share basis - GBP	0.37	(0.21)	(0.13)	(0.39)	(0.25)	(0.37)	(0.16)	(0.29)

Revenue for the last eight quarters shows continued growth resulting from the sell-out of the capacity available at the end of 2017, and the increased income from the digital currency mining pools.

Liquidity

Hydro66 is forecast to be cash flow positive in Q2 2018 and will continue to generate the cash to support the business.

On 15 February 2018, a sale purchase agreement was executed to sell 100% of the company to Arctic Blockchain Ltd. As consideration for the sale the shareholders of Hydro66 UK Ltd were issued 80% of the shares and rights to subscribe to further shares in Arctic Blockchain Ltd.

To accelerate the growth plan, on 1 March 2018 Arctic Blockchain Limited transferred CAD 9m to Hydro66. This will ensure that existing growth plan to 18.9 MW will be delivered in 2018.

Hydro66 does not expect a working capital deficiency. Hydro66 has no debt. Hydro66 has no capital lease obligations. Hydro66 has no other material long term obligations.

Capital Resources

As at 31 December 2017, Hydro66 had capital commitments of £0.8m for the build and fit out of a data hall. Hydro66 had the funds in place, both in cash and in digital currency assets held, to meet these commitments.

Expenditure not yet committed at 31 December 2017 required to complete the expansion to 18.9 MW was £6.4m. This will be funded by the cash generated from the existing business and the loan from Arctic of CAD 9m on 1 March 2018.

Off-Balance Sheet Arrangements

Hydro66 does not have any off-balance sheet arrangements.

Transactions with Related Parties

During the year ended 31 December 2017 the company issued a loan note and received £43k from David Rowe (2016: £nil). During the year ended 31 December 2016 the company repaid a loan from David Rowe, a director of the company, of £4.2m. The repayment of the loan was settled by the issue of 150,137 shares.

Hydro66 Svenska AB, a sister company of which David Rowe and Richard Croft are directors, provided hosting services to Megamining Ltd. 2017: £17k; 2016: £76k

Croft Legal Services Ltd, of which Richard Croft is a Director, provided legal services to Megamining Ltd. 2017: £78k; 2016: £67k.

Kurchakee Ltd, of which David Rowe is a director, bought finance and legal services and office space from Megamining Ltd. 2017: nil; 2016: £44k.

Black Green Capital Ltd, of which David Rowe and Richard Croft are directors, bought finance and legal services from Megamining Ltd. 2017: £8k; 2016 nil.

Moiety AB (formerly known as Cloud Autograf AB), of which Anne Graf is a director, provided consultancy services to Hydro66 Svenska AB. 2017: SEK 1,885,664; 2016: SEK 418,792.

0920 Media AB (brand name Meramedia), of which Anne Graf is a director, provided marketing services to Hydro66 Svenska AB. 2017: SEK 671,618; 2016: SEK 328,038.

Incita AB. Anne Graf is a director of this company. In 2016, Hydro66 Svenska AB purchased SEK 49 260 of marketing services from Incita AB. There were no transactions with this company in 2017.

B-chain e-services AB. Anne Graf is a director of this company. Hydro66 Services AB provided space and power to B-chain e-services AB. 2017: USD 596 156. 2016: nil.

Proposed Transactions

The Transaction between Arctic and Hydro

On February 15, 2018 Arctic and Hydro66 entered into a share purchase agreement (the "**Share Purchase Agreement**"), pursuant to which Arctic agreed to purchase and the Hydro66 shareholders agreed to sell all of the issued and outstanding shares in Hydro66, such that Hydro66 would become a wholly-owned subsidiary of Arctic (the "**Hydro Purchase**"). On February 28, 2018, Arctic and Hydro66 completed the Hydro Purchase and Hydro66 became a wholly owned subsidiary of Arctic.

Pursuant to the Share Purchase Agreement, and as a condition of completion of the Hydro Purchase, the following transactions occurred concurrent with or before the completion of the Transaction:

(a) **Financing** - Arctic completed a convertible debenture (the "**Convertible Debentures**") financing for gross proceeds of C$10,000,000 (the "**Financing**"). Each Convertible Debenture is convertible at the option of the holder into units of Arctic at an exercise price of $0.50 per unit. Each unit consists of one common share and one common share purchase warrant, where each warrant is exercisable into a common share of Arctic at a price of $0.75 for a period that expires two (2) years from the completion of a liquidity event. Further, each Convertible Debenture will be automatically converted upon the completion of a liquidity event. The Financing was completed on February 27, 2018.

(b) **Consideration to Hydro66 shareholders** - Pursuant to the terms of the Share Purchase Agreement, the consideration to be paid to the Hydro66 shareholders consisted of the following:

   a. the issuance of 100,000,000 Arctic common shares to the former shareholders of Hydro66; and
   b. the issuance of 25,000,000 common share purchase warrants of Arctic to the former shareholders of Hydro66. Each warrant entitling the holder thereof to acquire, for a period of two years from a liquidity event, a common share in the capital of Arctic at a price of C$0.75.

As a final condition to completion of the Hydro Purchase, Arctic advanced C$9,000,000 to Hydro from the gross proceeds of the Financing immediately prior to closing. The Hydro Purchase was completed on February 28, 2018. Following completion of the Hydro Purchase, Hydro66 became a wholly owned subsidiary of Arctic and the former Hydro66 shareholders became shareholders of Arctic.

Changes in accounting policies

No changes in accounting policies are expected.

Financial Instruments and Financial Risk Management

The Company is exposed, in varying degrees, to a variety of financial related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

<u>Credit risk</u>

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts as at December 31, 2017. The majority of cash is deposited in bank accounts held with one major bank in the United Kingdom so there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash and cash equivalent balances to ensure that it is able to meet its short term and long term obligations as and when they fall due. The Company manages Companywide cash projections centrally and regularly updates projections for changes in business and fluctuations caused in digital currency prices and exchange rates.

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 affect the costs that the Company incurs in its operations as well as the currency in which the Company has historically raised capital.

The Company's presentation currency is the Pound Sterling and major purchases are transacted in Pound Sterling. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than an entity's functional currency. A portion of the Company's general and administrative costs are incurred mainly in currencies separate from each entity's functional currency. The fluctuation of these currencies in relation to the Canadian dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of shareholders' equity.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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.

SCHEDULE "D"
PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF THE ISSUER AS AT DECEMBER 31, 2017

HYDRO66 HOLDINGS CORP. (Formerly CAZA GOLD CORP.)

PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

HYDRO66 HOLDINGS CORP. (Formerly Caza Gold Corp.)
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	Caza Gold Corp. Dec 31, 2017 $	Hydro66 UK Limited. Dec 31, 2017 $	Arctic Blockchain Limited Dec 31, 2017 $	Pro Forma Adjustments *(Note 2)* $		Hydro66 Holdings Corp. Consolidated Pro Forma $
ASSETS						
Current assets						
Cash	-	1,690,815	10,801	78,094	(i)	
				(73,312)	(ii)	
				39,000	(iii)	
				10,000,000	(iv)	
				(121,355)	(v)	
				(300,000)	(viii)	11,324,043
Trade and other receivables	3,699	1,320,271	128	-		1,324,098
Total current assets	3,699	3,011,086	10,929	9,622,427		12,648,141
Non-current assets						
Property, plant and equipment	-	8,171,684	-	-		8,171,684
Intangible assets (digital currencies)	-	286,897	-	-		286,897
Total non-current assets	-	8,458,581	-	-		8,458,581
TOTAL ASSETS	**3,699**	**11,469,667**	**10,929**	**9,622,427**		**21,106,722**
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	30,895	2,030,509	3,150	-		2,064,554
Loans payable	-	73,775	-	(73,775)	(ii)	-
TOTAL LIABILITIES	30,895	2,104,284	3,150	(73,775)		2,064,554
SHAREHOLDERS' EQUITY						
Share capital	22,226,890	1,846,413	11,001	78,094	(i)	
				208,386	(i)	
				39,000	(iii)	
				(121,355)	(v)	
				(3,222)	(vi)	
				(22,226,890)	(vii)	
				1,000,000	(vii)	
				10,000,000	(iv)	13,058,317
Share premium	-	12,724,714	-	-		12,724,714
Share-based payments reserve	-	208,386	-	(208,386)	(i)	-
Foreign exchange reserve	-	(200,596)	-	-		(200,596)
Deficit	(22,254,086)	(5,213,534)	(3,222)	463	(ii)	
				3,222	(vi)	
				22,226,890	(vii)	
				(1,000,000)	(vii)	
				(300,000)	(viii)	(6,540,267)
TOTAL SHAREHOLDERS' EQUITY	(27,196)	9,365,383	7,779	9,696,202		19,042,168
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,699**	**11,469,667**	**10,929**	**9,622,427**		**21,106,722**

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

HYDRO66 HOLDINGS CORP. (Formerly Caza Gold Corp.)

PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited - Expressed in Canadian Dollars)

	Caza Gold Corp. Dec 31, 2017 $	Hydro66 UK Limited. Dec 31, 2017 $	Arctic Blockchain Limited Dec 31, 2017 $	Pro Forma Adjustments *(Note 2)* $	Hydro66 Holdings Corp. Consolidated Pro Forma $
Revenue	-	2,289,666	-	-	2,289,666
Expenses					
Direct costs (power)	-	721,750	-	-	721,750
Accounting and administration	40,273	22,993	-	-	63,266
Audit	-	202,167	-	-	202,167
Bank charges	-	1,625	9	-	1,634
Legal	11,433	990,794	1,670	-	1,003,897
Management	92,257	926,759	-	-	1,019,016
Office	27,914	77,702	191	-	105,807
Regulatory and filing	13,114	-	-	-	13,114
Depreciation	-	627,382	-	-	627,382
Other operating expenses	(19,080)	362,964	1,352	-	345,236
	165,911	3,934,136	3,222		4,103,269
Loss before other items	(165,911)	(1,644,470)	(3,222)	-	(1,813,603)
Other items					
Interest and other income	-	-	-	-	-
Finance expense	36,932	788	-	976 (ii)	38,696
Foreign exchange gain	(29,932)	(1,330,112)	-	(1,439) (ii)	(1,361,483)
Share-based compensation	-	208,386	-	-	208,386
Gain on debt settlement	(956,980)	-	-	-	(956,980)
Loss for the period from discontinued operations	2,988,539	-	-	-	2,988,539
Acquisition and listing expenses	-	-	-	1,000,000 (vii)	-
				300,000 (viii)	1,300,000
	2,038,559	(1,120,938)	-	1,299,537	2,217,158
Net loss for the period	**(2,204,470)**	**(523,532)**	**(3,222)**	**(1,299,537)**	**(4,030,761)**

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

1. Basis of Presentation

The unaudited pro forma consolidated financial statements of Hydro66 Holdings Corp. ("Hydro66"), as at December 31, 2017, have been prepared by management for inclusion in the Listing Statement of Hydro66 dated April 19, 2018 after giving effect to the proposed transactions and assumptions as described in Note 2.

The unaudited pro forma consolidated financial statements of Hydro66 have been prepared for illustrative purposes only for inclusion in Hydro66's Listing Statement relating to the letter of intent, dated March 12, 2018, providing for the amalgamation of Caza Gold Corp. and Arctic Blockchain Limited to form Hydro66 Holdings Corp. On [x], 2018, Caza Gold Corp, Arctic Blockchain Limited and Subco entered into an amalgamation agreement whereby Arctic Blockchain Limited and Subco will complete an amalgamation under the provisions of the BCBCA and upon completion of the amalgamation, Hydro66 will become a reporting issuer listed on the CSE.

On February 28, 2018, Arctic Blockchain Limited completed the acquisition of Hydro66 UK Limited. Arctic Blockchain Limited acquired 100% of the share capital of Hydro66 UK Limited. The consideration for the acquisition was 80% of the shares in Arctic Blockchain Limited. For accounting purposes, the transaction will be treated as a reverse takeover. Refer to Note 2.

The unaudited pro forma consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and compiled from and include:

(i) the audited consolidated financial statements of Caza Gold Corp. for the year ended December 31, 2017; and
(ii) the audited consolidated financial statements of Hydro66 UK Limited for the year ended December 31, 2017.
(iii) the audited financial statements for Arctic Blockchain Limited for the period ended December 31, 2017.

Completion of the amalgamation of Caza Gold Corp. and Arctic Blockchain Limited will result in the shareholders of Arctic Blockchain Limited holding the single largest interest in Caza Gold Corp. Accordingly, the amalgamation will be treated for accounting purposes as an acquisition by Arctic Blockchain Limited of Caza Gold Corp., and the consolidated financial statements will reflect a continuation of Arctic Blockchain Limited as the accounting parent. The unaudited pro forma consolidated financial statements show the combination of the companies and the assumptions in Note 2 as if they occurred on December 31, 2017.

In the opinion of management, the unaudited pro forma consolidated financial statements include all the adjustments necessary for fair presentation of the proposed transactions in accordance with IFRS. The accounting policies used in the preparation of the unaudited pro forma consolidated financial statements are consistent with Caza Gold Corp's accounting policies for the year ended December 31, 2017. The unaudited pro forma consolidated financial statements are not intended to reflect the financial position of Caza Gold Corp. which would have actually resulted had the transactions been effected on the dates indicated and not necessarily indicative of the operations and financial position that may be obtained in the future.

The unaudited pro forma consolidated financial statements should be read in conjunction with the historical financial statements and notes thereto of the financial statements referred to above, as well as other information referred to in the Listing Statement.

(Unaudited - Expressed in Canadian Dollars)

2. Pro Forma Adjustments and Assumptions

The unaudited pro forma consolidated financial statements have been compiled assuming the Acquisition occurred on December 31, 2017 and gives effect to the following:

Subsequent Events Which Have Occurred

(i) On February 20, 2018 the Hydro66 UK Limited option holders exercised a total of 59,565 share options resulting in the issuance of 45,978 new shares. The payment for these options was GBP 45,978 ($78,094). The associated share-based payments reserve was credited to the share capital account $208,386.

(ii) On March 1, 2018, a loan, plus interest, was repaid. The total repayment was GBP 43,163 ($73,312).

(iii) On February 23, 2018 Arctic Blockchain Limited completed a private placement of 5,000,000 units, at $0.01 per unit for gross proceeds of $50,000. Each unit consisted of one common share of the Company and one share purchase warrant entitling the holder to purchase an additional common share at a price of $0.50 per share for a period of one year from Listing. As at December 31, 2017, the Company had received $11,000 in share subscriptions.

(iv) Arctic Blockchain Limited completed a convertible debenture (the "Convertible Debentures") financing for gross proceeds of $10,000,000 (the "Financing"). Each Convertible Debenture is convertible at the option of the holder into units of Arctic Blockchain Limited at an exercise price of $0.50 per unit. Each unit consists of one common share and one common share purchase warrant, where each warrant is exercisable into a common share of Arctic Blockchain Limited at a price of $0.75 for a period that expires two (2) years from the completion of a liquidity event. Further, each Convertible Debenture will be automatically converted upon the completion of a liquidity event. The Financing was completed on February 27, 2018.

(v) Finders' fee and legal costs associated with the Debenture Financing in point (iv) totalled $121,355.

(vi) On February 28, 2018 Arctic Blockchain Limited acquired 100% of the share capital of Hydro66 UK Limited. The consideration for the acquisition was 80% of the shares in Arctic Blockchain Limited. For accounting purposes, the transaction will be treated as a reverse takeover with the equity accounts being presented as a continuation of Hydro66 UK Limited and, accordingly, the shareholders' equity of Arctic Blockchain Limited will be eliminated. The effective cost of the acquisition is the fair value of the net assets of Arctic Blockchain Limited.

On or Prior to Closing

(vii) The common shares of Caza Gold Corp. will be consolidated on a 76.3945 to 1 basis following which there will be 2,000,000 common shares issued and outstanding immediately prior to the Amalgamation and Caza Gold Corp. will change its name to "Hydro66 Holdings Corp." both effective immediately prior to the completion of the Amalgamation. For accounting purposes, the transaction will be treated as a reverse takeover with the equity accounts being presented as a continuation of Arctic Blockchain Limited and, accordingly, the shareholders' equity of Caza Gold Corp. will be eliminated. The net liabilities of Caza Gold Corp. acquired and recorded with an offsetting increase to listing expense, as a result of the reverse takeover, are as follows:

Deemed issuance of 2,000,000 common shares to the former shareholders of Caza	$1,000,000
The allocation of the consideration is as follows:	
Trade and other receivables	$3,699
Trade and other payables	($30,895)
Listing costs expensed	$972,804
Value attributed to Hydro66 shares issued	$1,000,000

(viii) Hydro66 expects to pay $300,000 as an estimate of legal, filing and other costs associated with the Acquisition.

(ix) Hydro66 UK Limited currently has an incentive stock option plan (the "**Plan**"). The Plan is the Hydro66 UK Limited's only equity compensation plan. As of the date of this Listing Statement, Hydro66 UK Limited has granted an aggregate amount of 6,600,000 stock options to its directors and officers for services provided or to be provided, directly or indirectly, to Hydro66 UK Limited. As the stock options are deemed to be granted, for the purposes of these pro forma consolidated financial statements, on December 31, 2017, there is no charge recorded for the granting of the options.

(x) Hydro66 UK Limited reports in pounds sterling (GBP). For the purposes of these pro forma consolidated financial statements the Statement of Financial Position and the Statement of Comprehensive Income of Hydro66 UK Limited have been translated at a rate of GBP 1 = $1.6985.

(Unaudited - Expressed in Canadian Dollars)

3. Share Capital

Share capital as at December 31, 2017 in the pro forma consolidated statement of financial position is comprised of the following:

	Number of shares	Dollar amount $	Note
Caza Gold Corp common shares issued and outstanding December 31, 2017	152,789,005	22,226,890	
Elimination of Caza Gold Corp's share capital balance on closing of Transaction	(152,789,005)	(22,226,890)	2(vii)
Hydro66 UK Limited common shares issued and outstanding December 31, 2017	1,087,084	1,846,413	
Conversion of share options in Hydro66 UK Limited	45,978	286,480	2(i)
Elimination of Hydro66 UK Limited shares	(1,133,062)	-	2(vi)
Arctic Blockchain Limited common shares issued and outstanding December 31, 2017	1,100,000	11,001	2(iii)
Arctic Blockchain Limited balance of share subscriptions	3,900,000	39,000	2(iii)
Debenture financing	20,000,000	10,000,000	2(iv)
Debenture financing costs	-	(121,355)	2(v)
Deemed issuance of resulting issuer's shares to the former shareholders of Caza	2,000,000	1,000,000	2(vii)
Issue of shares in Arctic Blockchain Limited for Hydro66 UK Limited	100,000,000	-	2(vi)
Fair Value of Arctic Blockchain assets acquired	-	(3,222)	2(vi)
	127,000,000	13,058,317	

4. PRO FORMA EFFECTIVE INCOME TAX RATE

The pro forma effective income tax rate that will be applicable to the operations of Hydro66 is projected to be 27%.

	%
Federal tax rate	15.00
Provincial tax rate	12.00
	27.00

CERTIFICATE OF
HYDRO66 HOLDINGS CORP.
(FORMERLY CAZA GOLD CORP.)

Pursuant to a resolution duly passed by its Board of Directors, Hydro66 Holdings Corp. (formerly Caza Gold Corp.), hereby applies for the listing of the above mentioned securities on CSE. The foregoing contains full, true and plain disclosure of all material information relating Hydro66 Holdings Corp. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto, this 8th day of June, 2018.

"Anne Graf" (signed)	*"David Rowe" (signed)*
Chief Executive Officer	Chairman
"Richard Patricio" (signed)	*"Richard Croft" (signed)*
Director	Director